



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
FUND MANAGEMENT DEPARTMENT

No. SCD/CIRCULAR/ 316 /2025

June 11, 2025

Circular No. 14 of 2025

Subject: Requirements Applicable to Non-Executive Directors Nominated by an Asset Management Company on the Board of a Brokerage Subsidiary

The Securities and Exchange Commission of Pakistan ("the Commission") in exercise of the powers conferred under section 282B(3) of the Companies Ordinance, 1984 read with Regulation 37(4)(c) and Regulation 67A of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations") hereby allows an Asset Management Company (AMC) to nominate its employees as non-executive directors on board of a brokerage subsidiary subject to compliance with following requirements:

1. The AMC shall submit to the Commission and seek approval for the proposed corporate structure of the subsidiary brokerage house, including the composition of the board of directors;
2. Employees nominated to the board of the subsidiary brokerage house shall not be entitled to receive any financial benefits or other perks from the brokerage entity other than the fee for attending Board Meeting;
3. AMC shall ensure that its brokerage subsidiary has at least 1/3 independent directors;
4. Brokerage house shall not indulge in proprietary trading;
5. Best Execution Policy and Broker Selection Policy must be formulated and implemented with SOPs in place with respect to all brokerage transactions executed for AMC-managed funds and any compensation for using research. Brokerage commission to the subsidiary brokerage house must not be more than minimum brokerage commission as prescribed by the Pakistan Stock Exchange;
6. A formal, board-approved Chinese Wall policy must be implemented to prevent any flow of non-public, unwarranted and sensitive information (including trade instructions and executed trades, portfolio strategies) between the AMC and brokerage, except pertaining to the orders executed on the behalf of AMC;
7. Segregation of front office and back office systems used by both entities with strict access controls, firewalls, and audit trails shall be ensured;
8. Any member of the Investment Committee shall not be eligible for appointment as directors in the brokerage subsidiary;
9. The proposed brokerage subsidiary's CEO, research heads, and traders must be independent of the AMC; and
10. Special monitoring of all transactions and flow of information between the AMC and subsidiary broker by the compliance or internal audit function of both entities and quarterly reporting to the Boards of both entities.


(Zeeshan Rehman Khattak)
Commissioner (SCD)

Distribution:

1. Chief Executives of All Asset Management Companies.
2. Mutual Funds Association of Pakistan.
3. Trustees of Collective Investment Schemes.