



SECP

SECURITIES AND EXCHANGE  
COMMISSION OF PAKISTAN

# CONSULTATION PAPER

**Standard principles for Recognition and  
Conduct of Associations of Regulated  
Entities of SECP**



# Index

1. Background	01
2. Current Regulatory Requirements	01
3. Industry Associations in SECP's Regulated Sectors	01
4. Existing Regulatory Structures	03
5. International Precedents	04
6. Recommendations	07
7. Annexure-A Industry Associations in SECP's Regulated Sectors	09
8. Format for Sharing Feedback/Comments and Timeline	11

## 1. Background:

Industry associations, particularly those representing regulated entities, serve as critical pillars in upholding market integrity, efficiency, and investor confidence. By advocating for their members, establishing and enforcing industry best practices, and fostering fair competition, these associations contribute significantly to a well-functioning financial ecosystem. Further, they provide essential value-added services, including professional education, networking opportunities, market research, dispute resolution mechanisms, and regulatory compliance guidance.

To ensure a uniform and transparent framework for recognizing such industry associations, the Securities and Exchange Commission of Pakistan (SECP) considers it imperative to develop standardized principles governing their recognition and operational conduct. This initiative aims to promote consistency, accountability, and alignment with regulatory objectives across the regulatory sectors.

## 2. Current Regulatory Requirements:

This section outlines the SECP's regulatory requirements regarding membership in industry associations for regulated entities:

- i. The regulation 16(1)(n) of the Securities Brokers (Licensing and Operations) Regulations, 2016, require securities brokers to maintain membership of an association of securities brokers which is approved by the Commission and abide by the code of conduct specified by such association at all times;
- ii. The regulation 16(1)(m) of the Futures Brokers (Licensing and Operations) Regulations, 2018, require futures brokers to maintain membership of an association of futures brokers which is approved by the Commission and abide by the code of conduct specified by such association at all times;
- iii. The rule 7(1)(j) of the Non-Banking Finance Companies Rules, 2003 requires that the Non-Banking Finance Companies (NBFCs) shall acquire and maintain membership of the relevant association and follow the code of conduct specified by the said association approved by the Commission.

Although Insurance Companies are not legally obligated to join an industry association, a majority of them voluntarily maintain membership of the Insurance Association of Pakistan (IAP), representing the country's leading insurance companies.

## 3. Industry Associations in SECP's Regulated Sectors:

The SECP actively collaborates with key industry associations across its regulated sectors to strengthen market development, enhance regulatory compliance, and promote industry best practices. These associations serve as critical intermediaries between the regulator and market participants, facilitating policy implementation and sectoral growth. The SECP has been working closely with the following prominent industry bodies (details enclosed as Annexure-A) within its regulatory ambit, wherein, some associations are licensed as section 42 companies and others are registered with Directorate General of Trade Organizations (DGTO):

Sr. No.	Name	Section 42/ Registered with DGTO	Status	Sector	Members	Concerned Division
1.	Pakistan Stock Broker Association (PSBA)	DGTO	Conditional recognition	Stock market	146	Securities Market Division
2.	Insurance Association of Pakistan (IAP)	DGTO	Not formally recognized	Insurance/takafu	38	Insurance Division
3.	Mutual Fund Association of Pakistan (MUFAP)	Section 42	Applied for SRO status	AMCs/Mutual funds/ Investment advisors	24	Specialized Companies Division
4.	NBFI and Modaraba Association of Pakistan	DGTO	Not formally recognized	Leasing, Investments Finance Services, Modarabas	50	
5.	Pakistan Microfinance Network (PMN)	Section 42	Applied for recognition	Non-Bank Microfinance Companies and Microfinance Banks	40	
6.	Pakistan Fintech Network (PFN)	Section 42	Applied for recognition	All financial services through digital modes	65	

## 4. Existing Regulatory Structures:

### a. Self-Regulatory Organization (SRO):

Self-Regulatory Organization (SRO) is defined as an entity operating within the financial services market that is registered by the SECP to regulate the operations, standards of practice, and business conduct of its members and their representatives. The primary goal of SROs is to promote investor protection and public interest. To be licensed as an SRO in Pakistan, an entity must adhere to specific regulatory requirements outlined in sections 36C and 36D of the SECP Act 1997. The entity must be:

- i. A legally established company licensed by the Commission under Section 42 of the Companies Act, 2017.
- ii. It has explicitly stated its primary purpose as self-regulation in its memorandum of association.
- iii. This ensures that the SRO is operating within the legal framework and is committed to its regulatory role.

