

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Islamabad, 13th November, 2017

NOTIFICATION

S. R. O. 1177(I)/2017. - The following draft Securities Managers (Licensing and Operations) Regulations, 2017, proposed to be made by the Securities and Exchange Commission of Pakistan, in exercise of powers conferred by section 169 read with sections 68, 69, 75, 78, 79, 80, 82, 84 and 151 of the Securities Act, 2015 (III of 2015), are hereby published in the official Gazette for information of all persons likely to be affected thereby and, as required by sub-section (4) of the said section 169, notice is hereby given that objections and suggestions, if any, received within the next fifteen days, starting from the date of its placement on the website of the Commission, will be taken into consideration, namely:-

DRAFT REGULATIONS

**CHAPTER I
PRELIMINARY**

1. Short title and commencement.- (1) These Regulations shall be called the Securities Manager (Licensing and Operations) Regulations, 2017.

(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 Act, 2015 (III of 2015);
- (b) “advertisement” means dissemination or conveyance of information, or an invitation or solicitation, in respect of the services that the securities manager is licensed to carry on, by any means or in any form, including, —
 - (i) publication in a newspaper, magazine, journal or other periodical;
 - (ii) display of posters, notices, billboards, hoardings etc.;
 - (iii) circulars, handbills, brochures, pamphlets, books or other documents;
 - (iv) letters addressed to individuals or bodies;
 - (v) photographs or cinematograph films;
 - (vi) sound broadcasting, television, the internet or other media; or
 - (vii) tele-marketing and SMS marketing;

- (c) “Annexure” means annexures appended to these regulations;
- (d) “Companies Act” means the Companies Act, 2017 (XIX of 2017);
- (e) “discretionary portfolio” means a portfolio of securities and deposit with a financial institution managed by a securities manager under an agreement entered into with a customer on a duly notarized stamp paper of applicable value, and whereby investment decisions are made and executed by the securities manager on behalf of its customer such that the securities manager may exercise any degree of discretion as to the investments or management of the portfolio of securities or the funds of the customer;
- (f) “Form” means form appended to these regulations;
- (g) “non-banking finance company (NBFC)” means a company licensed by the Commission to carry out any one or more forms of business as specified in clause (a) of section 282A of the Companies Ordinance, 1984 (XLVII of 1984);
- (h) “non-discretionary portfolio” means a portfolio of securities and deposit with a financial institution managed by a securities manager under an agreement entered into with the customer on a duly notarized stamp paper of applicable value whereby investment decisions are executed by the securities manager on written instructions of the customer;
- (i) “portfolio” means the total holdings of securities belonging to any person; and
- (j) “Schedule” means schedule appended 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, the Companies Act, the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) or Central Depositories Act, 1997 (XIX of 1997) and any rules made thereunder.

CHAPTER II

LICENSING REQUIREMENTS FOR A SECURITIES MANAGER

3. Prohibition.— (1) No person shall act as or perform the functions of a securities manager unless such person is licensed with the Commission as a securities manager under the Act and these regulations:

Provided that any person who is performing the functions of a securities manager immediately before coming into force of these regulations, shall be required to obtain a

licence under these regulations as a securities manager within a period of six months from the date of coming into force of these regulations.

Provided further that subject to sub-section (3) of section 64 of the Act a fund management NBFC licenced with the Commission which is providing services of a securities manager shall be exempt from the requirement of obtaining licence as a securities manager subject to the following terms and conditions:

- (a) it meets all the regulatory requirements required under the law governing its business as an NBFC;
- (b) its relevant employees shall have the requisite qualification and/or experience and certification as specified in Annexure A;
- (c) while acting as a securities manager, the NBFC shall remain compliant with all the requirements of these regulations;
- (d) it shall maintain membership of an association of securities managers or any other association or self-regulatory organization, which is approved by the Commission for the purpose, and abide by the code of conduct specified by such association at all times;
- (e) within one month of the end of each financial year, the NBFC engaged in the business of securities manager shall submit an affidavit to the Commission that it is compliant with all the requirements of these regulations; and
- (f) the NBFC shall be subject to disciplinary action under the Act and these regulations including the revocation of permission to act as a securities manager if it is found to be in non-compliance with the requirements of the Act and these regulations or if it fails to submit the affidavit within the specified time.

(2) Subject to sub-section (3) of section 65 of the Act, a licence for a securities manager may be granted to a bank.

4. Licensing conditions for securities manager.- (1) A person may apply to the Commission for licence as a securities manager, subject to fulfilment of the following conditions:

- (a) the applicant is one of the following:
 - (i) a scheduled bank; or
 - (ii) a securities broker or a futures broker; or
 - (iii) a securities adviser or a futures adviser;
- (b) it has a place of business in Pakistan;

- (c) it is a public or private company;
- (d) its memorandum and articles of association allow it to apply for grant of licence under the Act;
- (e) its sponsors, directors and senior management officers shall fulfill the fit and proper criteria specified in Annexure A;
- (f) its relevant employees shall have the requisite qualification, experience and certification as specified in Annexure A;
- (g) minimum one director on its board is an independent director:

Provided that in case of any ambiguity in determining independence of a person for the purposes of these regulations, the decision of the Commission shall be final and binding upon the securities manager;

- (h) the applicant and its sponsors do not have controlling interest in any other company holding licence as a securities manager;
- (i) the chief executive of the company does not hold such office in any other company;
- (j) it meets the financial resource requirements as specified in these regulations;
- (k) it maintains membership of an association of securities managers or any other association or self-regulatory organization, which is approved by the Commission for the purpose, and abides by the code of conduct specified by such association at all times;
- (l) it identifies names and details of its sponsors which shall be required to collectively hold and retain not less than twenty-five per cent of the share capital of the applicant;
- (m) its sponsors have and will continue to have representation of at least twenty per cent on its board of directors;
- (n) the sponsors' portion of share capital of the applicant or any part thereof shall not be sold or transferred, nor any arrangement for transfer of control of the securities manager shall be affected without prior written approval of the Commission; and
- (o) its memorandum of association requires prior approval of the Commission for making any changes therein, other than an increase in its authorized share capital;

Explanation:- For the purpose of this regulation, where the sponsor is a company, the requirements applicable to the sponsors shall be applied to such extent as may be practical upon the sponsors and directors of such sponsor company and the applicant shall give an undertaking to the Commission that it will inform the Commission in case of any change in the sponsors or majority shareholders of the sponsoring company and the required documents;

5. Financial Resources Requirement.- A person applying for the licence as securities manager under these regulations shall maintain at all times a minimum net worth of rupees thirty million, which shall be maintained separately and independently of any other financial resource requirements specified for any other regulated activity undertaken by it under the relevant regulations.

Explanation:- For the purpose of these regulations, the net worth shall be calculated as total assets less total liabilities, less surplus created on revaluation of fixed assets provided that the Commission may issue clarification in respect of treatment of any item of assets and/or liabilities for the purpose of calculating the net worth.

6. Application and procedures for grant of licence. - (1) Subject to regulation 4, an application for a licence as a securities manager shall be made to the Commission on the format as provided in Form A along with the documents specified in Annexure B and receipt evidencing payment of non-refundable fee of such amount as provided in Schedule I.

