

11. MEMBERSHIP STRUCTURE OF MUFAP (AD-HOC) COMMITTEE

(1 meeting held in the period May 11, 2012 - July 9, 2012)

<u>Member</u>	<u>Meetings Attended</u>	<u>Member</u>	<u>Meetings Attended</u>
Nasim Beg (<i>Chairman</i>)	1 of 1	Mir Muhammad Ali	0 of 1
Amjad Waheed	1 of 1	Mohammad Shoaib	0 of 1
Imran Azim	0 of 1	Shamshad Nabi	1 of 1
M. Habib-ur-Rahman	1 of 1		

TERMS OF REFERENCE

- To consider if Trustees of Mutual Funds and Voluntary Pension Schemes can be admitted as full members of MUFAP.

ACTIVITIES' REPORT

The Committee held one meeting for this purpose to consider whether MUFAP should take trustees as full members or an associate member.

The Committee looked back towards history at the time when MUFAP was being formed in 1996. It had then deliberated at great length as to whether it was an association of AMCs or Mutual Funds. It had been decided that it will be an association to promote mutual funds and therefore was named accordingly. The members agreed that the Trustee is an integral part of the mutual fund/voluntary pension scheme's constitution. They are co-signatories to the constitutive documents (trust deed) with the AMC, therefore they have a very key role and are not just a service provider. The regulations also place a onus on trustee on a number of matters. Also Trustees are the custodian of Fund's property and investors' rights.

The Committee considered in detail the pros and cons and the value addition that the trustees can add to the Board as members. The areas where the Trustees can add value were discussed which included: accounting accrual issues, NAV based accounting issues, valuation of TFCs and other assets of the Funds (which is in fact the Trustee's responsibility as per the Regulations). Additionally they are essentially to be a part wherever MUFAP is introducing best practices and good governance standards in the industry. It will be beneficial for the industry if AMC and Trustees work together on main issues and go to SECP/other Government organizations as a combined front as it will help substantiate the matter.

The Committee had a consensus that the role of the trustee has been positive. The Committee recommended to the Board that the Trustees of mutual funds and voluntary pension schemes should be taken on as Full Members of MUFAP with full voting rights and full eligibility to contest in the elections of the Board and contribute to the fees of MUFAP. The Board has accepted this recommendation. MUFAP's management is currently in the process of amending its Articles of Association so that Trustees can be included as full members of MUFAP.