



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
FUND MANAGEMENT DEPARTMENT

No. SCD/CIRCULAR/ 171 /2024

December 23, 2024

Circular No. 25 of 2024

**Subject: Requirements for Investment Plans Offered Under Collective Investment Schemes**

The Securities and Exchange Commission of Pakistan ("the Commission") in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 44(8)(proviso) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations") hereby specifies the following terms and conditions for the Asset Management Companies (AMCs) in order to offer Investment Plans under the Collective Investment Schemes (CIS) managed by them:

**1. Eligible Categories to offer Investment Plans:** An AMC may offer Investment Plans under following categories of the CIS, provided that the Constitutive Documents of the CIS include the enabling provisions for the same:

- a. Fund of Funds Scheme;
- b. Fixed Rate/Return Scheme;
- c. Sovereign Income Scheme;
- d. Capital Protected Scheme;
- e. Asset Allocation Scheme; and
- f. Exchange Traded Funds:

Provided that the active perpetual Investment Plans (Plan) in CIS categories, other than those as specified above, shall be merged with a similar category of CIS in terms of Regulation 58(1)(m) of the Regulations and Circular No. 20 of 2009 after seeking approval of the Commission within hundred and eighty (180) days of issuance of this Circular or else the plan shall be revoked accordingly;

Provided further that the active fixed maturity Investment Plans in other CIS categories, except as specified above, shall continue to exist until the respective maturities without any further extension. Moreover, any approved Investment Plans that have not yet been launched and are inconsistent with the provisions of this Circular, shall cease to exist and may be resubmitted for seeking afresh approval of the Commission in accordance with the terms and conditions set forth in this Circular;

Provided further that Circular no. 3 of 2022 for Fixed Rate/Return Schemes, still remains applicable and binding upon all AMCs offering such schemes, until further notice or amendment by the Commission.

**2. Operational Requirements for Investment Plans:**

**a. Maximum Number of Investment Plans within a CIS:** An AMC shall only offer a maximum of six active Investment Plans, at any given point in time, within a Shell Structure CIS except Fund of Fund Scheme (FoF) and Asset Allocation Scheme (Asset Allocation) wherein such maximum limit shall be three, subject to following conditions:

- i. If a CIS is launched in a Shell Structure then, only one Investment Plan may be perpetual except FoF and Asset Allocation wherein all three Plans may be perpetual; and
- ii. In the event of the independent launch of a CIS, the allowable limit for Investment Plans within said CIS shall be constrained to a maximum of five limited life/fixed maturity Investment Plans. However, in case of FoF or Asset Allocation Scheme being offered/launched independently, no Investment Plan shall be allowed under such CIS.

All fixed rate/ return schemes shall be launched in the shell structure and maximum number of active Investment Plans shall not be more than ten (10) at any given point in time.



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Explanation: For the purposes of this clause the expression "Shell Structure CIS" means a CIS that exclusively enables a legal structure for launch of Investment Plans under the respective eligible categories as listed under Clause 1. In this context, it is clarified that a Shell Structure CIS does not offer its units for subscription, but rather, the units of the Investment Plans are made available for subscription to the investors/unitholders.

**b. Duration of the Plan:** The offering document or the supplemental offering document shall specify whether the plan is perpetual or of fixed maturity. In case of fixed maturity plans:

- i. Maximum Subscription Period from the date of close of Initial Offering Period (IOP) shall not exceed sixty (60) days. Provided that subject time-line can be extended along with detailed valid rationale and there shall be no contingent load on redemption during such period;
- ii. the maximum allowable duration/maturity of the Investment Plan from the date of close of IOP or Subscription Period (whichever is later) shall not be more than five years;
- iii. the AMCs shall clearly communicate the respective maturities and benchmarks of the Investment Plans prior to launch of Pre-IOP to the SECP and the trustee; and
- iv. all the investors at time of investment shall clearly be communicated about the expiry date of Subscription Period (if any) and consequent Maturity date of the respective Plan(s) from the date of close of expiry of the Subscription Period.

**c. Exposure Limits and Investment Restrictions:** Exposure limits and investment restrictions as applicable under the Regulations and/or the relevant Circulars/Directions for a respective category of CIS, shall be applicable to each Investment Plan, without exception and such limits shall be exercised at the level of each plan respectively.

