



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

No. SCD/PRDD/217/2020

February 06, 2020

Circular No. 2 of 2020

Subject: Requirements for Assessing Suitability and Risk Categorization of Collective Investment Schemes(CIS)

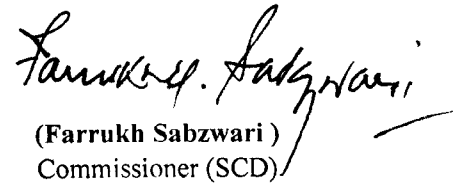
The Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with regulation 66A(d) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 hereby prescribes the following requirements for AMCs to ensure suitability of CIS/plans to the investor:

1. AMCs shall classify CIS and investment plans as per the following risk profiles:

Category of CIS/Plans	Risk Profile	Risk of Principal Erosion
Money Market funds – AA and above rated banks and money market instruments	Very Low	Principal at very low risk
Capital Protected Funds(non-equity), Income funds with investment in A or above rated banks, money market instruments (AA category and above) and investment in up to 6 months floating rate govt securities or govt backed sukuks, MTS.	Low	Principal at low risk
CPPI Strategy Based Funds, Income Funds (where investment is made in fixed rate instruments or below A rated banks or corporate sukuks or bonds, spread transactions, Asset Allocation and Balanced Funds (with equity exposure up to 50% mandate).	Medium	Principal at medium risk
Equity Funds, Asset Allocation (with 0 - 100% Equity exposure mandate) and Balanced Funds (with 30 - 70% Equity exposure mandate), Commodity Funds, Index Tracker Funds and Sector Specific Equity related Funds.	High	Principal at high risk

2. AMCs shall ensure that standard risk profile of CIS/plans as per above table are printed in prominently visible form on the front page of offering document, investment forms and in the fund manager report.
3. AMCs shall formulate and maintain policies and procedures with respect to their obligation to ensure suitability of CIS/plans to the investor.
4. AMCs shall develop investor risk profiling mechanism for assessment of suitability of CIS/plan to the potential investor.
5. AMCs shall ensure that the risk-profiling related document is duly read, dated and signed by the investor prior to making an investment. In case of sale of a high risk CIS/plan to an investor who has been profiled as a low risk, AMCs shall establish appropriate mechanism to validate product suitability such as standard phone calls/SMS/Emails within the cooling-off period.

All AMCs shall ensure compliance within 60 days of the issuance of this Circular.


(Farrukh Sabzwari)
Commissioner (SCD)

Distribution:

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