(2) The Commission, while considering the application for a licence, may require the applicant to furnish such further information or clarification regarding its activities and businesses as it deems appropriate.

(3) The applicant shall, if so required, appear before the Commission for a representation through a person duly authorized for this purpose in writing by the board of directors of the applicant.

(4) Any subsequent change in the information provided to the Commission at the time of filing of application under sub-regulation (1) shall be intimated to the Commission within seven working days from the date of such change.

7. Grant of licence.- (1) The Commission, while considering the application for granting a licence, shall *inter alia* take into account the following matters-

- (a) that the applicant meets the requirements of the Act, these regulations and any direction given by the Commission;
- (b) that the applicant has the ability to efficiently handle its functions as a securities manager and its obligations under the Act and these regulations;
- (c) that the applicant has the necessary infrastructure, expertise, financial resources, policies, procedures, systems and controls to

- effectively and efficiently discharge its responsibilities as a securities manager;
- (d) that the applicant satisfies the Commission that the reasons for an earlier refusal for grant or renewal of licence, if any, as a securities manager are no longer applicable;
- (e) involvement of the applicant, its sponsors, directors or senior management officers in an offence involving, fraud or breach of trust; and
- (f) history of past regulatory compliance and any pending penal action against the applicant, its sponsors, directors or senior management officers, for an offence under the Act or the Companies Act.

(2) The Commission upon being satisfied, after conducting such inquiries and obtaining such further information as it deems appropriate that,-

- (a) the applicant is eligible for a licence;
- (b) the applicant is in compliance with the provisions of the Act, these regulations and any directives, guidelines and codes issued thereunder; and
- (c) it is in the interest of the capital market and public interest;

may grant a licence to the applicant in Form B for a period of one year under the provisions of the Act:

Provided that while deciding to grant licence under these regulations, the Commission may seek additional information from other Government agencies and regulatory bodies including obtaining credit information bureau (CIB) Reports and may also conduct a pre-licence assessment or a visit of the premises of the applicant to verify the genuineness of information submitted.

(3) Nothing in these regulations shall affect the power of the Commission to suspend or cancel the licence of a securities manager under the Act if any or all of the events as mentioned therein have occurred or the securities manager fails to comply with any of the requirements of these regulations.

8. Renewal of licence.- (1) Subject to the provisions of the Act and these regulations, a securities manager shall, one month prior to the date of expiry of its licence, apply to the Commission, for renewal of its licence, on the format as provided in Form C along with all the documents as specified in Annexure C and evidence of payment of non-refundable renewal fee of such amount as provided in Schedule I.

(2) The Commission upon being satisfied that the applicant continues to meet the requirements for licensing, is in compliance with the provisions of the Act, rules, regulations made thereunder and any directives, guidelines and codes issued thereunder, and it is in the interest of the capital market, shall renew the licence of the securities manager for one year, and issue a certificate of renewal of licence to the applicant on the format as provided in Form D.

(3) Where the application for renewal of licence is made within the time period as provided in sub-regulation (1), but has not been decided by the Commission, the licence of the securities manager shall continue to be valid until the application for renewal is decided by the Commission.

(4) While renewing the licence of a securities manager, the Commission may, in addition to the criteria laid down for grant of a licence, also take into account history of regulatory compliance of the securities manager, particularly with reference to customer complaints.

9. Procedure where licence is not granted or renewed,- (1) The Commission, after giving a reasonable opportunity of being heard to the applicant, may refuse to grant or renew a licence if in the opinion of the Commission such applicant does not fulfill the requirements specified in the Act, these regulations, and where the Commission, after taking into account the facts, is of the view that it is not in the public interest or in the interest of the capital market to grant or renew a licence.

(2) The applicant, if aggrieved by the decision of the Commission under sub-regulation (1), may, within a period of thirty days from the date of receipt of such refusal, prefer an appeal to the appellate bench of the Commission under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997.

(3) A securities manager whose application for renewal of licence is refused shall immediately inform all its existing customers and settle all dues of the customers within fifteen days of the date of receipt of the decision of the Commission or such extended time as may be allowed by the Commission for cogent reasons.

(4) The Commission may publish its decision of refusal to grant renewal of licence to the securities manager in a newspaper of wide circulation in Pakistan.

10. Cancellation of licence.- (1) A securities manager may apply to the Commission for cancellation of its licence along-with a confirmation that such securities manager has informed all its existing customers and settled all dues and pending claims of the customers, if any.

(2) The Commission may, after being satisfied that the process of settlement of customer claims if any, and any other formalities for closure of business as a securities manager have been completed, cancel the licence of such securities manager:

Provided that the Commission may impose such conditions as it deems appropriate at the time of such cancellation of licence.

(3) The Commission may cancel the licence granted to a securities manager in accordance with the provisions of the Act and/or where:

- (a) it is a TRE certificate holder of a securities exchange or a futures exchange and such TRE certificate is cancelled by the securities exchange or futures exchange due to any violation of the applicable laws; or
- (b) it is declared insolvent by a Court; or
- (c) it fails to apply for renewal of licence within the specified time; or
- (d) its licence is suspended by the Commission and such suspension has not been revoked till the time of expiry of licence issued to it.

(4) A securities manager whose licence is cancelled under sub-regulation (3) shall inform all its existing customers, settle all dues of the customers within fifteen days and shall remain responsible for all its obligations in respect of dealings and business conducted up to the date on which it has been working as a securities manager.

(5) The Commission may publish the order of cancellation of licence of a securities manager in a newspaper of wide circulation in Pakistan.

CHAPTER III

CONDUCT OF A SECURITIES MANAGER

11. Invitations and Advertisements.- (1) A securities manager shall ensure that-

- (a) it does not publish, circulate or distribute any advertisement or any information which is false, misleading or deceptive;
- (b) advertisement shall be written in clear language and shall not prejudice interest of any person or customers in general;
- (c) it does not make unsubstantiated claims or exaggerated statements, in order to induce customers, about qualifications of its professional staff or its capabilities to render certain services or its achievements concerning services rendered to customers;
- (d) it does not promise or guarantee any return or make any exaggerated statement or presentation to exploit an individual's lack of experience and knowledge and should not include anything which otherwise is prohibited;
- (e) it does not get involved in unfair competitive practices, nor shall solicit business from customers on the basis of any undue benefit;
- (f) it does not willfully make false statements or conceal any material fact in any document, report or paper distributed or provided to customers, general public or the Commission; and
- (g) it maintains principle of integrity in seeking business.

(2) A copy of any advertisement shall be provided by the securities manager to the Commission, within thirty-six hours of publication of the same or within such time period as specified by the Commission.

12. Agreement with the Customer and Disclosure Document.- (1) A securities manager shall, before commencement of business with a customer, enter into an agreement

in writing with such customer clearly defining the inter se relationship, and setting out their mutual rights, liabilities and obligations relating to management of funds or portfolio of securities.

