



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Securities Market Division

No. SMD/PRPD/Circular/ 25 /2017

October 31, 2017

Circular No. 25 of 2017

Subject: Illegal/Un-registered Agents and Branch Office(s) Of Securities Brokers

Securities and Exchange Commission of Pakistan ("the Commission") has observed during onsite inspections of Securities Brokers ("the Brokers") that some of the brokers are operating through persons in the name of free lancers/marketing agents/introducers to get clients and promote their business. These persons are neither licensed as an agent of the broker nor their business place is approved as a branch office of the said broker. These persons are referring clients to the broker, purporting as agent of the broker, trading on behalf the clients, receiving trade confirmations on behalf of clients, providing fee/commission based services to the broker etc. These persons are thus performing the functions of an agent, which is a licensed activity under the Securities Act, 2015 ("the Act"). Moreover, the prevailing regulatory framework prohibits the brokers to operate from an unregistered location and deployment of any person who is not registered or licensed as agent with the Commission. This act of the brokers is a contravention of the Act, Brokers and Agents Registration Rules, 2001 ("Broker Agent Rules"), Securities Brokers (Licensing and Operations) Regulations, 2016 ("Brokers Regulations") and Pakistan Stock Exchange Rule Book ("PSX Rule Book").

In view of the foregoing and to protect public interests and customers, the Commission in exercise of power conferred to it under Section 71 (1) (a) of the Act, hereby directs all the brokers to comply with the following:

1. The brokers shall not deploy/allow or work with any person by whatsoever name called and in whatsoever manner who provides fee/commission based services to such broker unless such persons is having valid registration/license as an Agent issued by the Commission.
2. The broker or its agents shall not operate from any office/location other than the registered office of the broker and branch office of the broker registered with PSX under Branch office Regulations of PSX.
3. Access to the trading terminals by a broker shall only be given to its registered/licensed agents. No client shall be given access to the trading terminals of a broker.
4. If any broker deploy/allow or work with any person who performs the activities of an agent without obtaining registration/license from the Commission, such person shall be considered as an un-authorized/illegal Agent/ of a broker and his office shall be considered as an illegal branch of a broker.
5. If any broker or its Agent is found to be operating from a location/office not registered with PSX, such location/office shall be considered as illegal branch of a broker.
6. This circular shall come into force with immediate effect. However, any broker who is in non-compliance with the aforementioned requirements at the time of issuance of this circular shall immediately report the non-compliances in writing and make compliance



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with this circular within thirty (30) days from the date of issuance of this circular under intimation to the following:

**Director/Head of Department
Surveillance, Supervision and Enforcement Department
Securities Market Division
Securities and Exchange Commission of Pakistan
10th Floor, 63-NICL Building,
Jinnah Avenue Blue Area, Islamabad**

7. All Brokers are required to ensure meticulous compliance of this circular in letter and spirit. Any violation or circumvention of the directions contained in this circular shall be dealt with under the provision of the Act.

Explanation: The term “person” shall include an individual, a Hindu undivided family, a firm, an association or body of individuals whether incorporated or not, a company and every other legal person.

**Akif Saeed
Commissioner (SMD)**

Distribution:

- (i) Pakistan Stock Exchange for disseminating among TREC holders and placing on its website;
- (ii) Central Depository Company for information and placing the same on its website;
- (iii) National Clearing Company of Pakistan Limited for information and placing the same on its website;
- (iv) Chief Executive officers of all Brokers;
- (v) Chairman, Oversight Committee formed under Joint Inspection Regulations, 2015.