



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

No. SCD/PRDD/Direction/ 18 /2016

July 20, 2016

Direction No. 23 of 2016

CALCULATION AND DISCLOSURE OF TOTAL EXPENSE RATIO

The Securities and Exchange Commission of Pakistan hereby directs all Asset Management Companies ("AMCs") to comply with the following requirements in respect of calculation and disclosure of Total Expense Ratio ("TER") of the Collective Investment Scheme ("CIS") managed by them, as referred in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations") from July 01, 2016:

1. The AMCs shall calculate the TER in respect of each CIS at the end of each calendar month during the financial year of the CIS in the following manner:

Total Expenses of the CIS ÷ Average Net Asset Value of the CIS

where:

- i. Total Expenses means the sum of daily expenses of the CIS from July 01 till end of the calculating month;
 - ii. Average Net Asset Value means the sum of daily net assets from July 01 till end of each calculating month divided by total number of days from July 01 till end of that month.
2. The AMCs shall adjust the NAV of the CIS on the basis of TER at the end of each quarter during the financial year for the amount of expenses in excess of TER limit prescribed in regulation 60 (5) of the Regulations for that CIS by booking liability against AMC. Moreover, the reimbursement (if any) by an AMC to CIS shall be made on the basis of annual TER calculated at the end of each financial year and NAV shall be adjusted accordingly. The Trustee of the CIS shall ensure compliance in this regard.
 3. The AMC shall disclose TER in respect of each CIS managed by it in the monthly Fund Managers Report ("FMR") and also in periodic financial statements of the CIS. For the purpose of disclosure in FMR and financial statements, the TER shall be calculated inclusive of the costs incurred in relation to any government levy on CIS such as sales tax, Worker's Welfare Fund or SECP fee etc. and the same shall be mentioned that this include XX% representing government levy, Worker's Welfare Fund and SECP fee.


(Imran Inayat Butt)
Executive Director (SCD)

Distribution:

1. Chief Executives of All Asset Management Companies.
2. Mutual Funds Association of Pakistan.
3. Trustees of Collective Investment Schemes.