



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

*Strategy, Development and External Relations Department*

*Press Release*

## **SECP approves regulations for exchange traded funds for KSE**

**Islamabad, March 5:** As part of its mandate to develop the capital market in Pakistan, the SECP has approved regulations governing exchange traded funds (ETFs) for the Karachi Stock Exchange (KSE).

The trading in ETFs at the stock exchanges will provide investors with alternative investment avenues while allowing diversified portfolio of securities that track a benchmark index and improve liquidity in the market. Internationally, ETFs are among the fastest growing investment products which due to a growing demand are being customized to cover specific arrays of regions, sectors, stocks, commodities, bonds, futures and other asset classes.

The approved regulations will enable the stock exchange to list and regulate trading in ETFs which at their core are portfolios of securities that are traded like individual stocks on an exchange. The regulations broadly cover the listing procedure for ETFs, trading and clearing and settlement of ETF units, disclosure requirements for asset management companies, obligations of authorized participants, fee structure etc. Aspects related to market making by the authorized participants will be covered in the KSE's regulations for market making. The role of market makers remains crucial in trading ETFs as the arbitrage trades by these participants narrow the gap between ETF market prices and the net asset values of the indexed shares.

The ETFs in general provide investors with various benefits such as trading flexibility; diversification of overall portfolio and transparency in terms of publishing underlying holdings on a daily basis. The introduction of ETFs at the local exchanges will assist in bringing Pakistani capital market on a par with other regional and international jurisdictions.

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