



SECP caps sales load on mutual funds at 3%

ISLAMABAD: July 31: The Securities and Exchange Commission of Pakistan (SECP), through circular No. 26 of 2015, has reduced existing maximum level of sales load, from 5% to up to 3%, that asset management companies (AMCs) are authorized to charge on sales of mutual fund units. The circular requires that no sales load shall be charged if an investor approaches the AMC directly for investment or where purchase transactions are done online.

The requirements also stipulate that the AMCs shall clearly disclose, at the time of investment, the maximum rate of sales load that is being charged to the unitholder. Furthermore, the AMCs are required to obtain duly signed acknowledgement from the unitholder to ascertain that all the terms and conditions along with details of sales load to be deducted, have been read and understood by the unitholder. The AMCs must also disclose to unitholders, within 48 hours of investment, the fees deducted and net amount invested in the mutual fund in the prescribed format.

The SECP has also directed the AMCs to adopt a uniform approach for allocation of net asset value (NAV) on receipt of applications for investment in mutual funds. At present, two practices prevail among the AMCs towards allocation of NAV, i.e. upon receipt of application along with payment instrument and upon realization of funds.

The said direction is aimed at bringing about uniformity within the mutual fund industry with respect to treating investors on a par and to enable them to make informed and timely decisions for investment. In order to ensure fair treatment to all unitholders, the SECP has directed AMCs to ensure that each payment instrument regarding investment in mutual funds received from investors is deposited expeditiously by utilizing the appropriate banking facility.

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However, the AMCs have been given flexibility that in case an AMC has a reason to believe that it is not prudent to allocate NAV upon receipt of application in case of a specific category of fund such as money market /income funds or particular investor/class of investor(s), it may exercise its own discretion and allocate NAV to such investors/class of investor(s) upon realization of payment instrument.

It is expected that these requirements will improve returns of mutual funds investors through reduced charges and build investors' confidence in the mutual fund products through enhanced disclosures. This will improve transparency and will enable the investors to make informed investment decisions.

The circular and direction are available on the SECP's website at <http://www.secp.gov.pk>.