



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

No. SCD/PRDD/Direction /271/2016

January 26, 2016

Direction No. 01 of 2016

Subject: Categorization of Open-End Collective Investments Schemes (CIS)

This is further to Circular No. 7 of 2009 dated March 6, 2009, Circular No. 16 of 2010 dated July 07, 2010, Circular No. 32 of 2012 dated October 18, 2012 and Circular No. 09 of 2013 dated June 11, 2013 on "Categorization of Open End Collective Investment Schemes".

In order to further strengthen the regulatory framework of Money Market Funds and Income Funds, the Securities and Exchange Commission of Pakistan in exercise of its powers conferred under Section 282D of the Companies Ordinance, 1984 hereby directs all Asset Management Companies (AMCs) to comply with the following additional requirements:

- i. AMCs shall at all times maintain at least 10% of net assets of Money Market Funds in cash and treasury bills that can be readily converted into cash;
- ii. AMCs shall periodically conduct appropriate stress testing on the portfolios of Money Market and Income Funds under their management based on certain hypothetical and/or historical events, such as rise in short-term interest rate, an increase in redemptions, a downgrade or series of downgrades in rating of portfolio securities, or credit event etc.;
- iii. AMCs shall conduct independent assessment of credit worthiness of the counter party while taking credit exposure against any party or in any security other than Government Securities on behalf of CIS as external ratings are only one element to take into consideration when assessing the credit quality of an instrument/entity;
- iv. AMCs shall develop procedures to identify investors whose redemption request may pose risk to the funds under their management. AMCs must ensure that appropriate efforts are undertaken to identify patterns in unit holders' cash needs, sophistication, risk aversion, as well as to assess the concentration of the investor base.

All Asset Management Companies must ensure compliance with these requirements within 30 days of the date of this Direction.


(Imran Inayat Butt)
Executive Director (SCD)

Distributions:

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