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INTRODUCTION

This document sets forth the procedures for issuance, redemption, transfer, deposit, withdrawal, pledge, and corporate actions with respect to units of open-end mutual fund through the Central Depository System (CDS).

Since, all provisions of CDC Regulations pertaining to Deposit, Withdrawal, Pledge and Corporate Action will apply on the Units of open-end scheme. Accordingly, requirement of respective CDS Procedures will equally applicable on these transactions.

Considering the business requirements, '**Free Delivery**' functionality would not be attached / associated with the Units of open end scheme. Further, fractional units are not being handled in the system and will be handled outside the CDS.



ISSUANCE OF UNITS OF OPEN-END MUTUAL FUND IN BOOK-ENTRY FORM

Submission of applications for issuance of units

- 1.1 The applicant who opts for issuance of units in electronic form (using a CDS account) shall:
 - (a) complete the application form provided by the distribution branch, and
 - (b) ensure that a valid participant ID and the CDS account number where the electronic units are to be credited have been mentioned in the relevant columns of the form.
- 1.2 The applicant shall then submit the application form along with the payment instrument at a distribution branch.

Processing of the applications by the distribution branch

- 2.1 The distribution branch upon receipt of the application forms for issuance of units shall dispatch the forms with relevant documents (if any) to the AMC/ RTA for processing according to the procedures prescribed by the respective AMC.

Processing of applications by the AMC / RTA

- 3.1 Upon receipt of the applications with relevant documents (if any) from the distribution branches, **the AMC / RTA shall:**
 - (a) sort out the applications for CDS & other than CDS units; and
 - (b) upload on to CDS the files in the specified format (*refer Annexure A*) (whole units only) of those applicants who applied for book-entry units. Fractional units (*if any*) will be handled outside the CDS. Uploading of applications for book-entry units does not credit units to the target CDS account.
- 3.2 If the system restricts uploading due to:
 - (a) invalid/suspended participant ID
 - (b) invalid/blocked CDS account, or
 - (c) the target account being a main account;

Physical units shall be provided to the applicant in place of book-entry units.

- 3.3 After successful upload, AMC/ RTA shall generate the list of applicants and send it to the Trustee for approval along with sale of units forms. Format of text file for upload is annexed as Annexure A.



Approval/rejection of the transaction By Trustee of respective fund

- 4.1 On the basis of the above report, the Trustee shall verify the transactions by comparing the bank statement with the list of applicants received from the AMC / RTA. The Trustee will approve/ reject the transactions on the basis of this verification.
- 4.2 Upon approving, the units (i.e. whole units) will be credited in the designated CDS accounts of the applicants. Fractional units (if any) shall be handled outside the CDS.
- 4.3 Upon rejection, the AMC / RTA will rectify the discrepancy or the RTA will act according to the instruction of the AMC.

Recording electronic units in the Unit Holder's Register

- 5.1 Upon approval of issuance request in CDS, the trustee will require to inform the AMC. Accordingly, AMC / RTA shall record the respective units in the name of CDC as nominee holding in the unit holder register.