### b. Trade Organization Associations:

The Trade Organization Rules, 2013 define an association as an entity representing a specific trade, industry, or service. To qualify for recognition, an association must meet certain criteria i.e. it should have at least 100 members, or fewer than 100 members while representing a significant sector with support from at least half of its concerns. The association must consist of relevant stakeholders and ideally have nationwide membership, unless exempted by the government due to practical constraints. Additionally, qualifying associations must be financially self-sufficient (with expenses not exceeding revenues), incorporated as companies, and maintain a publicly accessible membership register. Licenses are granted for five-year periods and are renewable based on compliance and performance.

### c. Section 42 Companies:

Section 42 Companies are associations of members/promoters formed as limited companies with the purpose to serve the public across diverse fields such as commerce, art, science, religion, health, education, research, social welfare, charity, or other beneficial objectives. These associations operate under strict prohibitions against profit distribution, ensuring all resources are directed toward their stated philanthropic missions, with no dividends paid to members. The Companies Regulations 2024 outline a comprehensive framework for licensing and governing associations under Section 42 of the Companies Act, 2017. To obtain a license, applicants must submit requisite documentation and demonstrate that promoters and directors meet the fit and proper criteria.

## 5. International Precedents:

Jurisdiction	Name of Association	Legal Basis/ Structure	Functions/Roles
Malaysia	Association of Stockbroking Companies Malaysia (ASCM)	Trade Association under Societies Act 1966	Advocates for stockbroking firms; liaises with regulators; promotes professionalism
	Federation of Investment Managers Malaysia (FIMM)	Recognized as an SRO by Securities Commission Malaysia in 2011	Regulates unit trust & private retirement scheme (PRS) industries; sets conduct standards; educates investors
	Life Insurance Association of Malaysia (LIAM)	Trade Association under Societies Act 1966	Promotes life insurance standards and public awareness; enhances life insurance standards; raises awareness
	Persatuan Insurans Am Malaysia (PIAM)	Trade Association under Societies Act 1966	Advises on tariffs, engages in regulatory policy; setstariffs; advises regulators; promotes best practices
India	Association of National Exchanges Members of India (ANMI)	Industry association	Represents NSE & BSE brokers; policy advocacy, promote fair trading practices, regulatory compliance, and investor protection
	Association of Mutual Funds in India (AMFI)	Incorporated on August 22, 1995, under Section 25 of the Companies Act, 1956 (now Section 8 of the Companies Act, 2013) as a non - profit organization.	Promotes ethical and professional standards in the mutual fund industry; represents mutual funds to SEBI and other stakeholders; conducts investor awareness programs; maintains a code of conduct for Asset Management Companies (AMCs) and distributors.

