



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Talent Management, Finance and Communication Division

PRESS RELEASE
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SECP allows funds managers to offer commodity schemes

ISLAMABAD; October 23: Keeping in view the record appreciation in global commodity prices, the Securities and Exchange Commission of Pakistan (SECP) has allowed the asset management companies (AMCs) to offer commodity schemes to investors.

The introduction of commodity scheme as particular class of collective investment schemes (mutual funds) was a longstanding demand of the local market. Following a comprehensive study of the market demand, the SECP has decided to allow a new category of commodity funds.

The introduction of new class of commodity funds will facilitate the AMCs to broaden their product range by offering commodity schemes to investors in addition to their conventional equity, money market and income funds. This will also enable small investors to take potential advantage of gains promised by the commodity market such as Gold through pooled investments being managed by professional fund managers.

It is pertinent to mention here that commodity as an asset class was available on a limited basis through investment in mutual funds, as some funds offered upto 20% exposure to gold through investment in gold future contract. However, no dedicated commodity fund could be launched to cater the growing demand for commodity trading through mutual funds.

The SECP also devised the minimum requirements for a commodity scheme after thorough consultation with the market participants and in accordance with the best international practices.

As per the prescribed requirements, investment in commodities by a fund can only be made through future contracts which are traded on an organized exchange such as Pakistan Mercantile Exchange and having commodities as the underlying assets. The Commodity funds are required to invest at least 70% of their assets in commodity future contracts which include both cash settled as well as deliverable contracts. The deliverable contracts, for the

time being, have only been allowed in gold as mechanism in place with exchange in term of physical delivery.

In order to ensure sufficient liquidity, commodity schemes must maintain at least 10% of their net assets in cash and near cash instruments. Further, such schemes as in case of other mutual funds that attract investment from the general public have been prohibited from gearing or leveraging. For managing commodity scheme, fund managers are required to have in place requisite infrastructure and skilled human resources.

The launch of commodity funds are expected to encourage savings culture in Pakistan by allowing investors to choose from a more diverse range of investment options and contribute to the development of the capital market.

TV TICKERS

1. The Securities and Exchange Commission of Pakistan (SECP), in its continued efforts to encourage product innovation, has allowed the asset management companies (AMCs) to offer commodity funds to the general public: Official Statement
2. The launch of commodity funds are expected to encourage savings culture in Pakistan: SECP
3. The minimum requirements for a commodity scheme devised after thorough consultation with the market participants and in accordance with the best international practices: SECP spokesperson

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