

12. MUFAP - SECP GOLD FUND CATEGORIZATION (AD-HOC) COMMITTEE

(2 meetings held in the period April 24, 2012 - July 9, 2012)

<u>Member</u>	<u>Meetings Attended</u>	<u>Member</u>	<u>Meetings Attended</u>
Nihal Cassim (<i>Chairman</i>)	2 of 2	Mustansir Shabbar	1 of 2
Abid Jamal*	1 of 1	Muhammad Umair Chauhan	2 of 2
Ali Alvi	2 of 2	Shehzad Mubashir	2 of 2
Junaid Khalid	1 of 2	Kamal Ali	2 of 2
Mohammad Asad	1 of 2	Zeeshan Rahman Khattak	2 of 2

(* Member since May 18, 2012)

ACTIVITIES' REPORT

The Committee held two meetings for this purpose. In the first meeting, the Committee invited the representatives from Pakistan Mercantile Exchange Ltd. (PMEX) who shared with the committee, a detailed presentation on the working and products of the PMEX. Gold is the most actively traded commodity at PMEX followed by Crude Oil and Silver. Salient features of Gold Contracts as well as deliverable Gold Contracts (physical delivery) which would be relevant for investments by Shariah Compliant Gold Funds were discussed. Internationally commodities are very actively traded. As Collective Investment Schemes (CIS) can invest up to 30% abroad, these new funds may be availing this option.

TERMS OF REFERENCE

- For the purpose of inclusion of a new category/asset class in the Categorization of CIS circular (Circular 7 of 2009), the MUFAP-SECP joint committee had been formulated to devise the investment parameters/criteria for this new type of Collective Investment Scheme which will have majority investment in Gold / Gold futures.

The Committee considered not only the investment parameters/ criteria but also various aspects pertaining to valuation, pricing mechanism & issuance and redemption of units, fee structure and other related operational issues. Further the Committee reviewed the same with respect to Shariah Compliant CIS (which would be a separate category) which would be delivery based. The Committee discussed the costs pertaining to these funds and feasibility. The Committee after much deliberation recommended the categorization for commodity as an asset class where Gold, Silver, Crude Oil etc. would be similar to sectors within that asset class. The Committee included the points where PMEX along with SECP would need to consider some changes in the PMEX to accommodate the CIS business. The Committee's recommendations for two categories, Commodity CIS & Shariah Compliant CIS, were submitted to the SECP on July 10, 2012 after the approval of the Board of Directors. The SECP on October 18, 2012 notified the "Commodity Scheme" as a new asset class of Collective Investment Schemes.