(2) The agreement between the securities manager and the customer shall, *inter alia*, contain-

- (a) name of the customer and the securities manager;
- (b) nature and scope of services to be provided including functions, obligations, duties and responsibilities (for discretionary and non-discretionary management of portfolio to be given separately) with specific provisions regarding instructions for non-discretionary portfolio management;
- (c) clear authorization from the customer in case of discretionary portfolio management;
- (d) terms of the agreement and provision for renewal, if any;
- (e) conditions, under which agreement may be altered, terminated and implications thereof, such as settlement of amounts invested and repayment obligations etc.:
 - (i) voluntary or mandatory termination by the securities manager;
 - (ii) voluntary or mandatory termination by the customer; and
 - (iii) mandatory termination in case of cancellation of licence of the securities manager;
- (f) initial quantum of funds to be managed;
- (g) access to information i.e. provisions enabling customer to inspect and get copies of the books of accounts of the securities manager relating to its transactions;
- (h) details of the custodian arrangement;
- (i) liability of the securities manager, i.e. liability of the securities manager in connection with the recommendations made, to cover errors of judgment, negligence, willful misfeasance in connection with discharge of duties, acts of other intermediaries, securities brokers, trustees etc.;
- (j) liability of customer i.e. restricting the liability of the customer to the extent of customer's investment or disinvestment instructions received as per the written agreement;
- (k) mode and frequency of reporting to the customer (monthly, quarterly, semi-annually, annually or on such frequency as may be decided) at least containing the following information:
 - (i) performance review;
 - (ii) details and the composition of portfolio including the value and description of the portfolio, value of each security held in the portfolio and cash balance as on the date of report;
 - (iii) details of benefits received during that period including interest, dividend, bonus shares and rights shares;
 - (iv) transactions undertaken during the period including date of transaction and details of purchases and sales; and
 - (v) details of fee charged to the customer;

- (l) method and basis of valuation of securities in the customer's portfolio, performance standards/benchmarks and frequency of performance review (quarterly, half yearly etc.) to the customer;
- (m) terms for early withdrawal of funds or securities by the customers;
- (n) period of the contract and provision of early termination, if any;
- (o) amount to be invested subject to the restrictions provided under these regulations;
- (p) the quantum and manner of fees payable by the customer for each activity for which service is rendered by the securities manager directly or indirectly (where such service is out sourced); and
- (q) other terms of portfolio investment subject to these regulations.

(3) Any change in terms of the agreement shall only be incorporated through addendum to the initial agreement and after obtaining written approval of the customer.

(4) A securities manager shall not enter into an agreement with the customer as referred to in sub-regulation (1), unless such securities manager furnishes the customer with a separate written disclosure document and receives from the customer an acknowledgment signed and dated by the customer that such customer has received and understood the nature and contents of the risk disclosure document.

(5) The disclosure document referred to in sub-section (4), shall inter alia contain the following—

- (a) all material information about the securities manager;
- (b) affiliations with other licenced persons and intermediaries in the financial sector;
- (c) a specific declaration by the securities manager that any claim the securities manager makes as to its independence or impartiality is true and correct;
- (d) information about basic and associated risks involved in trading in securities and portfolio risks;
- (e) the performance of the securities manager:
 Provided that the performance of a securities manager managing discretionary portfolio shall be calculated using weighted average method taking each individual category of investments for the immediately preceding three years and in such cases performance indicators shall also be disclosed;
- (f) the audited financial statements of the securities manager for the immediately preceding three years; and
- (g) any other relevant disclosures as may be specified by the Commission from time to time.

(6) The securities manager shall file with the Commission, a copy of the disclosure document before it is circulated or issued to any person and whenever any material change is effected therein.

13. Risk profiling.- A securities manager shall ensure that,-

- (a) it obtains from the customer, such information as is necessary for the purpose of managing portfolio, including the following-
 - (i) age;
 - (ii) investment objectives including time for which they wish to stay invested and the purposes of the investment;
 - (iii) income details;
 - (iv) existing investments/assets to the extent the customer agrees to disclose;
 - (v) risk appetite/tolerance; and
 - (vi) liability and borrowing details to the extent the customer agrees to disclose.
- (b) it has a process for assessing the risk a customer is willing and able to take, including:
 - (i) assessing a customer's capacity for absorbing loss;
 - (ii) identifying whether customer is unwilling or unable to accept the risk of loss of capital;
 - (iii) appropriately interpreting customer responses to questions and not attributing inappropriate weight to certain answers;
- (c) where tools are used for risk profiling, it should be ensured that the tools are fit for the purpose and any limitations are identified and mitigated;
- (d) any questions or description in any questionnaires used to establish the risk a customer is willing and able to take are fair, clear and not misleading, and the questionnaire is not vague or in a complex language that the customer may not understand;
- (e) risk profile of the customer is communicated to the customer after risk assessment is done; and
- (f) information provided by customers and their risk assessment is updated periodically.

14. Investment Policy Statement.- (1) The securities manager shall, after due consultation with the customer and keeping view the customer's risk assessment, prepare a written Investment Policy Statement ("IPS") for the customer.

- (2) The IPS shall cover at minimum the following aspects-
 - (a) the customer's qualification, knowledge and understanding of the relevant financial markets, types of financial products or arrangements and the risks involved;
 - (b) the length of time the customer has participated in relevant financial markets, the frequency of dealings and the extent to which the

- customer has relied on financial advice from investment service providers;
- (c) the size and nature of transactions that have been undertaken by the customer in relevant financial markets and the composition and size of the customer's existing investment portfolio, if any;
- (d) investment objectives including types of securities in which investment would be made specifying proportion of exposure and restrictions, if any;
- (e) customer's tolerance for risk i.e. both ability and willingness of customer to bear risk, return objectives and a detailed statement of risks specific to investment policies and objectives;
- (f) liquidity requirements, tax constraints and time horizon for investment in relation to specific security and overall portfolio; and
- (g) other unique circumstances, matters or aspects of the customer which the securities manager considers relevant.

(3) The securities manager shall discuss the approved IPS with the customer at least annually to determine if the IPS remains appropriate for the customer in light of customer's changing investment preferences or circumstances.

(4) Any change in the IPS shall only be implemented after securing the customer's consent in writing. If the circumstances materially change in the interim and warrant an earlier assessment of the IPS, the securities manager shall undertake the same after discussion with the customer.

(5) The agreement and IPS shall be signed by the securities manager or its authorized signatories and the customer or its authorized signatories and shall be maintained by the securities manager in its record for inspection purposes by the auditors, officers of the Commission, or any other relevant agency or authority.

(6) The Commission may at any time demand a copy of the agreement and the IPS to be furnished.

