

# In my opinion.....!

On regulatory grounds, SECP should minimize the involvement of institutional investors in Mutual Funds and ensure prudent risk management framework for AMCs. Another underlying problem is the cartelization of a group owning brokerage house, bank and mutual fund at the same time. Such groups are not only leveraged manifold, but earn tax credit but investing treasury's money in mutual funds. Risk management is low in cartelization.

**Baqar Jafri**

SECP's timely initiative has nipped the liquidity crisis in the bud. The industry will undergo consolidation in 2008. Our wise risk management framework has fostered the sustainable growth momentum even in the face of recent crisis. As far as SECP's action of freezing redemptions is concerned, we are of the view that the step should have been taken at the time market was floored. The late response of authorities resulted in investors' frustration which cropped up the redemption issue of income and money market funds as well.

Sustainable business model of Faysal Asset Management is immune to these liquidity and stock market crisis. The industry should now realize the fact that choosing institutional investors as a source of quick money will always disrupt the fund in long-run. Whereas retail investors are although small but their partnership with AMCs go a long way.

**Abdul Razzak, CFO, Faysal Asset Management Limited**

Mutual Fund is basically a Retail Model industry, but the industry has adopted Whole Sale Model in Pakistan; this is the genesis of problems. We must not look for huge investments because the industry by definition is not to entertain hot money of institutions who park millions for tax exemptions. Liquidity shortage is the result of uncertainty.

The fact that the whole system had no liquidity (before SECP's measures) surprises me. The people making withdrawals must have deposited them through some channel back in the system but that was not the case.

Secondary Market for TFCs must consolidate. There is a remote possibility of liquidation of any fund in face of huge sell-off expected as the KSE Floor is removed. But if Lehman Brothers can go bankrupt, anything can happen. Nevertheless, the industry as a whole has strong fundamentals and it will consolidate. Obviously, weak players will be left behind in this test of industry's strength.

**Tahir Sohail, Chief Operating Officer, Faysal Asset Management**

Liquidity problem was the result of rumours spread on media. Mufap and other authorities must draft a media guideline to stop the irresponsible news coverage of critical financial issues.