



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

No. SCD/CIRCULAR/04/2019

July 5, 2019

Circular No. 11 of 2019

**Subject: Revised Conditions for Charging of Selling and Marketing Expenses to Mutual Funds**

The Securities and Exchange Commission of Pakistan ("the Commission"), in exercise of powers conferred under section 282 B (3) of the Companies Ordinance 1984 read with Regulation 60 (3) (v) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, hereby prescribes revised conditions for charging of selling and marketing expenses to Collective Investment Schemes managed by Asset Management Companies (AMCs):

1. Selling and Marketing expenses will be allowed on all categories of open-end mutual funds (except fund of funds);
2. The selling and marketing expenses can only be used for the following purposes:
  - a. Cost pertaining to opening and maintenance of all branches by AMCs in all cities;
  - b. Payment of salaries to sales team posted at all branches of an AMC;
  - c. Payment of commission to sales team and distributors in all cities of Pakistan;
  - d. Payment of advertising and publicity of these funds; and
  - e. Payment of expenses related to development and maintenance of alternative delivery channels/distribution including:
    - i. Technology and software development;
    - ii. Website development and related advertising;
    - iii. Creation of investor's online touch points and related advertising charges;
    - iv. Investor's portal and related advertising charges; and
    - v. Mobile applications and related advertising.
3. AMCs that intend to charge these expenses to funds, shall submit their annual plan to their Board of Directors for approval. The plan should cover, at a minimum the following:
  - a. Name of funds to which such expenses will be charged;
  - b. Projected selling and marketing expenses by an AMC from its own sources;
  - c. Maximum expense limit that will be charged;
  - d. Nature of Expenses that will be charged;
  - e. Plan for increasing retail outreach by charging such expenses:
    - i. Targeted branch network and net assets to be increased;
    - ii. Targeted increase in number of investors;
    - iii. Targeted sales staff to be increased; and
    - iv. Targeted distribution arrangement and commission structure.
  - f. Status of achievement of AMC against the last year submitted plan.
4. Expenses to be paid to AMC at the end of each quarter on reimbursement basis subject to verification of documentary evidence by the trustee and ensuring that expenses are used for the purposes allowed. In case of dispute between AMC and trustee, the matter shall be referred to the Commission and decision of the Commission shall be binding on both AMC and trustee.

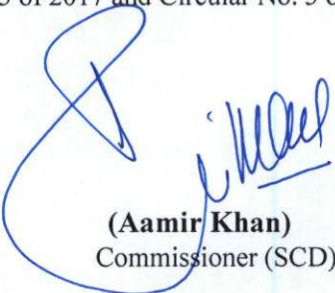




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5. These expenses shall be counted in the Total Expense Ratio cap of the fund and AMC shall adjust the NAV of the fund on daily basis.
6. These expenses shall be separately disclosed in the fund manager's report and published accounts of funds.
7. The Board of Directors of an AMC shall at least on quarterly basis monitor the performance of annual plan of AMC and proper application of selling and marketing expense charged to fund as per the approved plan.

This Circular shall supersede Circular No. 40 of 2016, Circular No. 05 of 2017 and Circular No. 5 of 2018.

  
**(Aamir Khan)**  
Commissioner (SCD)

Distribution:

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