15. Conduct of a Securities Manager.- A securities manager shall-

- (a) always act for the benefit of its customers and place customers' interests before its own;
- (b) prominently display its licence as a securities manager granted by the Commission;
- (c) maintain high standards of integrity, promptitude, fairness and act with due skill, care and diligence in conduct of its business;
- (d) make investment or disinvestment decisions independently and on merit;
- (e) accept investment requests only from eligible customers or persons duly authorized by such eligible customers;
- (f) determine before providing an investment advice or taking investment action on behalf of a customer, whether the investment

- is suitable in light of the agreement, risk profile and approved IPS of the customer and after satisfying itself, recommend or effect an investment decision;
- (g) disclose the names of such persons to customers who are working as its accredited representatives and shall also display their names on its website, if any;
 - (h) charge fees and costs as specified in the written agreement between the parties;
 - (i) at the time of entering into a contract, obtain in writing from the customer, his interest in various corporate bodies which enables him to obtain unpublished price-sensitive information of the body corporate;
 - (j) take measures for restricting excessive trading that cannot be directly linked to a profitable trade for the customers, and ensuring that only the minimal number of trades take place taking into account the customer's stated objective;
 - (k) ensure that the best price and terms are negotiated when trading in securities, in the interest of the customers;
 - (l) specify a suitable performance benchmark to be used on a consistent basis that is commensurate with the investment parameters/risks along with frequency of performance review;
 - (m) use market prices to value investments and apply, in good faith, methods to determine the fair value of any securities for which no independent, third-party market quotation is readily available;
 - (n) ensure that performance is measured and presented after taking into account the level of understanding and knowledge of the recipient;
 - (o) take reasonable steps to refrain from transmitting orders for its own account or those of its employees before those of its customers;
 - (p) not make any statement or become privy to any act, practice or unfair competition, which is likely to be harmful to the customers of other securities managers or is likely to place such other securities managers in a disadvantageous position in relation to the securities manager itself, while competing for or executing any assignment;
 - (q) establish and maintain sufficient risk management systems and controls to enable it to identify, access, mitigate, control and monitor risks in best interest of customers;
 - (r) not use its status as any other licensed regulated person to unduly influence the investment;
 - (s) implement a trade review procedure, reasonably designed to identify trades that may violate the regulatory framework prohibiting insider trading and manipulative and deceptive trading;
 - (t) not be a party to:
 - (i) creation of false market in securities;
 - (ii) price rigging or manipulation of securities;
 - (iii) passing of price sensitive information to securities brokers and any other intermediaries in the capital market or take any

other action which is prejudicial to the interest of the customers.

- (u) not assume, issue or offer any type of guarantee to any of the existing or new customers for the protection of principal investment or any return on such investment. In this context the securities manager shall incorporate necessary disclosure clause in the existing and new agreements with customers clearly stating the above and that the investment portfolio of the customer is subject to market and other risks.
- (v) ensure that any performance reporting / presentation is accompanied by all explanations, qualifications, limitations and other statements that are necessary to prevent such information from misleading customers.
- (w) maintain complete file of each customer and shall not change any detail provided by the customer in the official documents without prior approval of the customer and shall keep the record of such changes along with necessary documentary evidence;
- (x) put in place appropriate policies and procedures which govern trading or investment in securities by its employees, accredited representatives, their spouses and dependent children:
- (y) ensure that channels of communications are properly documented and monitored regularly and effectively. This includes logs of e-mails and other inter-office documentation being exchanged;
- (z) determine the true identity of the prospective customer before extending its services and follow Know Your Customer and Customer Due Diligence procedures/guidelines as specified by the Commission from time to time;
- (aa) ensure that any change in licence status/any penal action taken by the Commission or any material change in financials which may adversely affect the interests of its customers is promptly communicated to its customers;
- (bb) ensure that all the payment to the customers are made through cross cheques in the name of the customer or his nominee only, and vice versa;
- (cc) ensure proper and timely handling of complaints from its customers and take appropriate action immediately;
- (dd) ensure compliance with all legal and regulatory requirements applicable to the conduct of its business activities by it, its employees, directors and sponsors, to promote the best interests of customers and the integrity of the market;
- (ee) shall have the onus to produce evidence of compliance under these regulations to the Commission for its review and decision, in the event of any dispute reported by a customer or group of customers; and
- (ff) submit any document, report or information as and when required by the Commission.

Explanation:- For the purposes of these regulations, the expression “eligible customer” means a person offering minimum of three million rupees for investment and who furnishes an undertaking to the securities manager that such customer understands the risks involved in the management of portfolio on discretionary or non-discretionary basis:

Provided that in case of an entity, such undertaking shall be provided by the board of directors or trustees, as the case may be.

16. Conflict of Interest.- A securities manager shall-

- (a) ensure that it has properly designed internal control policies duly approved by its board of directors, for managing conflicts of interests arising from multiple roles being performed by the securities manager, in particular due to trading carried out by it for its own account or proprietary trading, trading carried out in the capacity of an Asset Management Company or a securities broker, and management of portfolio for its customers as a securities manager;
- (b) ensure that its portfolio management services are clearly segregated from all its other activities if the securities manager is also engaged in activities other than portfolio management services;
- (c) put in place a mechanism and take steps to avoid and eliminate the misalignment of incentives due to conflict of interest between the compensation of senior management officers and employees of the securities managers and interest of the customers;
- (d) where any conflict of interest arises between the securities manager and customer, the securities manager shall immediately inform the customer and not gain any direct or indirect advantage from the situation and shall act in the best interests of the customer;
- (e) take reasonable steps to ensure that neither securities manager nor any of its employees or accredited representatives either offers or gives, or solicits or accepts, any inducement that is likely to conflict with any duties owed to customers;
- (f) disclose to its customers, any consideration by way of remuneration or compensation or in any other form whatsoever, received or receivable by it or any of its associates or subsidiaries for any distribution or execution services in respect of the products or securities for which the investment advice is provided to the customer;
- (g) before recommending the services of a securities broker or other licenced persons to a customer, disclose any consideration by way of remuneration or compensation or in any other form whatsoever, if any, received or receivable by the securities manager, if the customer desires to avail the services of such intermediary;
- (h) disclose to the customer its holding or position, if any, in the securities or portfolio of securities which are being managed by the securities manager on behalf of the customer;

- (i) ensure that appropriate and timely disclosures are made to customers in case of proprietary trading by the securities manager, or trading on behalf of mutual funds as an Asset Management Company, in case the securities manager also has licence as a securities broker or an Asset Management Company.
- (j) not accept any money on fixed return basis from any customer;
- (k) not participate in any business relationship or accept any gift that could reasonably be expected to affect their independence, objectivity, or loyalty to customers;
- (l) not carry out any transaction on behalf of customers with any of its connected person unless such transaction is carried out on arm's length and with appropriate disclosure; and
- (m) ensure that it has properly designed internal control policies which are duly approved by its board of directors and shall cover the following minimum requirements-
 - (i) define clear lines of responsibility, authority and tasks that are adequately assigned to its employees;
 - (ii) internal control policy is widely disseminated for compliance by all employees and is reviewed for appropriateness and sufficiency by the board of directors of the securities manager at least once every year;
 - (iii) put in place requirements to ensure fair and objective dealing with all customers, when providing investment information, making investment recommendations, or taking investment action;
 - (iv) put in place requirements to ensure portfolio of each customer is managed separately from others;
 - (v) put in place restriction on employees of securities manager from entering into any transaction that may create a conflict with a "duty of care" owed to a customer, and where it is practically not possible to avoid conflict, ensure its complete and timely disclosure to customer;
 - (vi) put in place appropriate measures to determine and present investment performance in a fair, accurate and timely manner and shall not misrepresent the performance of individual portfolios or of its own;
 - (vii) put in place mechanism for ongoing and timely customer communications such as portfolio information, which does not contain any inaccurate or misleading information; and
 - (viii) ensure that a periodic or annual review of the internal control system and assessment of overall level of compliance of the securities manager is carried out by the internal audit department, which reports directly to the board of directors or its audit committee.

