



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALISED COMPANIES DIVISION
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT**

No. NBFCD/178/2012

June 11 , 2012

The Chief Executives of Asset Management Companies

Restriction on sharing of management fee by AMC's with Unit holders

The practice of sharing management fee earned by Asset Management Companies (AMCs) on Collective Investment Schemes (CIS) with the unit holders of CIS prevails in the mutual fund industry. This practice is considered as one of the factors that hampers the broadening of investor base which is imperative for sustainable growth of the mutual fund industry. Upon deliberation of this issue and considering the feedback of Mutual Funds Association of Pakistan (MUFAP), the Commission in exercise of powers conferred under section 282 D of the Companies Ordinance 1984, hereby directs all AMCs to comply with the following instructions:-

- a) AMCs shall not share, directly or indirectly, the management fee earned on CIS under its management with any of the unit holders of such CIS in any form whether in cash or in kind; and
- b) AMCs, while entering into an agreement with the distributor of Mutual Funds, shall ensure that such distributor does not share commission/fee in any form with the underlying unit holders of a CIS. Whenever an AMC becomes aware of any distributor sharing commission / fee received from AMCs with its clients (i.e. unitholders of a CIS), the AMC shall immediately report the same to MUFAP which may consider cancellation of registration of such distributor.

This direction shall come into force with immediate effect and all the AMCs are required to ensure meticulous compliance in letter and spirit. Any violation/circumvention of this direction shall be dealt with in accordance with the relevant provision of the Companies Ordinance 1984.


Asif Jalal Bhatti
Executive Director (SCD)

cc:

- I. Mutual Funds Association of Pakistan
- II. Trustees of Collective Investment Schemes