

Government of Pakistan
Securities and Exchange Commission of Pakistan

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NOTIFICATION

Islamabad, the 8th January, 2021

S.R.O. 16 (I)/2021.- The draft Self-Regulatory Organizations Regulations, 2021 proposed to be made by Securities and Exchange Commission of Pakistan (the Commission) in exercise of powers conferred under Section 40 read with Part IXB of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), are hereby published in the two newspapers of wide circulation as required under sub-section (2) of section 40, for information of all persons likely to be affected thereby and notice is hereby given that comments or suggestions, if any, received within thirty days from the date of publication of this notification shall be taken into consideration by the Securities and Exchange Commission of Pakistan, namely:-

DRAFT REGULATIONS

1. Short title and commencement. - (1) These regulations shall be called the Self-Regulatory Organizations (Registration) Regulations, 2021.

(2) They shall come into force at once.

2. Definitions. - (1) In these regulations, unless there is anything repugnant in the subject or context, –

- (a) "Act" means the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (b) "Annexure" means annexures appended to these regulations;
- (c) "member" means a person regulated, registered or licenced by the Commission in the financial services markets and corporate sector who has been admitted as a member of a self-regulatory organization; and
- (d) "Schedule" means schedule annexed to these regulations;

(2) Words and expressions used but not defined in these Regulations shall have the same meaning as assigned to them in the Act or administered legislation or any rules or regulations made thereunder.

3. Registration of Self-Regulatory Organization.- (1) Subject to the requirements of 36C and 36D of the Act, any company licensed under section 42 of the Companies Act, 2017, desirous of obtaining registration as a self-regulatory organization, may make an application to the Commission as set out in Form A along with the following documents:

- (a) receipt evidencing the payment of non-refundable processing fee of rupees

- two hundred and fifty thousand;
- (b) information about its directors as required in the fit and proper criteria specified in Schedule I;
- (c) evidence that the company meets minimum paid up capital net of losses of rupees five million;
- (d) copies of memorandum of association and articles of association fulfilling the requirement as provided in clause (b) of section 36C;
- (e) draft regulations of the self-regulatory organization under Section 36E of the Act, proposed by the applicant company; and
- (f) business plan and financial projections for the next five years.

(2) The Commission may, after making necessary inquiries and after obtaining further information, as it may consider necessary, grant registration as per Form B for one or more functions related to financial services market or corporate sector.

(3) The registration certificate granted under Regulation 3 (2) above will be subject to the following conditions, -

- (a) the requirements of section 36D of the Act are complied with;
- (b) each of its promoters, directors, chief executive and chairman of the board of directors fulfils the terms and conditions mentioned in the fit and proper criteria specified in Schedule I;
- (c) the company shall not make any change in the Memorandum of Association, other than increase in the authorized share capital, without prior approval of the Commission;
- (d) the company shall furnish evidence to the satisfaction of the Commission that the personnel employed by it for executive positions, research or other related functions possess sufficient educational qualifications and professional experience to undertake the proposed self-regulatory function(s) within 90 days of grant of registration;
- (e) the company, its promoters and major shareholders, its chief executive and its directors shall furnish separate undertakings to the Commission that they shall comply in letter and spirit with the requirements of the Act or administered legislation and the rules, regulations or directions made thereunder:

Provided that the Commission may, impose additional conditions, at the time of issuance of registration certificate or subsequent to grant of registration certificate, or grant time to the company for compliance with any of the above conditions or extend the time granted to the company as it deems appropriate.

(4) The registration shall be valid for five years from the date of its issuance and shall be renewable upon expiry of the said period.

(5) Application for registration under this regulation may be refused after providing an opportunity of hearing to the applicant within a period of thirty days from the

date of receipt of such application or within thirty days of receipt of further information or clarification, if any, sought by the Commission.

