

FAYSAL ASSET MANAGEMENT LIMITED

PROVISIONING POLICY FOR NON PERFORMING EXPOSURES FOR FUNDS
UNDER MANAGEMENT OF FAYSAL ASSET MANAGEMENT LIMITED

PREAMBLE

The Securities and Exchange Commission of Pakistan, vide its Circular No. 13 of 2009, requires Asset Management Companies to formulate Provisioning Policy for non-performing exposure of collective investment schemes under their management. Such Policy is required to be approved by the Board of Directors of the AMC and disclosed to the investors, the trustee of the collective investment scheme, the Commission and is also required to be displayed on the AMC's web-site.

DEFINITIONS

- **Debt Securities:** means any security issued by a company or body corporate for the purpose of raising funds in the form of redeemable capital and includes Term Finance Certificate (TFC's), bonds, debentures, Sukuks and commercial papers.
- **Provision against Debt Securities:** will be calculated in accordance with the SECP Circular No. 3 of 2010 dated January 20, 2010.
- **Money Market Instruments:** means any Money Market exposure such as Term Deposit Receipts (TDRs), Certificate of Investments (COIs), Certificate of Deposits (CODs), Certificate of Musharikas (COMs), Letter of Placement (LOP), Money Market Placements, etc.
- **Non Performing Asset:** An 'asset' shall be classified as non performing, if the interest and/or principal amount have not been received or remained overdue by 5 business days from the due date or as specified by the SECP from time to time from the day such income / installment has fallen due.

ELIGIBILITY CRITERIA FOR Money Market Instruments AND OTHER FOR MAKING PROVISION

Internal Investment Committee (IIC) continuously monitors the Money Market Instruments in which Collective Investment Schemes (CIS) are invested. Over Due/Default on interest and principal payment, significantly downgraded in a short time span, rating downgraded to "D" (Default) and filing of bankruptcy by issuing authority are the major events to make debt securities and other instruments eligible for provisioning.

CLASSIFICATION AS A NON-PERFORMING ASSET (NPA)

A security shall be classified as non-performing, if the interest / profit and / or principal amount is past or overdue by 5 business days from the due date.

Provisioning Requirements including the minimum time frame for maintaining the applied provision.

All non-performing money market instruments whether secured or unsecured shall be fully provided for immediately after classified as a non- performing. However, after recommendation of IIC, FAML may exercise discretion with respect to the classification (beyond 5 business days) as well as timing for creating the requisite provision on the day of classification as non-performing or spreading it over the number of days, as deemed appropriate in the best interest of unit holders.

CRITERIA FOR SUSPENSION OF MARK UP

All interest/profit accrued and recognized in the books of Collective Investment Scheme shall be reversed immediately once a security is classified as non – performing.

CRITERIA FOR REVERSAL OF PROVISIONING

In case a Collective Investment Scheme has received all the arrears of interest along with the principal amount, the interest and/or principal amount reversed shall be written back to the extent it is received.

WRITE-OFF OF FULLY PROVIDED EXPOSURE

Fully provided exposures shall be maintained for period of two years, thereafter the exposures (other than those in recovery suits) may be written off after obtaining specific approval of the Board of Directors.

DATE OF APPLICABILITY

The Provisioning Policy shall be effective from the date of applicability of the Commission's Circular no 13 of 2009 dated May 4, 2009.