



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Press Release

SECP approves regulatory requirements for exchange traded funds

ISLAMABAD, May 8: The SECP has prescribed detailed requirements for launching Index Tracking Exchange Traded Funds by the Asset Management Companies in Pakistan. Earlier, the SECP had approved regulations governing listing and trading of exchange traded funds (ETFs) on the Karachi Stock Exchange.

The SECP circular has stipulates the regulatory requirements for the authorization of ETFs, including investment restrictions, issuance and redemption of creation units, pricing and dealing, additional disclosure requirements, role of the authorized participants, and fees and expenses.

ETF is a hybrid between an open-end and closed-end mutual fund. It continuously issues shares which trade on a stock exchange and unlike a traditional open-end collective investment scheme (CIS), the ETF does not sell or redeem its individual shares (ETF shares) to and from retail investors at the net asset value. Instead, certain financial institutions known as authorized participant (AP) purchase and redeem ETF shares directly from the ETF in creation units.

The ETFs provide investors with a number of benefits including trading flexibility, portfolio diversification, lower expense ratio and transparency. The 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.

It is anticipated that innovation in investment products such as ETFs will help widen investors' choice and create new business opportunities for financial services providers like fund managers and brokers. In the longer term, the ETFs are expected to facilitate the development of capital market in Pakistan, particularly the mutual fund industry.

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