4. Renewal of registration. - (1) A self-regulatory organization desirous to renew its registration certificate shall make an application, at least three months prior to the expiry of its registration certificate, as set out in Form C along with payment of a fee of rupees two hundred and fifty thousand.

(2) The Commission may, after making such inquiry and after obtaining such further information, as it may consider necessary, renew the registration certificate, for five years in Form D on such conditions, as it may deem necessary, provided that the self-regulatory organization remains compliant with section 36D of the Act and these Regulations at all times.

Provided further that till such time that the certificate of registration is renewed, the existing registration certificate shall be deemed valid for the purposes of these regulations unless the self-regulatory organization fails to apply within the time period specified in sub-regulation (1) and fulfils all the requirements to the satisfaction of the Commission for the renewal of registration certificate.

(3) If, after considering an application made under these Regulation, the Commission is of the opinion that the registration shall not be renewed, it may, reject the application within a period of thirty days of receipt of such application or within thirty days of receipt of further information or clarification sought by the Commission.

(4) A self-regulatory organization whose application for the renewal of registration certificate is refused shall, from the date of the receipt of the communication from the Commission, cease to carry on any activity as a self-regulatory organization:

Provided that the Commission may, if satisfied that it is in the interest of financial services market, corporate sector, investors or insurance policyholders, permit the self-regulatory organization to complete the functions or obligations already initiated or undertaken by it during the pendency of the application or during the period of validity of the registration certificate:

Provided further that the Commission may, in order to protect the interests of investors or insurance policyholders or participants from corporate sector, -

- (a) issue directions with regard to the transfer of records, documents or reports relating to the functions of the self-regulatory organization; and/ or
- (b) appoint any person to take charge of the records, documents or reports relating to the self-regulatory organization and for this purpose also determine the terms and conditions of such appointment.

(5) Application for renewal of registration certificate under this regulation may be refused after providing an opportunity of hearing to the applicant within a period of thirty days from the date of receipt of such application or within thirty days of receipt of

further information or clarification, if any, sought by the Commission.

5. Disciplinary proceedings.- Where a self-regulatory organization contravenes any provision of the Act, any administered legislation or any rules or regulations made thereunder or fails to comply with any direction of the Commission, the Commission may initiate necessary disciplinary proceedings in accordance with section 36G of the Act after providing an opportunity of being heard as contained in Form E.

6. Maintenance of Record and Appointment of Auditor. - (1) In addition to the requirements provided in section 36F of the Act, a self-regulatory organization shall prepare and maintain such books of accounts as required under the Companies Act, 2017 including records that shall depict a true and fair view of its state of affairs for the last ten years, including, -

- (a) journals, cash books and other records of original entry forming the basis of entry in any ledger;
- (b) ledgers (or other comparable record) reflecting assets, liabilities, income and expenses along with all supporting documents or records;
- (c) record of transactions with banks; and
- (d) record of the meetings of the board of directors and all relevant committees.

(2) The Commission may appoint a qualified auditor, if required, to inspect or audit the books of accounts or the affairs of a self-regulatory organization to express opinion on following matters:

- (a) compliance with the regulations governing a self-regulatory organization devised under section 36E of the Act;
- (b) compliance with these Regulations; and
- (c) compliance with the reporting requirements of Auditors (Reporting Obligations) Regulations, 2018.

(3) The reporting requirements specific to a self-regulatory organization will be provided in the regulations of a self-regulatory organization approved by the Commission under section 36E of the Act.

(4) The Commission shall be entitled to recover the expenses of such audit or inspection as may be incurred by it, including fees paid to the auditors, from the self-regulatory organization.