	Microfinance Institution Network (MFIN) & Sa-Dhan	Recognized SROs by RBI	Responsible lending; financial literacy; policy advocacy
	Life Insurance Council & General Insurance Council	Forum constituted under Sec.64C of Insurance Act 1938	Standard setting; consumer education; regulatory liaison
Hong Kong	Hong Kong Securities Association (HKSA)	Industry association	Represents brokers; engages with SFC & HKEX, industry standards, regulatory compliance, and professional development.
	Hong Kong Investment Funds Association (HKIFA)	Established in 1999 as a non-profit organization.	Represents the fund management industry; advocates for industry development; promotes investor education.
	The Hong Kong Federation of Insurers (HKFI)	Established in 1988 as a limited company.	Represents the insurance industry; promotes industry development; engages in policy advocacy.
Japan	Japan Securities Dealers Association (JSDA)	Authorized SRO (Financial Instruments and Exchange Act)	Rule-making; inspections; dispute resolution
	Investment Trusts Association, Japan (JITA)	Established in July 1957 under a license from the Minister of Finance pursuant to Article 34 of the Civil Code.	Promotes the sound development of securities investment trusts; encourages securities investments by ordinary investors; contributes to the proper management of the Japanese economy.
	Life Insurance Association of Japan (LIAJ)	Incorporated association established on December 7, 1908, with formal sanction by the authorities concerned.	Aims for the sound development of the life insurance industry and the maintenance of its reliability; provides a forum for discussion and coordination among member companies.

	General Insurance Association of Japan (GIAJ)	Trade association representing licensed general insurance companies in Japan.	Promotes the sound development of the general insurance business; maintains its reliability; contributes to the safety and security of society.
Bangladesh	Bangladesh Insurance Association (BIA)	76-member association with sub-committees; Formed under the Companies Act 1913; registered with RJSC on April 25,1988	Tariff -setting; training; advocacy; Advances the private insurance sector; facilitates collaboration among insurers; emphasizes corporate social responsibility
	Association of Asset Management Companies and Mutual Funds (AAMCMF)	Incorporated on June 17, 2012, under the Registrar of Joint Stock Companies and Firms (RJSC)	Promotes the asset management industry; provides support to member companies; fosters investor confidence
	DSE Brokers Association of Bangladesh (DBA)	Trade Organization established on January 29, 2014; licensed by the Ministry of Commerce on June 29, 2015; incorporated with RJSC on August 16, 2015	Protects interests of DSE TREC holders; advocates for capital market reforms; enhances investor protection
	Credit and Development Forum (CDF)	Network of microfinance institutions; collaborates and work with the Microcredit Regulatory Authority (MRA)	Enhances transparency in the microfinance sector; builds capacity; Microfinance sector transparency; capacity-building



## 6. Recommendations:

The SECP acknowledges the critical role industry associations play in advancing their respective sectors through collaborative engagement with the Commission. The associations in SECP's regulated sectors have demonstrated their effectiveness in driving market development, elevating professional standards, and promoting industry best practices.

To strengthen Pakistan's financial ecosystem, the SECP is proposing a structured framework to transition qualifying associations into Self-Regulatory Organizations. This strategic initiative reflects the Commission's commitment to eventually recognize and engage exclusively with those industry associations that demonstrate the capacity and willingness to evolve into SROs within three years of being recognized by the SECP. The phased transition will:

- Empower associations with greater autonomy in compliance oversight
- Strengthen investor protection frameworks
- Enhance sector-specific regulatory effectiveness while ensuring continued alignment with the SECP's supervisory mandate.

The Commission further intends to facilitate the establishment of multiple industry associations to represent specialized sub-sectors within one regulated sector. This approach will enable more focused representation for distinct business categories such as leasing companies, modarabas, microfinance companies, as well as fintech firms operating within these sectors. Each association will operate within clearly defined mandates based on their respective sub-sector's characteristics and regulatory requirements.

In view of the foregoing, the SECP has established the following internationally benchmarked standards for recognizing representative associations in regulated sectors:

### **i. Legal Structure:**

The association shall be incorporated as a Section 42 company under the Companies Act, 2017. Existing trade associations licensed under the DGTO must transition to a Section 42 company within three years and surrender their DGTO license upon conversion.

### **ii. Financial Resource Requirements:**

The association shall maintain adequate financial resources.

### **iii. Independence and Objectivity:**

Industry associations shall have independence and ensure that their activities are not unduly influenced by individual members interests. The association's governance structure, decision-making processes, and financial affairs should be transparent to the public and regulators.

### **iv. Membership Criteria:**

Clearly defined criteria shall be established for membership, ensuring that only entities that meet specific standards of conduct and compliance are allowed to join. The association shall strive to promote diversity among its membership, including in terms of size, geographic location, and business mode.

