



(A company set up under Section 42 of Companies Act, 2017)

MUTUAL FUNDS ASSOCIATION OF PAKISTAN (MUFAP)

**MUFAP (SRO FUNCTIONING)
PROCEDURES 2025**

Dated: August 1, 2025

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MUFAP (SRO FUNCTIONING) PROCEDURES

Preamble

Whereas the Mutual Funds Association of Pakistan (“the Association”) is licensed as a Self-Regulatory Organization under the Self-Regulatory Organizations (Registration) Regulations, 2022 (“the SRO Regulations”) promulgated under the Securities and Exchange Commission of Pakistan Act, 1997 (the “SECP Act”).

And whereas the Association in exercise of its powers conferred under the SECP Act and with the prior approval of the Commission hereby makes the MUFAP (SRO Functioning) Regulations, 2025 (“the Regulations”) for the purpose mentioned in the Regulations.

And whereas, Clause 2.3.1 of the Regulations empowers the Board and the Regulatory Affairs Committee (“the RAC”) to prescribe Procedures for all matters for which the Board or RAC deems appropriate and think fit that it is necessary to prescribe Procedures for giving effect to and carrying out the purposes of the Regulation. Provided that, any such Procedures shall not be in contradiction with the Regulations or any other laws, rules and regulations for the time being in force.

And whereas, Regulation 2.3.3 of the Regulation empowers the Board to make any changes, modifications, amendments or modifications by whatever name called in the prescribed Procedures either on its own or upon recommendation of the RAC.

CHAPTER 1

SHORT TITLE AND COMMENCEMENT

1.1 Short Title

These Procedures may be called MUFAP (SRO Functioning) Procedures.

1.2 Commencement

These Procedures shall come into force as at once.

CHAPTER 2

COMPLAINT HANDLING PROCEDURE

This is the prescribed Procedure under Chapter V of the Regulations.

2.1 Lodging Complaint

2.1.1 A complaint may be lodged in the following manner:

- (i) On MUFAP's online complaint portal available on MUFAP's own website and link available on member's websites; or
- (ii) by emailing at complaints@mufap.com.pk; or
- (iii) by sending a hard copy at MUFAP's registered address.

2.2.2 Once the complaint has been received, following actions need to be taken by the CRO or an Authorized Officer (AO).

2.2 Complaint Ticket Generation

2.2.1 The AO shall conduct an initial assessment of complaints received to:

- (i) assess whether the complaint falls within the scope as prescribed in the Regulations;
- (ii) determine whether additional information is required;
- (iii) consider whether the complaint is tenable or not, subject to the approval of CRO. Complainant shall be informed accordingly with cogent reasoning for not entertaining its complaint.
- (iv) Anonymous complaints wherein the name and particulars of the Complainant are not provided clearly, or such particulars are not identifiable will not be entertained. However, in cases where a complaint, even if anonymous, raises concerns of industry-wide significance, CRO may review the matter from a systemic perspective and recommend measures for overall industry improvement, without acting on the individual complaint.

2.2.2 At the conclusion of the initial assessment, AO shall accept the complaint and initiate the following details:

- (i) Complaint Number;
- (ii) Ticket Type;
- (iii) Regulated Person;
- (iv) Complaint type;
- (v) Customer's Complaint Description with supporting documents;
- (vi) complaint previously handled and concluded by the Regulated Person, if any.

2.3 Complaint handling process

- (i) The AO shall respond to the complainant by acknowledging the acceptance of complaint along with ticket number
- (ii) The AO shall forward the complaint to the member along with defined time period for the response which shall not be more than five (5) working days
- (iii) The AO shall ensure that complete supporting documents are attached to the ticket before forwarding it to the member
- (iv) The AO shall keep track of progress of the complaint
- (v) The concerned member may seek additional relevant information, if needed.
- (vi) The AO shall obtain additional information from the complainant and provide the same to the concerned member as soon as possible. Nevertheless, in case of delay or failure on part of the complainant to provide the requisite information within the given time, the process may be delayed, and additional time may be allowed to the concerned member
- (vii) On receipt of the response from the member, the AO shall examine the response and may require further information from complainant and/or member. The AO may share the responses/rejoinders with the complainant and/or member, as the case may be to ensure completeness of the subject complaint.
- (viii) Once the complaint along with its responses/rejoinders is finalized at the end of the AO, it shall be forwarded to the CRO for further action.
- (ix) The CRO shall conclude the complaint by taking any of the following actions, as applicable:
 - a. close the complaint by sending an appropriate response to the complainant; or
 - b. initiate regulatory action against the concerned member; or
 - c. refer the matter to arbitration committee.

2.4 Time frame

The entire process commencing from acceptance of the complaint till its resolution shall be completed within 30 working days subject to the following:

- (i) Failure of provision of requisite information by the complainant;
- (ii) Initiation of regulatory action by the CRO; or
- (iii) Where an action has been initiated by any regulatory body/LEA on the matter related with the complaint or the matter has become sub-judice.