7. Functions/Obligations of self-regulatory organization. - In addition to the functions provided in the Act, a self-regulatory organization shall, -

- (a) submit its annual report to the Commission on effectively discharging its functions and responsibilities as stated in Section 36D (4) and 36D (5) of the Act;
- (b) treat all its members and the applications for membership in a fair and transparent manner;
- (c) collect admission and membership fees from its members for carrying out its functions;
- (d) promptly inform the Commission of violations of the provisions of the Act, the regulations, the directions, the circulars or the guidelines by any of its members;

- (e) conduct screening and certification tests for its members, agents and such other persons as it may determine;
- (f) conduct training programmes for its members or agents and such other persons as it may determine, and also conduct awareness programmes for the participants of financial services markets or corporate sector;
- (g) make endeavors for introduction of best business practices amongst its members;
- (h) act in utmost good faith and shall avoid conflict of interest in the conduct of its functions;
- (i) comply with the code of corporate governance applicable on the members of the sector(s) whose functions are being self-regulated by a self-regulatory organization;
- (j) have in place proper systems and controls along with clearly documented policies and procedures reasonably designed for ensuring confidentiality of information in relation to its members, agents and such other persons as it may determine;
- (k) discharge such other functions and obligations as may be specified by the Commission, from time to time; and
- (l) ensure that it complies with the eligibility criteria at all times.

8. Regulations of Self-Regulatory Organization. - A self-regulatory organization registered under these regulations shall make regulations in accordance with section 36E of the Act subject to the prior approval of the Commission.

9. Power of the Commission to issue directions. The Commission may issue directions to a self-regulatory organization in accordance with section 36G of the Act.

Form A

**APPLICATION FORM
FOR REGISTRATION AS A SELF-REGULATORY ORGANIZATION
[see regulation 3(1)]**

Date

To
The Securities and Exchange Commission of Pakistan,
Islamabad.

Dear Sir,

1. I/We, ...(name of applicant or where applicable name of company)...., hereby apply for the registration as a Self-Regulatory Organization under section 36D of the Securities and Exchange Commission of Pakistan Act, 1997.
2. The documents required under Regulation 3(1) of the Self-Regulatory Organizations Regulations, 2021 are enclosed.

3. Original receipt of the bank for the fee of Rs.....,being the registration fee, is enclosed.

Yours faithfully,

Signature of the applicant or where applicable applicant's chief executive officer, company secretary or chief financial officer duly authorized by the board of directors of the applicant through a resolution for signing and submission of this application.

Form B
[see regulation 3(2)]
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
REGISTRATION AS
A SELF-REGULATORY ORGANIZATION

Registration No. _____

Islamabad, ___(date)_____

1. The Securities and Exchange Commission of Pakistan having considered the application by (Name of the company/applicant) for the registration as a Self-Regulatory Organization under section 36D of the Securities and Exchange Commission of Pakistan Act, 1997 and being satisfied that the said applicant is eligible for registration as a Self-Regulatory Organization and that it would be in public interest and in the interest of financial services market or corporate sector to do so, hereby grants registration certificate, in exercise of the powers conferred by section 36D of the Securities and Exchange Commission of Pakistan Act, 1997 to (name of the company/applicant) as Self-Regulatory Organization subject to the provisions of the Securities and Exchange Commission of Pakistan Act, 1997 and the rules and regulations made thereunder, as amended from time to time.

2. This certificate of registration is valid up to five year from the date of issuance.

Signature of the Officer
Designation

Form C
[see regulation 4(1)]
APPLICATION FORM
FOR RENEWAL OF CERTIFICATE OF REGISTRATION AS A SELF-REGULATORY
ORGANIZATION

Date

To
The Securities and Exchange Commission of Pakistan,
Islamabad.

Dear Sir,

1. I/We (Name of the applicant) ... having registration number hereby apply for renewal of certificate of registration as a Self-Regulatory Organization under section 36D of the Securities and Exchange Commission of Pakistan Act, 1997.
2. The existing registration certificate will expire on
3. Original receipt of the bank for the fee of Rs.....,being the renewal fee, is enclosed.
4. It is requested that the certificate of registration may be renewed.

