



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

No. SCD/AMCW/MUFAP / 185/2016

September 22, 2016

DIRECTION NO.31 of 2016

Subject: Cooling-off right for individual unit holders of open-end Collective Investment Scheme

The Securities and Exchange Commission of Pakistan ("the Commission") in exercise of the powers conferred under section 282D of the Companies Ordinance, 1984 hereby directs all Asset Management Companies (AMCs) to provide a right to the unit holders to obtain a refund of their first time investment (cooling-off right) in a collective investment scheme (CIS) managed by the AMC, if the unit holder so requests within the stipulated time period (cooling-off period). In this respect the AMC shall comply with the following:

- i. The cooling-off right, cooling-off period and procedure to exercise such right shall be adequately disclosed in the investment form signed by the unit holder at the time of purchase of units;
- ii. The cooling-off right shall be available to individual unit holders only;
- iii. The cooling-off right shall be available only for first time investment by an individual unit holder in a particular CIS;
- iv. The cooling-off period shall comprise of three business days commencing from the date of issuance of investment report to the unitholder as per Circular 26 of 2015;
- v. The cooling-off right shall be exercised by the unit holder upon written request to the AMC within specified cooling-off period;
- vi. The refund for every unit held by the unit holder pursuant to the exercise of a cooling-off right should be an amount equal to NAV per unit applicable on the date the cooling-off right is exercised.
- vii. The AMC shall also refund any sales load paid by the unit holder;
- viii. The contingent load shall be payable by the unit holder on exit from the CIS where such load is admissible as per the constitutive document of the CIS;

For the purpose of this direction, contingent load means the load charged upon redemption and which forms part of the CIS property.
- ix. The refund pursuant to the exercise of a cooling-off right shall be paid to the unit holder within six business days of receipt of written request from the unit holder; and

- x. The AMC shall also ensure that before signing of investment form, the investor is provided, the latest Fund Manager Report (FMR) in case of investment in an existing CIS. Whereas for new CIS, the AMC shall provide a fact sheet of the CIS containing information as per Section 1(Basic Fund Information) of FMR prescribed by MUFAP excluding Net Assets of CIS, NAV per unit, Fund Stability Rating and leveraging done by the CIS.

This Direction shall come into force with immediate effect. Any non-compliance will be dealt in accordance with prevalent regulatory framework.


(Imran Inayat Butt)
Executive Director (SCD)

Distributions:

1. Chief Executive Officers, Asset Management Companies
2. Mutual Funds Association of Pakistan
3. Trustees of Collective Investment Schemes