Explanation:- For the purposes of this regulation, the expression "Asset Management Company" means a Non-Banking Finance Company (NBFC) licensed by the Commission to provide asset management services.

17. Confidentiality.- A securities manager shall-

- (a) 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 business as securities manager;
- (b) not divulge any confidential information about its customers, which has come to its knowledge, without taking prior permission of its customers, except where such disclosures are required to be made in compliance with any law for the time being in force;
- (c) neither profit nor seek to profit from confidential information, nor provide such information to anyone with the objective of making profit for itself or for its customers; and
- (d) not communicate material non published information while managing portfolio on behalf of others.

18. Management and investment of customer money and portfolio of securities.-

(1) A securities manager shall-

- (a) act in a fiduciary capacity with regard to the customer funds;
- (b) purchase or sell securities separately for each customer and ensure that discretionary portfolio and non-discretionary portfolio of customers are managed separately;
- (c) individually and independently manage the funds of each customer in accordance with the needs of the customer in a manner which does not partake character of a Mutual Fund, in case it is managing discretionary portfolio; whereas it shall manage the funds in accordance with the directions of the customer in case it is managing non-discretionary portfolio;
- (d) not execute purchase or sell securities from a non-discretionary portfolio of the customer account without customer's approval;
- (e) ensure that the money received by it from a customer for an investment purpose should be deployed by the securities manager as soon as possible for that purpose and money due and payable to a customer should be paid forthwith to the customer or to the account of the customer as the case may be;
- (f) segregate each customer fund and portfolio of securities and keep them separately from his own funds and securities and be responsible for safekeeping of customers' funds and securities if the securities manager is allowed to provide custodial services under these regulations;
- (g) not hold the securities, belonging to the portfolio account of a customer, in its own name on behalf of its customers either by virtue of contract with customers or otherwise;
- (h) where necessary and in the interest of the customer, take adequate steps for registration of the transfer of the customers' securities and

for claiming and receiving dividends, interest payments and other rights accruing to the customer. It shall also take necessary action for conversion of securities and subscription/renunciation of/or rights in accordance with the customers' instruction;

- (i) ensure that it has proper information technology systems and infrastructure to manage the portfolio;
- (j) ensure that its systems and controls provide for reconciliations on a regular basis, consistent with the volume of activity in the accounts, between internal accounts and records in relation to the customer assets and those of the custodian with whom customer assets are held. In the context of reconciliations between securities manager and a central depository, such reconciliations should take place on a daily basis;
- (k) while dealing with customers' funds, not indulge in speculative transactions that is, it shall not enter into any transaction for purchase or sale of any security which is periodically or ultimately settled otherwise than by actual delivery or transfer of security except the transactions in derivatives;
- (l) obtain sufficient insurance coverage from an insurance company which has a minimum short term rating of A- by a credit rating agency registered with the Commission against any losses that may be incurred as a result of employee's fraud or gross negligence. The securities manager shall make disclosure about the insurance coverage in its financial statements;
- (m) not invest or manage the customer's money or securities except in terms of the agreement between the securities manager and the customer;
- (n) not borrow funds or securities on behalf of the customer; and
- (o) may, subject to authorization by the customer in writing, participate in securities lending subject to compliance with the applicable laws.

(2) Any renewal of portfolio fund on maturity of the initial period shall be deemed as a fresh placement.

(3) Notwithstanding anything contained in the agreement referred to in regulation 12, the funds or securities can be withdrawn or taken back by the customer before the maturity of the contract under the following circumstances-

- (a) suspension or cancellation of the licence of the securities manager by the Commission; or
- (b) bankruptcy or liquidation of the securities manager.

(4) Any transaction of purchase or sale between the securities manager's own accounts and customer's accounts or between two customers' accounts shall be at the prevailing market price and subject to appropriate disclosure to the customer.

(5) The assets constituting or representing the underlying portfolio being managed by the securities manager shall be registered in the name of the concerned customer and the securities manager, shall neither directly or indirectly hold, nor provide custodial services for any such assets of the customers, except as provided under these regulations.

(6) Any dispute between the securities manager and its customer may, subject to the consent of the parties, be resolved through arbitration or a mediator.

CHAPTER IV ACCOUNTING AND AUDIT

19. General.- (1) The obligations and duties of a securities manager under these regulations are in addition to the requirements of the Companies Act, the rules and regulations made thereunder and any directives issued thereunder.

(2) The securities manager shall maintain separate customer-wise records of the portfolio accounts.

(3) The funds received from the customers, investments or disinvestments and all the credits to the account of the customer such as interest, dividend, bonus, or any other beneficial interest received on the investment and debits, for expenses, if any, shall be properly accounted for and details thereof shall be properly reflected in the customer's portfolio account.

(4) The tax deducted at source as required under the provisions of the relevant laws shall be recorded in the respective portfolio account of the customer.

20. Maintenance of books of accounts and other records.- (1) A securities manager shall prepare and maintain all the books of accounts and other records which should-

- (a) disclose with accuracy the financial position of the securities manager at that time;
- (b) enable the securities manager to prepare financial statements at any time and which comply with the requirements of law; and
- (c) demonstrate whether the securities manager is maintaining in its regulated securities activity adequate financial resources to meet its business commitments.

(2) In addition to the requirements of the Act and the Companies Act, a securities manager shall also properly maintain the following records, namely-

- (a) all written agreements entered into by the securities manager with any customers;
- (b) Know Your Client records of the customer;

- (c) risk profiling and risk assessment of the customer;
- (d) copies of agreements with customers as specified in regulation 12;
- (e) copies of Disclosure Documents as specified in regulation 12;
- (f) copies of Investment Policy Statement as per regulation 14;
- (g) all relevant records in support of every investment recommendation or transaction;
- (h) records of trading in securities by the securities manager, its directors, employees, their spouses and their dependent children, as the case may be;
- (i) any receipt, disbursement or delivery of funds or securities;
- (j) placing or executing any order to purchase or sell any security;
- (k) list of all accounts over which the securities manager has discretionary authority;
- (l) copies of any power of attorney;
- (m) all customer related record.

(3) Every securities manager shall ensure that the records referred to in sub-regulation (2), are maintained either in physical or electronic form and preserved in good order for a period of at least ten years:

Provided that where records are required to be duly signed and are maintained in electronic form, such records shall be digitally signed.

(4) Every securities manager shall ensure that the record is kept at such place and maintained in such a manner that it is easily accessible.

21. Preparation and submission of financial statements.- (1) A securities manager shall prepare financial statements for each quarter, half year and for each financial year.

(2) The financial statements of the securities manager shall be prepared in compliance with the requirements of the Companies Act including conformity with the accounting standards as directed by the Commission.

