

14. STRENGTHENING THE ROLE OF MUFAP (AD-HOC) COMMITTEE

(2 meetings held in the period April 24, 2012 - June 14, 2012)

<u>Member</u>	<u>Meetings Attended</u>	<u>Member</u>	<u>Meetings Attended</u>
M. Habib-ur-Rahman (<i>Chairman</i>)	2 of 2	Nihal Cassim	2 of 2
Amjad Waheed	2 of 2	Tara U. Dawood	0 of 2
Babar Ali Lakhani	1 of 2	Shamshad Nabi	2 of 2
Mohammad Shoab	0 of 2	Mashmooma Z. Majeed	2 of 2
Nasim Beg	2 of 2		

ACTIVITIES' REPORT

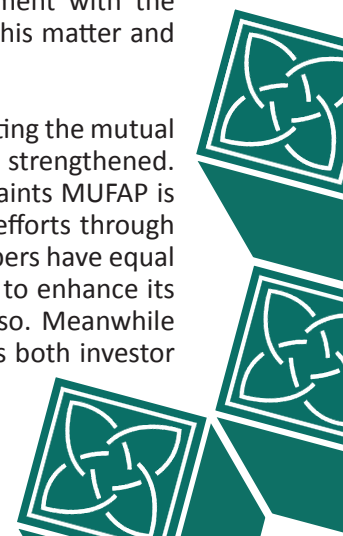
MUFAP Committee appreciated that SECP considers MUFAP as a key partner in accomplishing sustainable growth and development of the mutual funds industry and therefore is keenly interested in the development and strengthening of MUFAP. In a well prepared document, where the role of associations in five jurisdictions (USA, Canada, Malaysia, India and Singapore) was examined and SWOT analysis of MUFAP was carried out, SECP had asked MUFAP as to what its role should be, what it should do to befit that role and the help it needed from SECP. SECP also pointed out certain structural weaknesses in MUFAP to take up SRO status. These were weaknesses in management, infrastructure, that the board of directors was only representative of AMCs and dominance of few AMCs at Board and Committees level. The SECP requested MUFAP to consider their recommendations for a balanced representation of all stakeholders on MUFAP's Board.

The Committee studied the industry associations in those five countries studied by SECP and fourteen other countries (UK, Australia, New Zealand, Philippines, Thailand, Taiwan, Brazil, Belgium, Hong Kong, Sweden, Japan, Austria, Luxembourg and Finland). Before consideration on MUFAP role the Committee deliberated on SRO status. The study of other jurisdictions showed that in only three jurisdictions (Malaysia, Taiwan and Japan) out of nineteen associations have SRO status. Board of Directors in these three jurisdictions only was composed of other stakeholders apart from AMC. The Committee was of the opinion that MUFAP role should be to promote the industry and not to take up SRO role. If MUFAP took up the SRO role, perhaps its role to promote mutual funds will be compromised. In MUFAP's view, regulatory role should be with SECP. If MUFAP comes across matters where regulatory intervention (investor complaints, regulatory, ethical issues, violations of Codes or Rules etc.) is required, MUFAP shall try to resolve at its level, failing which it should refer the matter to SECP, as it has done in past. As to representation on Board, since MUFAP was not seeking SRO status representation of other stakeholders was not required. The Committee observed that at Board and Committee levels every AMCs has equal opportunity to be represented. The MUFAP Board members were also in agreement with the Committee on SRO issue; a few members were of the opinion that MUFAP may not close this matter and re-examine at some future date.

The Committee reached the consensus that MUFAP needs to focus on developing and promoting the mutual fund industry. The Committee agreed about weaknesses in management that needed to be strengthened. MUFAP is working on a low budget, contributed by its members. Because of budget constraints MUFAP is working with few professional staff. MUFAP members are supplementing to management efforts through contribution at Board level and by forming committees. It was also pointed out that all members have equal opportunity to be on the Board and Committee and make contribution. MUFAP would like to enhance its research capabilities and for that it would need to enhance its technical infrastructure also. Meanwhile MUFAP also requires SECP's help in developing the asset management industry. This covers both investor

TERMS OF REFERENCE

- To study SECP's letter dated April 18, 2012 on Strengthening the Role of MUFAP and Paper prepared by them on "Assessing MUFAP and proposing ways to enhance its role";
- To study the 2nd letter from SECP dated June 5, 2012 on balanced and fair representation of stakeholders on Board of MUFAP;
- To finalize recommendations regarding the role MUFAP;
- To determine the assistance and support MUFAP would need from the SECP; and
- To submit the recommendations to the Board of Directors for approval and onward communication to SECP.



education/awareness to enhance the retail investor base as well as improving the rules/regulations to make them more conducive to offer innovative products and making the regulatory framework easy to work in.

The Committee outlined the Role of MUFAP which will broadly cover the following areas:

1. Policy Issues & Shaping Regulation
Representing the industry with the regulatory authority and Government agencies to ensure that the environment and infrastructure are available that can support the continued development of the industry.
2. Pressure Group for good corporate governance of listed companies and/ or companies offering securities for listing at Stock Exchanges and issuers of debt instruments.
Play an objective role to suggest ways and means to improve corporate governance, regulatory and legal procedures.
3. Market Practices - developing and implementing Mutual Fund Industry Codes and Guidelines
Encourage professional behaviour, quality products and services and integrity of all players involved by developing codes of conduct, transparency and good corporate governance and ethical & professional standards of the industry.
4. Investor Awareness & Education
Protect the interests of the investing public and make them more knowledgeable about their investment options and risk exposures through comparative data availability on its website, publication of newsletters, yearbooks, journals, advertisements, pamphlets, brochures, statistical books or literature and marketing campaigns and organizing meeting, conferences, workshops, seminars, lectures and other activities as may seem to be conducive so as to promote proper understanding of the concept and working of mutual funds.
5. Research & Statistics
Through maintaining a library and a research department for collecting and maintaining data & statistics on mutual fund industry and disseminating such statistical data and focusing research especially on new products and international best practices and preparing guidelines on financial products development including on new innovative products.
6. Training
Through training programmes and industry-specific seminars and briefings & by enhancing and improving the training and certification program (in collaboration with ICM to devise certification program) for sales agents/distributors.
7. Investors' Complaints
MUFAP believes that directly dealing with investors' complaints remains part of the regulatory framework and therefore a complaint redress cell within SECP should be dealing with investor complaints. Meanwhile, on its part MUFAP will continue to make codes/ guidelines to improve the industry practices and enhance disclosures/ transparency keeping the investor interest in mind. Further, MUFAP, on an executive level, shall try (as is currently the practice) to resolve any complaints directly received from investors if possible or refer them to SECP.

The Committee submitted its report and recommendations to the Board of Directors of MUFAP and after the Board's approval the Role of MUFAP was sent to the SECP in response to their letter. Meanwhile, work has been initiated on internal strengthening of MUFAP.