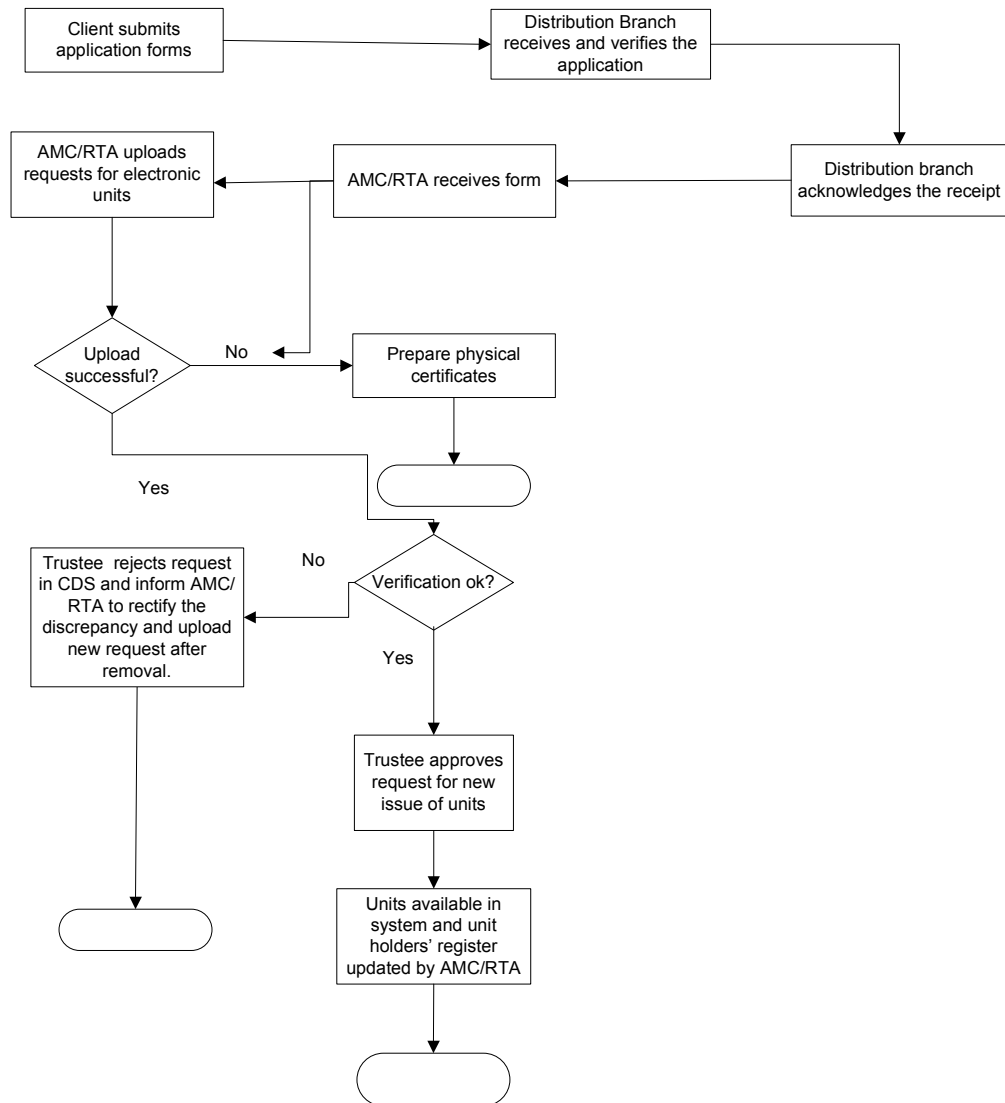
The system will maintain no distinction between core units and non-core units. This detail will be maintained by the RTA. Further, units once inducted into CDS are in fungible form & no distinction can be made into CDS with reference to any type or class. Such type of distinction / records be maintained by the AMC/RTA outside the system.

Subject to successful performance of the above process, the units shall be available into respective CDS accounts of the applicants.



FLOWCHART

Procedures for Issuance of New Units of Open-ended Mutual funds in CDS





REDEMPTION OF UNITS OF OPEN-END MUTUAL FUND

Submission of the Redemption Form

- 1.1 The account holder shall:
- (a) complete the ‘ Redemption Form’ (four copies), provided by the AMC, and ensure that the CDS account number, from where the units are to be redeemed, has been specified;
 - (b) submit four copies of the completed form to the participant/IAS;
 - i. One copy for Participant/IAS
 - ii. One copy for Client (to be given by AMC after time stamping for NAV purposes)
 - iii. One copy for AMC
 - iv. One copy for RTA/AMC

Processing of the request by Participant / IAS

- 2.1 The participant or IAS shall:
- (a) Save and post the redemption request in CDS (note that a redemption request cannot be cancelled by the Participant/ IAS Account holder once it has been posted)
 - (b) generate two printouts of the post transaction, and
 - (c) retain one copy each of the printout and the Redemption Form. Return the second post printout (duly signed & stamped) along with the remaining copies of the Redemption Forms to the investor for delivery to AMC.

Processing of request by AMC

- 3.1 The AMC shall:
- (a) after receiving the documents time stamp the redemption form for NAV purposes.
 - (b) Deliver client’s copy of the redemption form to the investor as acknowledgement.
 - (c) Retain AMC copy for its record and forward RTA copy along with the CDS post printout to the RTA/AMC.