2.5 Appeal

Where the complainant or the concerned Regulated Person is not satisfied with the decision of the CRO, an appeal may be preferred to the RAC in the manner as prescribed under the Procedure governing appeals under Chapter XI of the Regulations.

CHAPTER 3

ARBITRATION PROCEDURE

This is the prescribed Procedure under Chapter VI of the Regulations.

The Arbitration between Regulated Persons or between Regulated Persons and their Customers shall be conducted in the manner as given under:

1. The Customer or Regulated Person(s), as the case may be, may file an application for Arbitration with Arbitration Committee through CRO.
2. The Application must entail all the relevant facts and figures pertaining to matter referred for Arbitration.
3. The Arbitration Committee, based on documents submitted and explanation presented during the Arbitration proceedings in support of statements made by the parties at dispute, may pass an Arbitration Award as per the Regulation of the Association.
4. The Arbitration Committee shall proceed to hear the matter and give the award if both the parties to the dispute are present at the appointed date, time and place.
5. An award of Arbitration shall be issued in writing within 30 days from the date of completion of the hearing(s) / proceedings. Such award shall be signed by all the members who have conducted the proceedings.

CHAPTER 4

SUSPENSION OF THE REGULATED PERSON

This is the prescribed Procedure under Chapter IX of the Regulations

The SRO may take any action in terms of suspension of the Regulated Person under intimation to the Commission. The Procedures related to suspension and lifting of suspension of the Regulated Person is as follows:

1. The RAC on recommendation of the CRO, may direct to place the Regulated Person under suspension vide Clause 9.1 of MUFAP (SRO Functioning) Regulations, 2023, or for any other just cause for such period as the RAC deem appropriate;
2. The RAC shall give notice to the Regulated Person of the proposed suspension and the reasons for it, and shall provide an opportunity for the Regulated Person to be heard before a decision is made;
3. The suspension shall be for a specified period of time or till the time the cause of suspension is removed and shall include restrictions on the Regulated Person's rights and privileges inter alia including as provided in Clause 9.2.6;
4. The order of suspension shall be placed at Association's Website and sent to the Commission and respective Trustee(s);
5. The suspension shall be removed once the tenure of suspension is completed or the cause(s) of suspension are rectified. Notice to this effect shall be served to the concerned Regulated Person under intimation to the Commission and respective Trustee(s);
6. Once suspension is removed, the restrictions related with suspension and rights and privileges of the Regulated Person shall be restored.

CHAPTER 5

SUBMISSION OF REGULAR AND SPECIAL REPORTS PROCEDURE

This is the prescribed Procedure under Chapter IV of the Regulations

The Procedure and manner for submitting regular and special reports to the CRO by Regulated Persons including timelines shall be as below:

1. Regulated Persons shall submit periodical reports to the CRO as prescribed under the Regulations.
2. The information to be submitted under such reporting, on the prescribed format, may inter alia include financial information, number and nature of complaints, transactions of unit holders including details of investor accounts, nature of investments, as well as any other relevant information that the CRO may require;
3. Reports should be submitted electronically or by mail / email as prescribed;
4. As and when deems appropriate, the CRO may require Regulated Person(s) to submit special reports soliciting the necessary information;
5. If the reports are found to be incomplete or unsatisfactory, the CRO may require further information or explanation in this regard.
6. The Regulated Person shall make the prescribed reporting within the given timeline and in case of failure to meet the deadline disciplinary action may be initiated for such failure.

CHAPTER 6

EXPULSION PROCEDURE OF THE REGISTERED SERVICE PROVIDER

This is the prescribed Procedure under Chapter IX of the Regulations

Procedure to expel a Registered Service Provider and including notification and related matters shall be as below:

1. The RAC while citing reasons, shall recommend expulsion of a Registered Service Provider to the Board in writing;
2. The Board upon receiving such recommendation shall give notice to the concerned Registered Service Provider in writing for providing an opportunity for being heard;
3. Where the Board remain dissatisfied with the response, it shall expel the Registered Service Provider by passing a resolution in writing. In case, the Board is satisfied with the explanation and representation made by the concerned Registered Service Provider, the matter may be concluded without any further action or may be referred back to the RAC for any other appropriate action;
4. The final status of the proceedings of the subject matter shall be notified in writing to the concerned Registered Service Provider.

CHAPTER 7

APPEAL PROCEDURE

This is the prescribed Procedure under Chapter XI of the Regulations

1. Appeal shall be filed within a period of 30 days from the issuance of the Order.
2. The RAC may, upon an application filed in this behalf, entertain an appeal after the expiry of 30 days, if it is satisfied that there was sufficient cause for not filing it within the period. The RAC may adjourn the hearing(s) in accordance with the manner stated in the Regulations.
3. A memorandum of appeal shall be sent by registered post or through a recognized courier addressed to the Registrar of RAC.
4. Every appeal shall be supported by a duly verified affidavit sworn by the appellant(s).
5. A memorandum of appeal sent by post/courier shall be deemed to have been received by the RAC on the day it is received by the Registrar.
6. The hearing(s) of the Appeal before RAC shall be conducted in English or Urdu.
7. Every appeal, application, reply, representation, or any document filed before the RAC shall be type-written or printed neatly and legibly..
8. The RAC, at any time, for sufficient reason may issue order that any particular fact or facts may be proved by affidavit of any witness.
9. On the day fixed for hearing, or on any other day to which the hearing may be adjourned, the appellant shall be heard personally, or through its authorized representative, in support of the appeal.
10. The RAC shall then hear the respondent against the appeal and in such a case the appellant shall be entitled to reply.
11. All parties appearing before the RAC during hearings may be required to submit a summary of their arguments in writing at the conclusion of the hearing provided that the RAC may entertain such arguments which are included in the summary but not presented before the RAC during the course of hearing.