**d. Benchmarks for Investment Plans:** Prevailing specified benchmarks for each category of CIS, shall be applicable for Perpetual Investment Plans in accordance with the respective category and shall be disclosed in its FMR accordingly. However, AMCs shall align the benchmarks for Fixed Maturity Investment Plans in accordance with the authorized investments and stated maturity periods for such Plans.

**e. Minimum Size of Investment Plans:** The minimum size of a single Investment Plan shall be fifty million rupees at all times during the life of the plan and all existing Investment Plans with the size of less than fifty million rupees shall ensure the compliance of this minimum size limit within ninety days of issuance of this Circular or it may revoke the subject plan or seek time from the Commission based on detailed rationale to merge the subject Investment Plan with a similar CIS or an Investment Plan.

However, this restriction shall not apply on fixed term/ return plans or other plans already launched with a fixed maturity date.

**f. Mode of Equity Exposure by Fund of Fund CIS:** Investment Plans under Fund of Fund including Active Asset Allocation (i.e. based on CPPI or similar strategy), for the sake of equity exposure shall only be structured on underlying dedicated equity CIS.

Explanation: for the purposes of this clause the expression "Dedicated Equity CIS" means a CIS wherein only qualified investors i.e. Investment Plans under fund of funds including Active Asset Allocation are eligible for investment. The net assets within this specified CIS are exclusively allocated to investments in listed equity securities.

**3. Disclosure Requirements and Investment Plan Report:**

**a. Specific Disclosure for Fund of Fund CIS:** Offering Document and the advertisements of such Investment Plans launched under Fund of Funds CIS, shall specifically disclose that the investors are



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bearing/ not bearing the recurring expenses of the Fund of Funds CIS, in addition to the expenses of underlying CIS.

**b. Disclosure of Additional Risk:** An AMC shall specifically disclose additional underlying risk to all the stakeholders specifically to the unitholders of the respective Investment Plans that in case of initiation of any legal proceeding or any case is filed against the CIS impacting any Investment Plan(s), may also affect the unit holders of other Investment Plan(s) under the same CIS.

**c. Separate Investment Plan Report:** An AMC will ensure that its Fund Manager Report (FMR) includes a summary page for a CIS with underlying Investment Plans providing details including but not limited to date of launch/IOP of the CIS/Plan, number of Investment Plans (Total, Active, Matured), respective maturities of each Plan, Risk Profile of the CIS, Risk Profile of Each Plan, cumulative Net Assets of the CIS and details of expenses at CIS level (Audit Fee, Shariah Advisory Fee, Rating, Formation Cost Amortization and other similar details). Furthermore, the FMR shall include a separate Investment Plan Report for each Investment Plan, as per the format prescribed by MUFAP. In case of Asset Allocation Plans and Active Asset Allocation Plans under Fund of Fund structure, the asset allocation, sector allocation (where applicable) and top ten holdings of underlying CIS(s) shall also be disclosed.

**4. General Requirements for Offering of Investment Plans:**

**a.** Relevant information including subscription period, plan duration, investment policy, authorized investments, risk profile, performance benchmark, management fee, sales load and/or contingent load (if any), designated bank account titles, risks disclosures, total expense ratio, and any other particular details unique to the Investment Plan, must be disclosed in the Offering Document/Supplemental Offering Document through which the Investment Plan(s) is being offered/launched;

**b.** The AMCs shall give at least a week's time to the prospective investors of the Investment Plans for studying the respective Offering Document;

**c.** The Pre-IOP subscription in all the Investment Plans being offered under the CIS shall only be initiated once a definite date for IOP is announced where such period shall not exceed a total of sixty (60) days;

**d.** The amounts/investments received during the Pre-IOP period shall remain locked-in till the date of IOP of the Investment Plans subject to an explicit disclosure at time of investment to the Pre-IOP investors regarding the lock-in period;

**e.** The aggregate proceeds of all Units issued from time to time by each of the Investment Plan, after deducting Duties and Charges, Transactions Costs and any applicable Sales Load, shall constitute part of the Trust Property. The property of each Investment Plan shall always be kept as separate property and in no way assets and liabilities of one Investment Plan shall be merged with any other Investment Plan. However, the trust property shall comprise of the assets of all Investment Plans launched under a CIS from time to time through an offering document or a supplemental Offering Document;

**f.** All Units and fractions thereof, of an Investment Plan under the CIS shall represent an undivided share in that respective Investment Plan, and shall rank *pari passu* according to the number of Units held by each Unit Holder of that Investment Plan, including as to the rights of the Unit Holder(s) in the Net Assets, earnings and the receipt of the dividends and distributions; and

**g.** An AMC shall compute and announce net asset value (NAV) of each Investment Plan(s) being managed by it, separately on a daily basis, latest by the time as specified in SECP Circular No. 11 of 2009 dated March 26, 2009 or as amended from time to time. This announcement shall be made available on the AMC's own website as well as on MUFAPs website.