Approval / rejection of redemption request

- 4.1 The AMC / RTA, after receiving documents referred in 3.1(c) from the AMC shall verify it. Specifically, the RTA will check that the units being redeemed are not part of the core investments. It is the responsibility of the RTA to reject the redemption of core units if the request for redemption is raised within the restricted period. Other possible risks of unauthorized redemptions are sufficiently



covered with adequate controls in the system due to disallowing free delivery transactions.

- (a) in case of successful verification
 - (i) approve the redemption request in the system
 - (ii) reduce the CDC nominee account holding in the Unit Holder's Register, and
 - (iii) send a report to the AMC and the trustee of all approved redemptions in accordance with existing AMC procedures.

Otherwise;

- (i) reject the redemption requests in the system, and
 - (ii) inform the account-holder of the rejection with the reason thereof.
- (b) Upon successful approval, the units shall be automatically deleted from the designated CDS accounts.

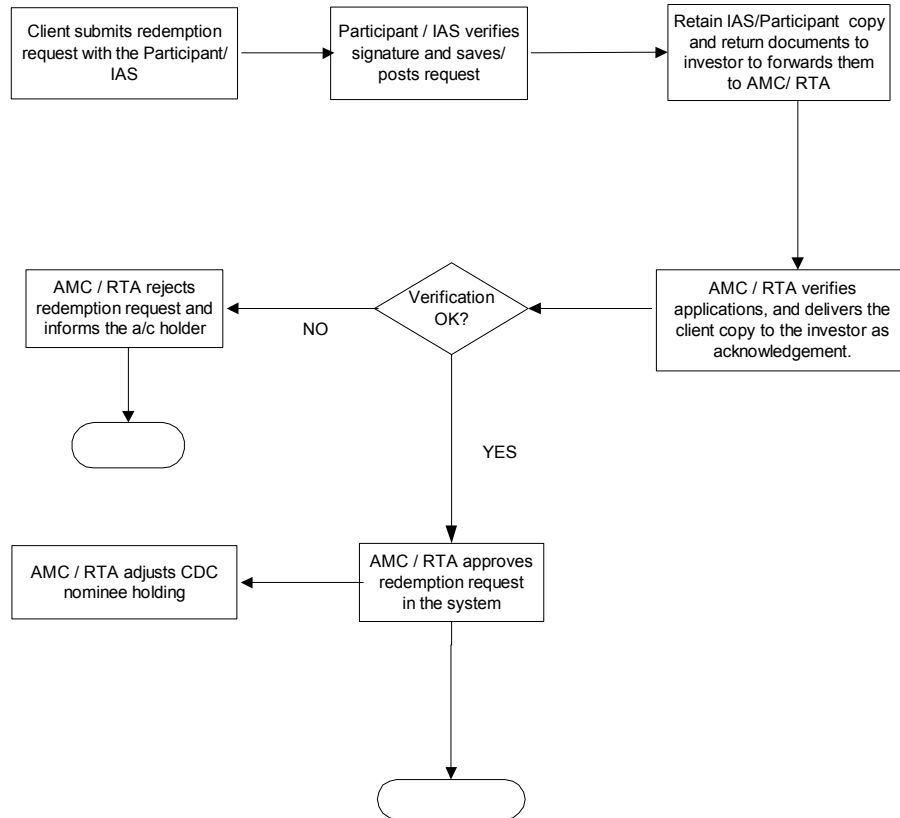
Disbursement of payment

- 5.1 Disbursement of payment would be handled by AMC in accordance with their existing procedures and NBFC Regulations.



FLOWCHART

Procedure for Redemption of Units of Open-ended Mutual fund in CDS





TRANSFER OF UNITS OF OPEN-END MUTUAL FUND

Submission of the ‘Transfer Form’

- 1.1. The account holder shall:
- (a) complete the ‘Transfer Form’ (four copies), provided by AMC, and ensure that the Participant ID and CDS account number of both the following accounts have been specified :
 - 1. one in which the units are present and
 - 2. the other, where they have to be transferred
 - (b) submit four copies of the completed form to the participant/IAS along with the relevant documents as required by the AMC
 - 1. Participant / IAS copy
 - 2. Client copy (to be given by AMC after sign-off and stamp)
 - 3. AMC copy
 - 4. RTA/AMC copy

Processing of the request by Participant / IAS

- 2.1 The participant or IAS shall:
- (a) Save and post the transfer request in the CDS,
 - (b) generate two printouts of the post transaction,
 - (c) retain one copy each of the printout and the Transfer Form. Return the second post printout (duly signed & stamped) along with the remaining copies of the Transfer Forms to the investor for delivery to AMC.