Yours faithfully,

Signature of the applicant or where applicable the applicant's chief executive officer, company secretary or chief financial officer duly authorized by the board of directors of the applicant through a resolution for signing and submission of this application.

Form D
[see regulation 4(2)]
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
RENEWAL OF CERTIFICATE OF REGISTRATION AS
A SELF-REGULATORY ORGANIZATION

Registration No. _____

Islamabad, ____ (date) _____

1. The Securities and Exchange Commission of Pakistan having considered the application for renewal of certificate of registration of Self-Regulatory Organization by (Name of the company/applicant), and being satisfied that the said Self-Regulatory Organization is eligible for renewal of certificate of registration and that it would be in public interest and in the interest of the financial services market or corporate sector to do so, hereby renews the certificate of registration of (Name of the company/applicant), as a Self-Regulatory Organization in exercise of the powers conferred by section 36D of the Securities and Exchange Commission of Pakistan Act, 1997 for five year subject to the provisions of the Securities and Exchange Commission of Pakistan Act, 1997 and the rules and regulations made thereunder, as amended from time to time.

Signature of the Officer
Designation

Form E
[see regulation 5(1)]
NOTICE TO SHOW CAUSE
AGAINST THE CANCELLATION OF REGISTRATION AS A SELF-REGULATORY ORGANIZATION

Date

To
(Name and address of the self-regulatory organization)

You are hereby called upon to show cause on or before (name of relevant officer) at the office of (designation of the officer) why the certificate of registration bearing No. _____ granted to you under Regulation 3 (1) or Regulation 4 (1) of the Self-Regulatory Organizations (Registration) Regulations, 2021 should not be cancelled for the reasons given below:

- a) ...
- b) ...
- n) ...

Signature of the Officer,
Designation

Schedule I

FIT AND PROPER CRITERIA
[see Regulations 3(3)]

DEFINITIONS

"Senior Management officials" shall have the same meaning as assigned to it in section 36C of the Act.

APPLICATION AND SCOPE

- (1) The Fit and Proper Criteria in relation to a self-regulatory organization is applicable to the following persons:
 - (i) director of a self-regulatory organization;
 - (ii) Senior Management officials of a self-regulatory organization;
- (2) A proposed director or chief executive of a self-regulatory organization shall not assume the charge of office until their appointment has been approved by the Commission.
- (3) The application for seeking approval of the Commission under clause (2) shall be submitted by a self-regulatory organization along with the requisite information under Annexure A and an Affidavit as specified in Annexure B.
- (4) The appointment of senior management official, other than chief executive officer, of a self-regulatory organization does not require the approval of the Commission;

however, a self-regulatory organization shall ensure at the time of appointing a senior management official that such person complies with the Fit and Proper Criteria.

(5) The fitness and propriety of any person shall be assessed by taking into account all the relevant factors including but not limited to the following:

- (a) Integrity and track record of such person;
- (b) Financial soundness of such person;
- (c) Competence and capability of such person; and
- (d) Additional criteria for the approval of Independent Directors.

(6) The Fit and Proper Criteria is perpetual in nature and a self-regulatory organization shall ensure compliance with the provisions of Fit and Proper Criteria at all times.

(7) All persons subject to Fit and Proper Criteria shall report any change with reference to their fitness and propriety to the self-regulatory organization within three business days of such change taking effect and a self-regulatory organization shall within a period of seven business days from the date of receipt, report the same to the Commission.

(8) A self-regulatory organization shall monitor whether any change in the status of its chief executive, directors and senior management is contrary to the requirements of the Fit and Proper Criteria. In case any change in the status results in a non-compliance with the Fit and Proper Criteria, the self-regulatory organization shall immediately stop the person from performing his assigned duties, inform the Commission and initiate the process for replacement of that individual with a fit and proper individual.

(9) Any violations or circumvention of the Fit and Proper Criteria shall be dealt with under the provisions of the Act.

