



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

No. SCD/PR&DD/AMCW/ 169/2012

June 5, 2012

CIRCULAR # 17 OF 2012

Subject: Additional Disclosures for Workers' Welfare Fund Liability by Collective Investment Schemes

1. Pursuant to an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) in year 2008, Collective Investment Schemes (CIS) were brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF. However, CIS through their trustees have challenged the said applicability of WWF to CIS before the Honorable High Court, which is pending adjudication.

2. It has been observed that owing to the pending litigation regarding applicability of WWF to CIS, different practices are being followed by Asset Management Companies (AMCs) with regard to WWF liability. Certain AMCs are maintaining the requisite provision against WWF liability of CIS whereas others have not made any provision to this effect. Irrespective of the practice adopted by an AMC, in case the decision of the Honorable Court is against the current approach being followed by an AMC, it may adversely impact the existing or redeeming and potential unit holders of the CIS. Therefore, maximum possible disclosure of this fact is imperative in the larger interest of the stakeholders of CIS.

3. Although, AMCs are already making sufficient disclosure in the financial statements of CIS, additional disclosures regarding contingent WWF liability and its impact on the NAV and return of the CIS should also be provided in the monthly fund manager's reports, advertisements and offering documents of the CIS. Therefore, the Commission, in exercise of its powers under section 282D of the Companies Ordinance 1984 hereby directs all the AMCs to immediately make the following disclosures in the Fund Manager Report of CIS and in the advertisement containing NAV/return of the CIS being managed by them:

a) Where requisite provision is being maintained against the WWF liability -

"The Scheme has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs....., if the same were not made the NAV per unit/return of the Scheme would be higher by Rs...../..... %age. For details investors are advised to read the Note of the latest Financial Statements of the Scheme."

b) Where requisite provision is not being maintained or partially maintained against the WWF liability -

"The Fund/Scheme has not made provisions amounting to Rs. against Workers' Welfare Fund liability, if the same were

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made the NAV per unit/return of the Scheme would be lower by Rs...../..... %age. For details investors are advised to read the Note..... of the latest Financial Statements of the Scheme."

The CIS shall also give additional risk disclosure with regard to WWF liability in its Offering document under the heading "Risks".

4. This direction shall come into force with immediate effect and all the AMCs are required to ensure meticulous compliance in letter and spirit. Any violation/circumvention of this direction shall be dealt with in accordance with the relevant provisions of the Companies Ordinance, 1984.

(Asif Jalal Bhatti)
Executive Director (SCD)

Distribution:

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