Processing of request by AMC

- 3.1 The AMC shall:
- (a) after receiving the documents time stamp the transfer form.
 - (b) Deliver client’s copy of the transfer form to the investor as acknowledgement.
 - (c) Retain AMC copy for its record and forward RTA copy along with the CDS post printout to the RTA/AMC.

Approval / rejection of the transfer request

- 4.1 The AMC / RTA, after receiving a copy of the ‘Transfer Form’ along with the relevant documents from the AMC, shall verify it. In addition to the normal verification conducted by the RTA in the case of physical units, the RTA shall also ensure that the Participant/IAS ID and sub-account/IAS account number in which the units are to be transferred is valid.



-
- (a) in case of successful verification the RTA will approve the transfer request in the system

Otherwise;

- (i) reject the transfer request in the system, and
(ii) inform the account-holder of the rejection with the reason thereof.
- (b) Upon successful approval, the units shall be automatically transferred to the relevant CDS Account.

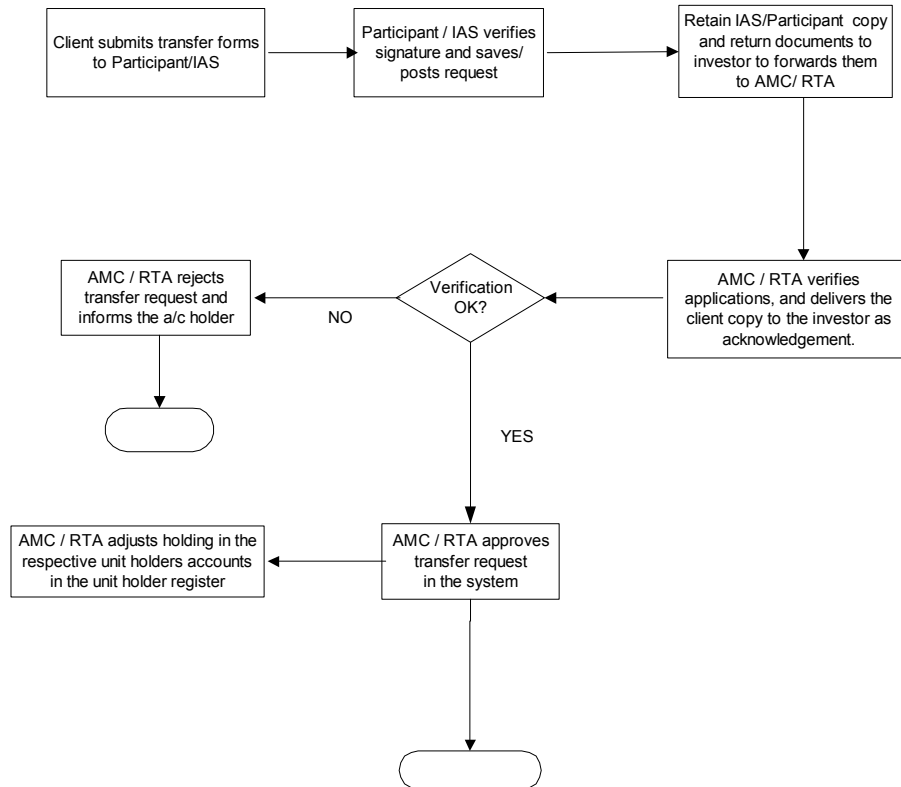
Subject to successful performance of the above process, the electronic units shall be transferred within five days of submission of the Transfer Form.

***Note:** In case the transferee is not an existing unit holder, for account opening with AMC, Account Opening form will also have to be filled and submitted to the AMC along with the transfer documents.*



FLOWCHART

Procedure for Transfer of Units of Open-ended Mutual fund in CDS





DEPOSIT AND WITHDRAWAL INTO/FROM CDS

The Procedure for deposit and withdrawal of physical units into CDS will remain same pursuant to the relevant sections of the CDC Regulations.