(3) A securities manager shall submit, within four months after the end of each financial year, its annual financial statements to the Commission along with its audit report.

(4) A securities manager shall disclose details separately for discretionary portfolio and non-discretionary portfolio by way of separate note to the annual, half-yearly and quarterly accounts such as the number of customers, total portfolio at cost as well as market value and fee earned.

22. Audit and related matters.- A securities manager shall appoint an auditor as required under section 83 of the Act from the panel of auditors approved by the Commission to perform functions as specified in the Act and the Companies Act.

23. Appointment of auditor and related matters.- (1) A securities manager shall ensure that the auditor appointed has *inter-alia* the powers and duties specified under sub-regulation 3 and-

- (a) those powers and duties are set out in an engagement letter;
- (b) the engagement letter is signed by the securities manager and the auditor; and
- (c) the securities manager retains a copy of the engagement letter.

(2) A securities manager shall, within seven days, give written notice to the Commission of the appointment, removal or resignation of an auditor.

- (3) The auditor appointed by a securities manager shall have the right to, –
- (a) access the accounting and other records of the securities manager and all other documents relating to its business including the documents the securities manager is required to maintain under the Act and these regulations; and
 - (b) require from the securities manager such information and explanations as the auditor considers necessary for the performance of duties.

(4) In preparing an audit report, the auditor shall carry out such investigations as will enable it to form an opinion as to the matters required by sub-regulation 5 to be stated in the auditor's report.

(5) The audit report shall state all the matters as are required to be stated in accordance with the requirements of the Companies Act, and must state additionally whether in the opinion of the auditor–

- (a) the securities manager was in compliance with the requirements of these regulations as at the date on which the balance sheet was prepared;
- (b) an adequate internal control system and compliance function commensurate with the size and nature of services performed by the securities manager was implemented during the period; and
- (c) the compliance officer performed its functions with efficiency during the year.

(6) If the auditor is of the opinion that one or more of the requirements of sub-regulation 5 have not been met, such opinion shall be stated in the report and the relevant requirements which they have not been met shall be specified.

(7) Where an auditor resigns or is removed by the securities manager, a notice to that effect shall be sent to the Commission containing a statement signed by the auditor to the effect that there are no circumstances connected with his resignation or removal which the auditor considers should be brought to the attention of the Commission.

(8) The auditor shall also audit the portfolio accounts of the securities manager and issue a certificate in this respect, a copy of which shall be given by the securities manager to the customer.

(9) The customer may appoint a chartered accountant to audit the books and accounts of the securities manager relating to his/its transactions and the securities manager shall cooperate with such chartered accountant in course of the audit.

24. Submission of information and returns.- (1) The Commission may by written notice require a securities manager to submit to the Commission such periodic returns as it may direct.

(2) In addition to any periodic returns required under sub-regulation (1), the Commission may by written notice require the securities manager, either generally or in a particular case or class of cases, to submit to the Commission such exceptional returns as it may direct.

25. Reports to be furnished to customers.- (1) The securities manager shall furnish periodically a report to its customers, as set out in the agreement with the customer, but not exceeding a period of six months and such report shall contain the following details, namely:-

- (a) the composition and the value of the portfolio, description of securities, number of securities, value of each security held in the portfolio, cash balance and aggregate value of the portfolio as on the date of report;
- (b) transactions undertaken during the period of report including date of transaction and details of purchases and sales;
- (c) beneficial interest received during that period in respect of interest, dividend, bonus shares, rights shares and debentures;
- (d) expenses incurred in managing the portfolio of the customer; and
- (e) details of risk foreseen by the securities manager and the risk relating to the securities recommended by the securities manager for investment or disinvestment.

(2) The report referred to in sub-regulation (1) may be made available on the website of the securities manager with restricted access to each customer.

(3) Upon termination of the contract, the securities manager shall give a detailed statement of accounts to the customer and settle the account with the customer as agreed in the contract.

CHAPTER V MISCELLANEOUS

26. Appointment of Compliance Officer.- (1) A securities manager shall appoint or designate a compliance officer, fulfilling the fit and proper criteria specified in these regulations, who shall be responsible for monitoring compliance by the securities manager in respect of the requirements of the Act, rules and regulations made thereunder or notifications issued by the Commission.

(2) The compliance officer shall immediately report any non-compliance with any regulatory requirement to the securities manager and such securities manager shall immediately take steps to ensure compliance with the regulatory regime.

(3) Where the securities manager fails to take steps as required under sub-regulation (2) the compliance officer shall immediately inform the Commission of such non-compliance by the securities manager.

(4) The compliance officer shall prepare monthly compliance reports which shall be submitted to the board of directors of the securities manager.

27. Appointment of Custodian.- (1) A securities manager must maintain customer funds and securities with an independent custodian:

Provided that this condition shall not be applicable on a person which is allowed to keep custody of customers' assets under any other applicable regulatory framework.

(2) For the purposes of sub-regulation (1), the custodian may be any of the following:-

- (i) any person allowed to provide custody services to customers of securities brokers;
- (ii) commercial banks; and
- (iii) any other entity allowed or notified by the Commission for the purpose.

(3) All requirements of relevant laws applicable on custody of securities, such as asset-under-custody limits applicable to securities brokers, shall be applicable to the custodians.

(4) The securities manager shall ascertain, after due inquiry, that the custodian sends quarterly account statements directly to the customer.

(5) The securities manager shall inform the customer about the manner in which the funds or securities will be maintained, promptly after opening an account for the customer and subsequently upon any change to such information.

(6) In case the securities manager also sends its own account statements to the customer, such notice and subsequent account statements from the securities manager shall contain a statement urging the customer to compare account statements from the custodian with those from the securities manager.

28. Prevention of money laundering, terrorist financing and other illegal trades.- (1) A securities manager shall ensure prevention of money laundering and other illegal trades and abide by such laws, directives and circulars as may be issued by the Federal Government or the Commission to safeguard the securities manager against involvement in money laundering activities and other illegal trades.

(2) Notwithstanding the generality of the regulation (1), a securities manager shall comply with the following conditions,-

- (a) it shall determine the true identity of the prospective customer before extending its services and care shall be taken to establish beneficial ownership of all accounts and those using safe custody;
- (b) it shall accept money from a customer only after ensuring that an account has been opened in the name of the customer;
- (c) it shall establish effective procedures for obtaining identification from new customers and devise a policy to ensure that business transactions are not conducted with persons who fail to provide evidence of their identity;
- (d) it shall conduct its business in conformity with the relevant laws and shall not offer services or provide any assistance in transactions which, in the opinion of the securities manager, are associated with illegal activities or relating to terrorist financing from legitimate or illegal means;
- (d) it shall establish effective procedures for monitoring of customer accounts on a regular basis, checking identities and bonafide of remitters and beneficiaries of transactions and retain record of transactions; and
- (e) it or the custodian shall not make payment or receive amounts in cash exceeding twenty-five thousand rupees.

(3) All transactions into or from the account maintained with the securities manager which are not usual transactions shall be thoroughly scrutinized and properly investigated by the securities manager.

