

The mutual fund industry forms an important component of our financial market infrastructure. As we progress towards further expansion and enhanced levels of growth, MUFAP's role becomes even more critical. It is of utmost importance that positive steps are taken to nurture the industry for building strong foundations that sustain growth and enable transition from a maturing to a matured industry.

To diversify and add value to domestic savings intermediation, the role of investment management industry needs to be further expanded through voluntary pension schemes. This segment is still at a very nascent stage and faces several challenges similar to those of the mutual fund industry. Joint efforts by the SECP and MUFAP are required to bring in reforms for its organized development.

For the coming years, SECP's reform agenda is focused on five fundamental areas namely ease of doing business, effective enforcement regime, reducing cost of doing business, improving access to finance, and digitization. In collaboration with MUFAP and other industry stakeholders, the NBFC regulatory framework has been revamped recently along these lines. The recent measures include charging different types of expenses within the overall expense ratio without any sub caps, encouraging widespread distribution network and substantially reducing annual monitoring fee. With withdrawal of regulatory cap on management fee, AMC's have been allowed to charge management fee within the Expense Ratio Cap. AMC's have also been allowed to charge selling and marketing expenses including alternative delivery channels expenses to all categories of funds without any time and sub-limit. Furthermore, to reduce operational burden on AMC's, the SECP has removed different regulatory approval requirements for mutual funds.

We hope that regulatory measures introduced by SECP will provide a conducive and enabling environment for the long-term growth of the industry. However, MUFAP's role should be expanded, and the AMC sector should itself take lead in organizing itself on modern lines. MUFAP is well positioned to be spearheading increased ownership in the AMC sector for instilling the highest governance and performance standards.

MUFAP's future roadmap should focus on areas like **training, investor outreach, development of new and innovative products, adopting highest standards of ethical selling and timely and efficient complaint handling** and resolution mechanisms.

The industry needs alternative delivery channels to increase investor base. Along with new and innovative products that cater savings and investment



Message of SECP Chairman

Mr. Aamir Khan

Chairman, Securities and Exchange Commission of Pakistan

needs for a larger investor universe, the industry must embrace technology by focusing on setting up a centralized portal where all investor needs from product information to complaints are easily met. To improve efficiency, development of a single, IT based distribution platform for mutual funds may be pursued aggressively.

Misselling is a menace that can lead to legal action, fines and damage to industry reputation. MUFAP must self-regulate itself to avoid this practice and prioritize early adoption of ethical selling standards in line with other developed jurisdictions. Trainings and certifications are a dire need for the industry and AMC's must train employees in investment sales and the use of related technology.

While costs have been allowed, the AMC sector must reflect on the level of return it has offered its long-term investors. The size of retail investor base must increase if we are to improve financial inclusion in our country. Efficient and timely complaint resolution mechanisms can also go a long way in retaining the existing customer base and attracting new investors.

