



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

## ***PRESS RELEASE***

### **SECP outlines mechanism for outsourcing by AMCs**

ISLAMABAD, December 19: The Securities and Exchange Commission of Pakistan (SECP) has issued a Circular No 24/2013, prescribing detailed requirements for outsourcing of functions performed by asset management companies (AMCs) on behalf of collective investment schemes (CIS).

The SECP has provided flexibility to the AMCs in terms of delegating certain functions to a third-party service provider, except for some core duties such as investment decision making, risk management and compliance. However, the AMC remain fully accountable and responsible to the regulator and other stakeholders in terms of any of its delegated functions. The circular is available on the SECP's website.

The salient requirements prescribed through the circular, include an AMC to enter into a written service level agreement with the service provider, conduct its due diligence to assess service providers' capabilities and expertise in performing the functions being delegated. The AMCs must also procure a written undertaking from the service provider to maintain secrecy and confidentiality of information conveyed as a result of the delegation arrangement.

It is envisaged that this flexibility would allow the AMCs to opt for outsourcing of its basic functions, resulting in better focus on its core business/operations. Outsourcing may also lead to better economies of scale and lowering of costs in the larger interest of the investing public. Smaller firms and start-up companies may also be able to enter the market leading to market competition and improvement in the basic investment management services.

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