FIT AND PROPER CRITERIA

Fit and Proper Criteria for Securities Manager, its Sponsors, Directors and Senior Management Officers

APPLICATION AND SCOPE

This Fit and Proper Criteria is perpetual in nature and its compliance is mandatory.

All persons subject to Fit and Proper Criteria must submit any change in the submitted information, including financial soundness to the company secretary of the securities manager within three business days and the securities manager shall within a period of seven business days report the same to the Commission.

In addition to the applicant and the sponsors of the applicant, eligibility of any person desiring to act as director on the board of directors or senior management officers of a securities manager shall be judged on the basis of following criteria, which, in the case of directors, shall be in addition to meeting requirements of the Companies Act relating to eligibility of a director.

(a) Financial Soundness and Integrity:

(i) The person should not have been adjudged as an insolvent or he should not have suspended payment of debts or compounded liabilities with its/his creditors.

(ii) The person should not have been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a financial institution including banking company, a Development Financial Institution or a Non- Banking Finance Company.

(iii) The person and companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc., have no overdue payment to any customer, financial institution, securities exchange, futures exchange, clearing house, central depository and/or defaulted in payment of any taxes in the individual capacity or as a proprietary concern or any partnership firm or as director in any unlisted and listed company.

Explanation: In case of overdue payment to any financial institution, CIB reports from the State Bank of Pakistan shall be examined and if there is any overdue/past due payment to a financial institution, irrespective of amount, in overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where such person is a chief executive, director (other than nominee director), owner or partner etc., such person shall not be considered fit and proper person except:

(a) in case where such overdue amount is under litigation and the same is also appearing

- as amount under litigation in CIB report; or
- (b) No overdue payment is appearing in the overdue column in the subsequent latest CIB report.

In case of overdue amount in CIB report, no rejection shall be made unless the person has been provided an opportunity of making a representation before the Commission.

(iv) The person should not have been a director and/or chief executive of any company or body corporate which has been declared a defaulter in payment of Government duties/taxes/cess or has misused customers' assets.

(b) Educational or other Qualification or Experience

(1) In case of directors, at least one director should have:

- i) membership of a recognized body of professional accountants; or a CFA degree; or a post-graduate degree in finance, accountancy, business management, commerce, economics, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
- ii) an experience of at least five years in activities relating to capital market, specifically asset or portfolio management.

(2) Its chief executive officer or the head of its portfolio management business shall:

- i) be a member of a recognized body of professional accountants or possess a post-graduate degree in finance, accountancy, business management, commerce, economics, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
- ii) have a minimum experience of five years in asset or portfolio management; and
- iii) have relevant mandatory certifications from the Institute of Financial Markets as specified by the Commission, within one year of grant of licence under these regulations or such extended time as may be allowed by the Commission.

(3) In case of compliance officer, the person shall:

- i) be a member of a recognized body of professional accountants, or possess a graduate degree in finance, accountancy, business management, commerce, economics, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
- ii) have a minimum experience of three years in audit, finance or compliance functions or any other managerial position in a company in the financial sector; and
- iii) have necessary certifications from the Institute of Financial Markets as specified by

the Commission from time to time.

Provided that for all of the above persons, where a person possesses seven (7) years of experience specified for a position, the minimum qualification requirement for such position shall be waived.

Provided further that the other employees of the securities manager shall be required to obtain certifications as may be specified by the Commission from time to time.

(4) The directors and senior management officers must be fully conversant with the duties of director or senior management officer, as the case may be, as specified under the statutes, rules and regulations, and memorandum and articles of association.

(c) Competency

(i) Membership or licence of the person or any company in which he was a director during the last three years has not been suspended/ cancelled by the Commission, any other regulatory authority, any professional body, association or relevant entity i.e. the securities or futures exchange, central depository or clearing house.

Provided that eligibility of a person may be considered on the basis of prior clearance obtained from any such organization that suspended/ cancelled the membership or licence.

(ii) No proceedings are pending with respect to the applicant's winding up, insolvency or analogous relief.

(iii) The person should not have been disqualified/ removed from the post of a key executive position of a company by the Commission or any other regulatory authority.

(d) Integrity, Honesty and Reputation

(i) The person should not have been convicted in any criminal offence or involved in any fraud/forgery, financial crime etc. in Pakistan or elsewhere, or is not being subject to any pending proceedings leading to such a conviction, and/ or it has not been concluded by any regulatory authority that the person has been associated with any unauthorized financial activity including illegal brokerage business.

(iii) No investigation/enquiry/inspection, conducted under Section 139 of the Securities Act, 2015, Section 29 of the Securities and Exchange Commission of Pakistan Act, 1997, Section 21 of the Securities and Exchange Ordinance, 1969, Section 256 or Section 257 of the Companies Act, 2017, has been concluded against him by the Commission with adverse findings or any settlement in civil/criminal proceedings particularly with regard to investments, financial matters/business, misconduct, fraud, formation or management of a corporate body etc by any regulatory authorities (within or outside Pakistan), professional bodies or government bodies/agencies.

(iv) The person has not defaulted on settlement of a customer complaint where such complaint has been adjudicated by the Commission or any other regulatory authority.

(v) An order restraining, prohibiting or debarring him from dealing in the capital market or from accessing the capital market has not been passed; or penalty of Rs500,000/- or more has not been imposed on it/him by the Commission in the last three years, in respect of any laws administered by the Commission.

Provided that a person may be considered eligible in case a period of at least three years from the date of expiry of the period specified in the order for which such person has been restrained/prohibited/ debarred has elapsed.

(vi) The person should not have been penalized for providing false or misleading information either to the Commission or to any of the regulatory body, securities exchange, futures exchange, central depository or a clearing house during past three years.

(vii) The person should not have been actively involved in the management of a company whose registration or licence has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to financial irregularities or malpractices;

(viii) In case of a director, the person must not be ineligible, under the Companies Act, 2017 or any other legislation from acting as a director.

(ix) The person should not have entered into a plea bargain arrangement with the National Accountability Bureau.

(e) Additional Criteria for Independent Directors

(i) The person has no relationship with the securities manager that would interfere with him exercising independent professional judgment as a director and he can be reasonably perceived as being able to exercise independent business judgment without being subservient to any apparent form of interference.

(ii) The person should not be a director, officer, sponsor or shareholder of a company holding TRE certificate or any holding or subsidiary company of such company.

Provided that the above restriction shall not be applicable on a person who is on the board of a TRE certificate holder in the capacity of an independent director.

Note:

- In case of any ambiguity in determination of fitness and propriety of a person in terms of this criteria, the decision of the Commission shall be final and binding upon the securities manager.

- In the case of a bank or an NBFC, the fit and proper criteria will be applicable on the head of portfolio management business, if different from CEO and on the relevant employees of such bank or NBFC to the extent of requisite qualification, experience and certification requirements.

- Along-with the application for licence for securities manager:
 - a) the applicant's individual sponsors, directors and chief executive shall submit the following duly filled Form and the Affidavit; and
 - b) the authorized person on behalf of the applicant and authorized person on behalf of the sponsors where the sponsor is a company, shall submit the following duly filled Affidavit.