### **v. Fitness and Propriety:**

The association shall have a Board of Directors that is representative of its membership and possesses the necessary skills and experience to guide its activities. A code of conduct should be established for the board members and staff, outlining ethical standards and expectations for behaviour. The members of the association shall also comply with the Fitness and Propriety criteria as stipulated in the relevant laws.

**vi. Governance:**

The association shall appoint/designate a Chief Executive Officer (CEO) to oversee and ensure the smooth functioning of the association. However, the Chair of the Board of Directors and the CEO must not be the same individual.

**vii. Financial Transparency:**

The association shall provide regular financial reports to its members and the public, including information on revenue, expenses, and reserves. Mechanisms should be in place to prevent conflicts of interest among board members and staff, such as through disclosure requirements and recusal procedures.

**viii. Regulatory Compliance:**

The association shall ensure that its activities comply with all applicable laws and regulations, including those related to competition, consumer protection, and data privacy. The association shall cooperate with regulatory authorities and provide information as requested.

**ix. Code of Conduct:**

A code of conduct shall be developed for members of the association, outlining ethical standards and expectations for behaviour. Procedures should be in place to address violations of the code of conduct, including disciplinary measures.

**x. Complaints handling and Dispute Resolution:**

The association shall provide mechanisms for handling complains and resolving disputes between members or with third parties, such as mediation or arbitration. Dispute resolution processes should be fair, impartial, and transparent.

**xi. Public Engagement:**

The association shall consult with the public and relevant stakeholders on issues that affect the industry. The association should be transparent and accountable to the stakeholders, providing information on its activities and decision-making processes.

**xii. Training and awareness:**

The association shall offer a range of investor education programs, including workshops, awareness sessions and capacity building initiatives to enhance the skills and knowledge of its members and industry professionals. Additionally, the association shall disseminate information on best practices and emerging trends to enable members to remain competitive in the dynamic market.

## 7. Annexure-A:

### Industry Associations in SECP's Regulated Sectors

#### i. The Pakistan Stock Broker Association (PSBA)

The Pakistan Stock Broker Association (PSBA) is a professional organization representing the securities brokers of the Pakistan Stock Exchange (PSX). The PSBA advocates for the interests of its members with regulatory authorities and other relevant organizations. Established on February 3, 2020, and formally incorporated on July 27, 2020, the PSBA is a public company limited by guarantee. Membership in the association is valid for one year, expiring on March 31st regardless of the membership grant date. As of May 06, 2025, 146 brokerage firms are members of PSBA. The members are required to pay an admission fee of Rs.5000, further, the annual subscription fee is Rs. 50,000.

#### ii. Mutual Fund Association of Pakistan (MUFAP)

The Mutual Funds Association of Pakistan (MUFAP) was founded by a group of investment advisors/ asset management companies in 1996. It was formally incorporated in 2001 as a public company limited by guarantee without share capital. MUFAP obtained license by the Ministry of Commerce (Directorate General of Trade Organizations) to function as the trade association for Pakistan's asset management industry the same year. In June 2021, MUFAP acquired a license under Section 42 of the Companies Act, 2017 and to meet one of the licensing conditions, MUFAP voluntarily applied for revocation of its license from the Directorate General of Trade Organizations which was revoked in December 2022.

#### iii. The Insurance Association of Pakistan (IAP)

The Insurance Association of Pakistan (IAP), established in 1948, represents the insurance industry of Pakistan. It actively engages the Government and all stakeholders of the sector. Representing both life and non-life insurance companies, IAP members are the prominent insurance companies of the country. Out of its stronghold of 38-member companies, 27 companies transact non-life insurance business, 7 transact life insurance business, 4 takaful operators (2 family and 2 general takaful) and the state-owned reinsurer (PRCL) in Pakistan. The members are required to pay an admission fee of Rs.250,000, further, the annual subscription fee is Rs.25,000 with an annual levy of 0.12% of gross direct premium subject to minimum Rs. 100,000 and maximum Rs. 2000,000 every year in October.