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**5. Expenses Chargeable to the Investment Plans:**

**a. Total Expense Ratio (TER):** The TER for respective Investment Plans, as mandated under the Regulations for each category of CIS, shall be applicable without exception, in conformity with the corresponding category of the CIS. This application is to be proportionate to the net assets of each Investment Plan under the CIS.

**b. Formation Cost and its Amortization:** The formation cost, as per Regulation 60(2) read with Schedule XX, applies proportionately to the Investment Plans being offered under CIS. Formation cost shall not exceed 1.5% of the net assets at the close of the IOP for the first Plan(s), offered individually or simultaneously, or ten million rupees whichever is lower. Formation cost shall be amortized over a period of five years:

Provided that where the formation cost is not entirely amortized and the AMC introduces a new Investment Plan, the unamortized portion of the formation cost will be distributed proportionately among all operational Investment Plans based on the respective Net Assets at the close of the IOP for each Investment Plan. However, any initial expenses directly associated with the launch of the first Investment Plan(s) will not be charged from the subsequently launched plans, and vice versa.

Provided further that any Investment Plan(s) launched after the expiry of 5 years from the date of the first amortization of the formation cost for the respective CIS, such CIS or Investment Plan shall not bear or amortize any expenses incurred under the head of formation cost for the subject CIS.

**c. Other Expenses:** All the expenses mentioned in Schedule XX of the Regulations as may be amended from time to time, incurred directly by an Investment Plan shall be charged to the respective plan. Where the expenses are incurred for the CIS as a whole like Audit, Rating, Shariah Advisory fee etc., such expenses shall be allocated among the Investment Plans in proportion to the Net Assets of the respective Investment Plans.

**6. Applicable Fees on Investment Plans:**

**a.** An AMC shall file an application for seeking approval of the Commission for Investment Plans either through an offering document or a supplemental offering document in terms of Regulation 54 or Regulation 44(8) read with Regulation 54 of the Regulations along with a receipt evidencing the payment of non-refundable processing fee for each Investment Plan as specified in the Regulations; and

**b.** In terms of Regulation 62 of the Regulations, an Investment Plan shall deposit a non-refundable monthly fee in proportion to its net assets. This fee is to be in accordance with the prescribed rates specified for the respective category of the CIS as delineated under clause "C," Serial No. 2 of Schedule II of the Regulations:

Provided that in case of Fund of Fund Schemes, the non-refundable monthly fee shall be paid in proportion to the net assets of each Investment Plan invested in cash and near cash instruments in accordance with the prescribed rate specified for the Money Market Scheme as delineated under clause "C", Serial No. 2 of Schedule II of the Regulations.

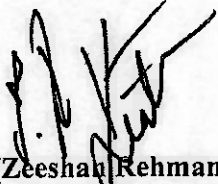
**7.** All general CIS operational requirements in terms of the Regulations, Circulars and or Directions, including but not limited to net asset calculation, net asset value calculation and dissemination, pricing, unit issue and redemption, connected party transactions, extinguishment/revocation and other requirements shall equally be applicable to the operations of an Investment Plan unless explicitly specified otherwise.

**8.** The CIS which are not compliant with above mentioned requirements shall ensure compliance within 180 days from the date of issuance of this Circular.



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9. In case of inability to observe, AMCs may approach the Commission for such further relocation as may be deemed appropriate on case-to case basis.

  
(Zeeshan Rehman Khattak)  
Commissioner (SCD)

**Distribution:**

1. Chief Executives of All Asset Management Companies.
2. Mutual Funds Association of Pakistan.
3. Trustees of Collective Investment Schemes.

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SECP

Issue of authority to operate. AMCA was granted the authority to issue orders as may be deemed appropriate in accordance with the law.

Chairman, AMCA

Distribution

1. Chief Executive of All Pakistan Fund Managers Association
2. Special Counsel General of Government
3. Director of Company Administration, SECP