



Securities and Exchange Commission of Pakistan

Press Release

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For immediate release

Risk management and control guidelines by SECP for fund management industry

ISLAMABAD, July 19: Securities and Exchange Commission of Pakistan (SECP) has prescribed the risk management and control guidelines for asset management companies (AMCs). The purpose of these guidelines is to provide a general framework of risk management for mitigating risks associated with management of collective investment schemes (CIS).

These guidelines widely covers the broad aspects of risk management such as risk governance, risk management process and procedures, portfolio risk management and operational risk management. Moreover, guidelines also focus on identification of risks and its classification, stress testing, reporting and mitigation, thereby providing techniques and tools of risk management and formulation of policies/strategies to cope with disaster recovery and achieve the longer term objective of the CIS by the asset managers.

One of the most important risk controls an AMC can have is a risk conscious culture in which risks are well understood with the ultimate responsibility of supervising overall risk management function rest with risk management committee, which is generally a board level subcommittee formed for this purpose. Both the board and senior management should establish an organizational culture that places a high priority on effective operational risk management and adherence to sound operating controls.

These guidelines are based on best international practices on the subject and are aimed at enhancing the proactive environment on various aspects of risk management for AMCs and are flexible in the sense that AMCs can adapt them in line with the size and complexity of its business.

It is hoped that the guidelines will provide a useful reference for AMCs in developing and assessing their own risk management systems.

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