ASSESSMENT OF FITNESS AND PROPRIETY

(a) Integrity and Track Record

A person shall not be considered Fit and Proper if he/ she:

- (i) has been convicted of an offence involving moral turpitude;
- (ii) has been involved in the mismanagement of investments, financial or business misconduct, fraud etc. ;
- (iii) has been subject to adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;
- (iv) has been actively involved in the management of a company or firm whose registration or license has been revoked or cancelled, or which has gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices;
- (v) has not been convicted in criminal breach of trust, fraud, offences of terrorism financing or money laundering including predicate offences as provided in the Anti-Money Laundering (AML) Act, 2010, laws made thereunder, or any other AML/ CFT (Countering Financing of Terrorism) requirements notified by the Commission, and is not a proscribed person, either convicted or not, "as

mentioned in the notifications issued by the Ministry of Foreign Affairs on United Nations Security Councils Resolutions or intimation from National Counter Terrorism Authority/ Law Enforcement Agencies/ Home Departments of Provinces/ Ministry of Interior”;

- (vi) is ineligible, under the Act, or any rules and regulations made thereunder, from acting as a director or serving in a managerial capacity of a self-regulatory organization; has entered into a plea bargain arrangement with the National Accountability Bureau;
- (vii) in case of promoters or major shareholder of a self-regulatory organization, does not have the requisite disclosed and verifiable financial resources; and

(b) Financial soundness

In determining a person’s financial soundness, the following shall be considered:

- (i) whether such person’s financial statements or record including wealth statements or income tax returns or assessment orders are available;
- (ii) whether the person has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;
- (iii) whether any instance of overdue or past due payment to a financial institution, irrespective of amount, is appearing in the overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc. Provided that the Commission shall provide an opportunity of making representation to the person in case of overdue or past due payment; Provided further that the following exceptions may be granted by the Commission for the purpose of this sub-clause in case where:-
 - (a) Amount overdue is under litigation and the same is also appearing as amount under litigation in the CIB report; and
 - (b) No overdue payment appearing in the overdue column in the subsequent latest CIB report;
- (iv) whether the person has applied to be adjudicated as an insolvent and his application is pending;
- (v) whether the person is an un-discharged insolvent; and
- (vi) whether the person has been declared a defaulter by a stock exchange.

(c) Competence and Capability

In determining a person’s competence and capability the following shall be considered:

- (i) the directors should be individuals having management or business experience of at least five years at a senior management level;
- (ii) the directors shall have experience and knowledge in any related profession such as banking, insurance, collective investment scheme, accounting, law, internal audit or information technology etc.
- (iii) the chief executive should have a minimum experience of seven years in a senior management position, preferably in the relevant regulated financial services sector or corporate sector;
- (iv) the chief executive should have demonstrated, through his/ her qualification and

- experience, the capacity to successfully undertake the cognate responsibilities of the position;
- (v) the senior management officials must be qualified professionals possessing relevant job experience.
 - (vi) The directors, in addition to above requirements, shall comply with the fit and proper criteria as applicable on directors, chief executive officer, or key executives (or key officers i.e. functional/ departmental heads) of the sector(s) whose functions are being self-regulated by a self-regulatory organization.

(d) Additional Criteria for Approval of Independent Directors by the Commission

- (i) The person shall not be a director, officer, sponsor or shareholder of a member or any holding or subsidiary company of such company.
- (ii) The person’s immediate family member is not a director, officer or sponsor of a member and/ or combined shareholding of the immediate family members in such companies does not exceed twenty percent.
- (iii) It shall be mandatory to disclose any shareholding in a listed company in such person’s name or in the name of his family member or in the name of an entity being managed or controlled by him or his family members, to the self-regulatory organization and the Commission;
 - (a) at the time of submission of initial information; and
 - (b) on the quarterly basis for the respective period.

Further, the self-regulatory organization shall, during the tenure of independent director, disseminate the information relating to trading of securities of such independent director for public disclosure.