#### iv. Non-Banking Finance Institution (NBFI) and Modaraba Association of Pakistan

The NBFI & Modaraba Association of Pakistan was incorporated on 29th July, 2010 by merging Modaraba Association of Pakistan (MAP) and Leasing Association of Pakistan (LAP). The Association is a trade body, licensed by the DGTO, that represents the Modarabas, Leasing Companies and Investment Finance Services. The NBFI & Modaraba Association of Pakistan is dedicated to fostering the growth and development of the Islamic finance sector in Pakistan. The Memorandum of the Association provides for the inclusion of Modaraba, Leasing, Investment Finance Services, Housing Finance, Investment Advisory Services, Discounting Services, Private Equity/Venture Capital, REITS and such other business as permitted to be conducted by the members of the Association. The association was initially set up under section 42 of the Companies Act, 2017. The membership of the association is valid for a period of one year and is renewable on annual basis. The members are required to annual fee as follows;

Slab of Annual Subscription based on Paid up Capital	Rs.
Up to 100 million	93,750
101 to 200 million	125,000
201 to 300 million	156,250
301 to 500 million	187,500
501 to 1000 million	225,000
1001 to 1500 million	270,000
1501 to above million	325,000

#### v. Pakistan Microfinance Network (PMN)

The Pakistan Microfinance Network (PMN) was established in 1997 as an informal platform for microfinance practitioners to collaborate, share ideas, and learn from one another. Over the years, the PMN has grown substantially and is now a globally recognized national association representing retail players in Pakistan's microfinance industry. The members of PMN are Non-Bank Microfinance Companies licensed under NBFC framework and Microfinance Banks licensed under Microfinance Institution Ordinance 2001. PMN is a member-driven organization dedicated to increasing access to formal financial services in Pakistan. The members are required to pay an admission fee of Rs. 500,000, further, the annual subscription fee for the 1st year of operation is Rs.100,000 and afterwards it is between the range of minimum Rs. 187,000 and maximum 900,000 depending on their average gross loan portfolio.

#### vi. Pakistan Fintech Network

The Pakistan Fintech Network (PFN) was established to foster a supportive environment for Fintech organizations, facilitating their integration and growth within Pakistan's fintech ecosystem. The network works closely with various entities, such as Fintech companies, traditional banks adopting digital strategies, and digital lending platforms. By partnering with enablers, the PFN contributes to the development of technologies that enhance and support financial services. The Pakistan Fintech Network (PFN) offers a tiered membership structure:

**Tier I:** Designed for entrepreneurs, startups, or entities with less than one year of operations. (Annual Fee: 10,000), **Tier II:** Tailored for fintech's operating for more than a year in any relevant domain. (Annual Fee: 50,000), **Tier III:** Geared towards established players such as banks, telecommunications companies, payment service operators/providers, electronic money institutions, and similar technology companies. (Annual Fee: 500,000).

## 8. Format for sharing feedback/comments on the Consultation Paper

Feedback on the proposed areas for improvement along with any other suggestions on this consultation paper may be sent via email to [industry.associations@secp.gov.pk](mailto:industry.associations@secp.gov.pk) as per below format:

<b>Name</b>			
<b>Name of the related Entity</b>			
<b>Sr. No.</b>	<b>Regulation/ Section No.</b>	<b>Views/Proposed Changes</b>	<b>Rationale</b>
<b>Confidentiality</b>			
<i>If you wish to keep all or any part of your submissions and your identity confidential, please indicate the same. In all other cases, your provided comments can be made public, except your contact information.</i>			

### Indicative Timeline:

Stage	Date/Timeline	Detail
1	12-05-2025	Publication of Consultation Paper
2	Within 15 days of publication of Consultation Paper and placement of same on SECP website	Public comments period
3	Within 30 days of receipt of comments on the Consultation Paper	Consultation sessions
4	Within 30 days of conclusion of consultations	Publication of standardized principles



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