DEPOSIT OF UNITS THROUGH CDS

The Procedures for Deposit of Units in CDS will be similar to Deposit of Securities in CDS.

WITHDRAWAL OF UNITS FROM CDS

The Procedures for Withdrawal of Units in CDS will be similar to Withdrawal of Securities in CDS.

Note: The transfer stamps in both Deposit and Withdrawal will be applicable as per the prevailing Provincial Stamp Duty Act.

PLEDGE OF UNITS THROUGH CDS

The functionality for pledging of units shall be available as for the existing securities in CDS.

CORPORATE ACTIONS

Entitlement

The entitlements of units of open-end mutual fund will be handled as per existing regulations and procedures.

In case of bonus units distribution to selective unit holders, the said bonus will be distributed through upload functionality by the Management Company / RTA. Brief procedures are attached as “Annexure B”.

Merger / Amalgamation and De-merger of Funds:

The merger and de-merger of funds would be in the same manner as prevailing in the case of other securities.

PROCEDURE FOR REINVESTMENT OF DIVIDENDS

The procedure for reinvestment of Dividends will not be catered in CDS and thus be handled at AMC/RTA end as per their existing practices and procedures.



Annexure A

FORMAT OF TEXT FILE FOR UPLOAD IN CDS FOR ISSUANCE OF UNITS:

"SECURITY SYMBOL"

"Participant Id",Sub-Account/House Account /IAS account No.,Volume



Annexure B

Procedure for Bonus units distribution to unit holders:

The documentation requirement & process for execution of the above is as under:

At the time of providing upload data, Issuer (AMC) is required to provide CDC the following documents:

1. Letter for authorization to Upload Data. As per Annexure (C)
2. Certified true copy of Board Resolution.

On the basis of above documents CDC will provide upload facility to Issuer (AMC) / RTA. Upon completion of upload formalities, Issuer (AMC) will require to provide to CDC, Confirmation Letter on a standard format as per Annexure (D) duly signed by authorized signatory(ies). Upon completion of verification formalities, system will automatically distribute units present in the upload to the respective beneficiary Account and/or Sub-Accounts / Investor Accounts into CDS on End of Day.



Annexure C

(On Company Letterhead)

Date:

Head of Operations
Central depository Company of Pakistan Limited
CDC House, 99-B, Block-B,
S.M.C.H.S. Main Shahrah-e-Faisal,
Karachi.

Dear Sir,

Authorization to Upload Data

In compliance with the CDC Regulation, you are requested to please enable us to upload the data related to “Bonus Issue” as per the relevant procedures, for the following security:

Name of security	ISIN
<ABC Limited>	<PK0000000000>

Also please note that approximate _____ Units are expected to be credited in CDS.

We confirm that we will upload data on the following format (extracted from the original data):

001,01111,123,“PK0012301010”,11111
002,01111,123,“PK0012301010”,22222

Yours truly,,

Authorized Signatory (ies)



Annexure D

(On Issuers letter head)

Head of Operations
Central depository Company of Pakistan Limited
CDC House,
99-B, Block-B,
S.M.C.H.S. Main Shahrah-e-Faisal,
Karachi.

Dear Sir,

CONFIRMATION LETTER

In compliance with the requirement of CDC Regulations and the Procedures made thereunder, we hereby confirm that the data for the credit of Book-entry Securities to the Accounts and/or Sub-Account as per the bonus entitlement has been prepared by us in accordance with the requirements of the CDC Regulations and Procedures.

We hereby also confirm the allotment of [insert aggregate number of securities allotted in the name of CDC in the Unit Holders' Register] securities of the [insert name of eligible security] in the name of the Central Depository Company of Pakistan Limited in the Unit Holders' Register.

Please credit the Book-entry Securities to respective Accounts and / or Sub-Accounts in accordance with the List of successful allottees after final upload, containing inter alia names, Account Holder/Participant IDs, Account Nos. and the number of Book-entry Securities to be credited therein.

We shall be pleased to provide you with any other information/ clarification should you so require.

Yours sincerely

Authorised Signatory(ies)