SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
NBFC DEPARTMENT

No. SECP/SCD/1/AMC/2008- 1026 December 01, 2008

The Chief Executive
All Asset Management Companies

Dear Sir,

Subject: **DIRECTION UNDER SECTION 282 D OF THE COMPANIES ORDINANCE, 1984**

Following issues have been observed while reviewing the various reports submitted by Asset Management Companies (AMCs) for their open-end funds:

(i) AMCs are executing transactions without the knowledge and consent of their respective trustees;

(ii) AMCs are allowing non-cash entry and exit to the Scheme without the knowledge of their respective trustees;

(iii) Flipping of the units of Scheme (i.e. redemption and re-issuance of units to the same unit holders based on different NAVs without cash settlement), are being entertained by the AMCs at their sole discretion without the knowledge and involvement of their respective trustees;

(iv) AMCs are entertaining redemption requests especially flipping of units without following the queue system; and

(v) AMCs are allowing netting-off and adjustment of assets of the scheme against the investment of unit holders at their sole discretion without knowledge and consent of their respective trustees;

Based on the above and to safeguard the interest of unit holders, 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 with immediate effect:

(a) No transactions, whatsoever in respect of the Scheme shall be executed without the knowledge and consent of the respective trustee;

(b) No entry or exit to the Scheme (including flipping of units) shall be allowed other than the cash settled transactions, based on the processing of formal redemption or issuance request. This shall not apply to bonus units issued;

(c) All the formal redemption and issuance requests shall be forwarded by AMCs to their respective trustees within twenty four hours of receipt of any such request following the queue system and the intra-day requests shall be entertained on first come first served basis; and

(d) No netting off and adjustment of assets of the Scheme shall be allowed against the investment of unit holders.

All non-cash settled transaction especially flipping of units of Scheme, netting off and adjustment of the assets of the Scheme executed after 5th October, 2008 shall immediately be unwound under intimation to this office.

Should there be any issues that are ambiguous (either in Trust Deeds or in the Regulations), AMCs and Trustees should refer such issues to SECP for clarification with a copy to Mutual Fund Association of Pakistan (MUFAP).

(AKIF SAEED)
Executive Director (SCD)

Cc:

All Trustees of Schemes

Mutual Fund Association of Pakistan

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