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Annexure A

(a) Information to be provided by promoters, major shareholders (other than a body corporate), proposed directors and proposed chief executive of a self-regulatory organization.

1.	Curriculum Vitae/ Resume containing:
a.	Name: (former name if any):
b.	Father’s or Spouse Name:
c.	C.N.I.C # / Passport # (In case of foreign nationals) –(attach copy)
d.	Latest photograph
e.	Nationality:
f.	Age:
g.	Contact details:
	i) Residential address:
	ii) Business address:
	iii) Tel:
	iv) Mobile:

	v) Fax:
	vi) E-mail:
h.	National Tax Number:
i.	Present occupation:
j.	Details of Academic and Professional Qualifications: (Attach Copy). Board of Directors of a self-regulatory organization shall ensure verification of credentials and degrees).
k.	Trainings
l.	Experience: Position held during the last ten years (along with name and address of company/institution/ body where appointment held, nature of the company/institution/body and dates of appointment).
2.	<p>Status of directorship Shareholder <input type="checkbox"/> Nominee <input type="checkbox"/></p> <p>Name of the shareholders/ Group of shareholders he is representing Nature of directorship Executive <input type="checkbox"/> Non-executive <input type="checkbox"/></p> <p>Independent <input type="checkbox"/> Non-independent <input type="checkbox"/> Number of shares subscribed or held _____</p> <p>[Personal net worth (copy of wealth statement for other than nominee directors of body corporate and independent directors)]</p>
3.	Names of companies, firms, sole proprietorships and other organizations of which the proposed person is a chief executive, director, partner, owner, office holder or major shareholder.
4.	(1) CIB report issued by SBP for the companies, firms, sole proprietorships, etc. where the applicant is interested as director (sponsor or major shareholder), chief executive, partner or owner (attach original CIB reports)
	(2) An undertaking providing details of the following: <ul style="list-style-type: none"> I. Any write off availed from any financial institution during the last five years II. Any default of Finance obtained from any financial institution during the last five years. III. Placement on ECL during the last five years IV. Any conviction from any Court of Law or any plea bargain with NAB during the last ten years V. Any write off or default by any related or affiliated person or by any company on whom the applicant or anyone closely related to him had an interest as sponsor, major shareholder, director, chief executive, senior management position, etc. during the last five years VI. The person and the companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc. has no overdue payment of any financial institution.

Annexure B
Affidavit
Before the Securities and Exchange Commission of Pakistan
(On Stamp Paper of Appropriate Value)

I, _____
son/daughter/wife of _____ adult, resident of and holding CNIC/
Passport No. _____ do hereby state on solemn affirmation
as under:-

1. That I am eligible for the position of _____ according to the Fit and Proper Criteria for the position of _____, annexed to the Self-Regulatory Organizations (Registration) Regulations, 2021.
2. That I hereby confirm that the statements made, undertakings provided and the information given by me including that required under Annexure A is correct and that there are no facts which have been concealed.
3. That I have no objection if the Securities and Exchange Commission of Pakistan requests or obtains information about me from any third party.
4. That I undertake to bring to the attention of the Securities Exchange Commission of Pakistan any matter which may potentially affect my status for the position of _____ as per the Fit and Proper Criteria annexed to the Self-Regulatory Organizations (Registration) Regulations, 2021.
5. That all the documents provided to Securities Exchange Commission of Pakistan are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

DEPONENT

The Deponent is identified by me

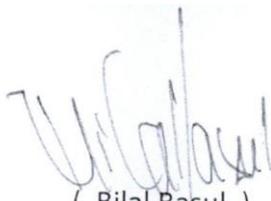
Signature _____

ADVOCATE
(Name and Seal)

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature _____
OATH COMMISSIONER FOR
TAKING AFFIDAVIT
(Name and Seal)

[File No. SY/SECP/8/13]


(Bilal Rasul)
Secretary to the Commission