



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
Policy Regulation and Development Department

No. NBFCD/MUFAP/ 48 /2012

February 10, 2012

Mr. Shamshad Nabi
Chief Executive
Mutual Funds Association of Pakistan
207-209, 2nd Floor, Kassam Court
Block-5, Clifton, Karachi.

Valuation of Debt Securities under Circular 1 of 2009-Valuation of Government Securities

Dear Sir,

This is with reference to your e-mail dated February 09, 2012 on the captioned subject. From your email we gather that instead of using same day closing rates before announcement of NAV by Money Market Funds, the Asset Management Companies (AMCs) are using the previous day rate for calculation of NAV. This is a deviation from the mechanism of valuation of government securities as prescribed under the NBFC Regulations 2008. For ready reference relevant provisions of the Regulation (i.e. Regulation 66) in terms of valuation of Government securities are reproduced below:

- (k) Government Securities not listed on a stock exchange and traded in the interbank market shall be valued at the average rate quoted on a widely used electronic quotation system and such average rate shall be based on the remaining tenor of the security*
- (m) take all reasonable steps and exercise due diligence to ensure that the assets of Collective Investment Scheme are correctly valued and priced, in line with the provisions of these regulations and Constitutive Documents:*

As you are also aware, in case of listed equity securities, following is the relevant provision and sub-clause for Regulation 66.

- (a) a security listed on a stock exchange, local or foreign as the case may be, shall be valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security shall be valued at an amount neither higher than the closing asked price nor lower than the closing bid price.*



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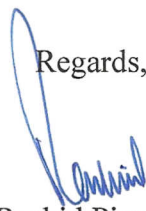
The principle for calculation of NAV underlying the above requirements is to ensure that calculated is based on the latest available price / value to ensure that the asset is fairly valued.

We also understand that in case of the Government Securities, rates are published by the Financial Market Association of Pakistan (FMA). As per arrangement between FMA and NIFT, PKRV rates are updated at 4.30 p.m. for dissemination through Reuters (Please refer NIFT/FMA portal Operational Manual). Given that the deadline for publication of NAVs by mutual funds is 6:30 pm, and the rates are published much before that, the government securities should be valued on the basis of closing rates of the same day on which the NAV is calculated and published.

It is surprising that AMCs did not approach this office in terms of sharing this issue earlier and continue to use previous day's rate for government securities, while we understand that the mechanism for dissemination through NIFT was instituted in October 2011.

Please note that fair calculation of net assets of a scheme in accordance with the criteria specified in the regulations is prime responsibility of the AMCs and should be adhered to in letter and spirit. Please ensure compliance and inform in case any of the AMCs continues to use previous day's rate.

Regards,


Rashid Piracha
(Director-AMCs)

CC: Trustees of Collective Investment Schemes