12. The RAC after conducting the hearing of the appeal may, inter alia, confirm, remand, set aside or cancel the order appealed against or make such other order as it may deem just and equitable in the circumstances of a case.
13. Every Order of the RAC during hearing of Appeals shall be signed and dated by the members of RAC hearing the appeal and Order shall be issued in writing not later than 30 days of the conclusion of the proceedings and copies of the order shall be communicated to all the parties to appeal on immediate basis.

CHAPTER 8

DISCIPLINARY PROCEDURE

This is the prescribed Procedure under Chapter IX of the Regulations

The Procedure for Disciplinary Action(s) shall be as below:

1. The CRO after examination of all the relevant documentation and evidences available that warrants disciplinary action(s) under the Regulations shall take necessary action, that may include advising the concerned Regulated Person to rectify the issues reported in the audit or issue a Show-Cause Notice (SCN);
2. The CRO shall issue the SCN to the concerned Regulated Person with his signature.
3. The CRO shall allow at least 7 days for submission of written response to the concerned Regulated Person. Extension of 7 days may also be allowed.
4. The CRO shall provide hearing opportunity to the Regulated Person before issuing any order. Hearing shall only be adjourned in the manner prescribed.
5. The CRO shall conclude the disciplinary proceedings by issuing an Order entailing details of penalty imposed for each instance of non-compliance, in addition to the specific penalty or enforcement action as provided in the relevant laws, rules and regulations.
6. The entire process of disciplinary action shall be conducted within a period of 03 month from the date of receiving of audit report. Nevertheless, the time period may be extended in case of non-provisioning of additional information by the Regulated Person and/or the auditor or due to any other circumstances beyond the control of CRO. However, the reasons and nature of such extension(s) shall be recorded in writing and periodically reported to the RAC.
7. The AO shall review the response received from the concerned Regulated Person and submit his assessment to the CRO.
8. The CRO shall also provide hearing opportunity to the management of the Regulated Person or their authorized representative before issuing any Order in the matter. Hearing shall only be adjourned subject to cogent reasons and explanations to avoid any measures to put the matter in abeyance..

9. The CRO shall conclude the matter by issuing an Order entailing details of any actions to be taken, which may include fines, and instruct the concerned Regulated Person to co-operate with the auditors.
10. The entire process of disciplinary action shall be conducted within a period of 30 days from the date of receiving of complaint from the auditor.
11. If the Regulated Person, subsequent to the imposition of the fine fails to co-operate with the auditor or fails to pay the fine, the CRO shall refer the matter to the RAC or the Board as the case may be for initiation of disciplinary actions under MUFAP Regulations.

CHAPTER 9

SCREENING PROCEDURE

This is the prescribed Procedure under Chapter XII of the Regulations

The Procedure for conducting screening test and certifications for employees and agents of Regulated Persons shall be as below:

For the purpose of conducting screening, the Association shall develop, disseminate and make available on its website / digital app the Curriculum and Sample Test, duly approved by the Board, as resource material for the employees (including key executives) or agents of the Regulated Persons. The Regulated Persons shall be provided with the portal through which online exams can be scheduled individually for the eligible candidates / employees.

The Association will also be responsible for:

- (i) setting the criteria for the screening that would include but not limited to assessment of candidates on areas of knowledge of the asset management and investment advisory industry, understanding of investment products and services, assessment of product suitability for Customers, ability to communicate effectively and fairly with Customers and adoptability in dealing complex situations.
- (ii) creating the test questionnaire bank that should ideally include a combination of multiple-choice questions and scenario-based questions to measure the candidates' / employees' knowledge and abilities in relation to the defined criteria.
- (iii) administer the test of eligible candidates / employees at the premises of the Association or at any other suitable location or through a secured online link, as provided by the Association.
- (iv) evaluate the test results by using a standardized scoring system. The test results would be updated on the portal and successful candidates / employees would be issued certificate.
- (v) keep records of all steps of the screening process to demonstrate compliance with regulations and to produce them if needed.
- (vi) review the procedure regularly to ensure its continued effectiveness and make necessary updates.

The Association shall be empowered to issue circulars to make effective changes in the existing screening test and certifications thereof and its procedures, as deemed necessary from time to time.

The Association shall be empowered to make changes in the eligibility criteria as deemed appropriate to cater with the changes and improvements in the industry practices.