



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

No. SCD/AMCW/ETF/ 240/2020

March 2, 2020

Ms. Mashmooma Majeed

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

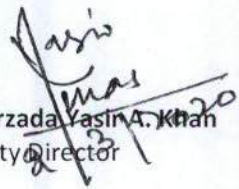
SUBJECT: EXEMPTION TO EXCHANGE TRADED FUNDS (ETF) FROM REQUIREMENTS OF CLAUSE (XIIB) OF REGULATION (2) OF THE NON-BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008

Dear Madam,

This is with reference to the proposed launch of exchange traded funds and requests of National Investment Trust Limited and UBL Fund Managers Limited for change in treatment of element of income as per clause 2(Xiib) of the NBFC Regulations 2008 on the basis of opinions of their tax consultant/auditors.

It is clarified that due to hybrid nature of the exchange traded funds, the treatment of element of income as defined in clause (xiib) of regulation (2) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 is not applicable in case of Exchange Traded Funds. Element of Income in case of Exchange Traded Funds shall be taken to Income Statement both at the time of issuance and redemption of units. Accordingly, as per Regulation 63 of the NBFC Regulations, 2008, Accounting Income for ETF shall also include element created at the time of issuance and income paid on redemption of units.

Yours truly,


Wazirzada Yasir A. Khan
Deputy Director

Cc:

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Chief Executive Officer
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Mr. Yasir Qadri
Chief Executive Officer
UBL Fund Managers Limited
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Chief Executive Officer
Central Depository Company of Pakistan Limited
CDC House, 99-B, Main Shahra-e-Faisal
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"Say no to Corruption"