Information to be provided by the applicant's individual sponsors, directors and senior management officers

____(name of the sponsor/director/chief executive/compliance officer of the applicant)____

| 1. | Curriculum Vitae/Resume containing: | | | | | | | | | | | | | | |
|-----|--|-------------|---------------------|-----|----------------------|-------------|--------|---|-----------|--|---------------------|---|-----------|--|---------------------|
| a | Name: (former name if any): | | | | | | | | | | | | | | |
| b | Father's or Husband Name: | | | | | | | | | | | | | | |
| c | C.N.I.C # (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 | Qualification(s): | | | | | | | | | | | | | | |
| | i) Academic: | | | | | | | | | | | | | | |
| | ii) Professional: | | | | | | | | | | | | | | |
| k | Experience: (Positions held during the last 10 years along with name and address of company/ institution) Information to be provided on the following sample format*: <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 5%;">Sr#</th><th style="width: 30%;">Name of Organization</th><th style="width: 30%;">Designation</th><th style="width: 35%;">Period</th></tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td><td>Company A</td><td></td><td>DD/MM/YY - DD/MM/YY</td></tr> <tr> <td style="text-align: center;">2</td><td>Company B</td><td></td><td>DD/MM/YY - DD/MM/YY</td></tr> </tbody> </table> | | | Sr# | Name of Organization | Designation | Period | 1 | Company A | | DD/MM/YY - DD/MM/YY | 2 | Company B | | DD/MM/YY - DD/MM/YY |
| Sr# | Name of Organization | Designation | Period | | | | | | | | | | | | |
| 1 | Company A | | DD/MM/YY - DD/MM/YY | | | | | | | | | | | | |
| 2 | Company B | | DD/MM/YY - DD/MM/YY | | | | | | | | | | | | |
| 2. | 1. Nature of directorship: <div style="border: 1px solid black; padding: 2px; margin: 5px 0;"> a) Executive b) Non-executive </div> 2. Status of directorship: | | | | | | | | | | | | | | |

| | | | | |
|----|---|----------------------|-------------|---------------------|
| | a) Nominee director b) Elected director | | | |
| | Number of shares subscribed or held _____ | | | |
| | Nominated by (name of shareholder/ nominating entity) | | | |
| 3. | Names of companies, firms and other organizations of which the person is presently a director, partner, office holder or major shareholder (Information to be provided on the following sample format*) | | | |
| | Sr. # | Name of Organization | Designation | Period |
| | 1 | Company A | | DD/MM/YY - DD/MM/YY |
| | 2 | Company B | | DD/MM/YY - DD/MM/YY |
| | | | | |
| 4. | Names of any persons on the board of the (name of securities manager) who are related to the applicant. | | | |

Signature _____

*use additional sheets if required

Affidavit to be provided by the applicant, its sponsors, directors and chief executive

(On Stamp Paper of Appropriate Value)

AFFIDAVIT

A. In case of an individual in his/her own capacity:

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 director/chief executive/compliance officer (OR) being sponsor..... of the (name of securities manager)according to the fit and proper criteria specified as per the Securities Managers (Licensing and Operations) Regulations, 2017.

2. That I and the companies, firms, sole proprietorship etc. where I am a chief executive, director (other than nominee director), owner or partner etc. have no overdue payment to any financial institution.

3. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.

4. That I have no objection if the ..(name of securities manager).. or the SECP requests or obtains information about me from any third party.

5. That I undertake to bring to the attention of the ..(name of securities manager).. or the SECP any matter which may potentially affect my status as ...sponsor/director/Chief executive/compliance officer of the securities manager... as per the fit and proper criteria specified in the Securities Managers (Licensing and Operations) Regulations, 2017.

6. That all the documents provided to ...(name of securities manager) and the SECP..., are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

7. That I will comply with any other condition as may be specified by the Commission.

B. In case of an individual as authorized person on behalf of sponsors:

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____, on behalf of(name of institution)..... being sponsor of the ...(name of securities manager)..... do hereby state on solemn affirmation as under:-

1. That(name of the institution)..... is eligible for being sponsor of the(name of securities manager)..... according to the fit and proper criteria specified as per the Securities Managers (Licensing and Operations) Regulations, 2017.

2. That(name of the institution)....., and the companies, firms, sole proprietorship etc. associated with(name of the institution)....., have no overdue payment to any financial institution.

3. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.

4. That(name of the institution)..... has no objection if the ..(name of securities manager)... or the SECP requests or obtains information about(name of the institution)..... from any third party.

5. That I undertake, on behalf of(name of the institution)..... that(name of the institution)..... will bring to the attention of the ... (name of securities manager).... any matter which may potentially affect its status as sponsor of the ... (name of securities manager).... as per the fit and proper criteria specified in the Securities Managers (Licensing and Operations) Regulations, 2017.

6. That all the documents provided to(name of securities manager) are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

C. In case of an individual as authorized person on behalf of applicant:

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____

_____, on behalf of(name of the applicant)..... do hereby state on solemn affirmation as under:-

1. That(name of the applicant)..... is eligible for applying for licence as a securities manager as per the Securities Managers (Licensing and Operations) Regulations, 2017.
2. That(name of the applicant)....., and the companies, firms, sole proprietorship etc. associated with(name of the applicant)....., have no overdue payment to any financial institution.
3. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.
4. That(name of the applicant)..... has no objection if the SECP requests or obtains information about(name of the applicant)..... from any third party.
5. That I undertake, on behalf of(name of the applicant)..... that(name of the applicant)..... will bring to the attention of the Commission any matter which may potentially affect its status as a securities manager as per the licencing conditions and fit and proper criteria specified in the Securities Managers (Licensing and Operations) Regulations, 2017.
6. That all the documents provided by(name of applicant).... are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.
7. That the applicant will comply with any other condition as may be specified by the Commission.

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

FORM OF APPLICATION FOR LICENCE AS SECURITIES MANAGER

To
The Securities and Exchange Commission of Pakistan,
Islamabad.

Dear Sir,

1. We(Name of company)..... hereby apply for licence of securities manager under section 68 of the Securities Act, 2015.
2. Certified true copies of all the documents specified in Annexure B of the Securities Managers (Licensing and Operations) Regulations, 2017 are enclosed.
3. Original receipt of the bank for the fee of Rs.....being the licensing fee is enclosed.

Yours faithfully,

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

Annexure B
[see regulation 6(1)]

**Information and documents to be submitted along with application for licence as a
Securities Manager**

1. General and business information:

- 1.1. Brief history of the applicant containing at least name of the applicant, date and place of its incorporation, date of commencement of business, mailing and business address, national tax number, length of experience in portfolio management, if any;
- 1.2. Name and present occupation of each sponsor, name and contact details of directors, chief executive officer and compliance officer;
(Institutional sponsors shall mention their names and addresses only instead of giving all these particulars of their nominee directors).
- 1.3. Names and addresses of companies, firms and other organizations of which the applicant's sponsors, chief executive and directors are or have been directors, partners or office holders during the last ten years.
- 1.4. Address of the place of business/registered office of the applicant (postal address, postal code and telephone, fax numbers, e-mail address of the concerned officer of the applicant)

1.5. Location and quantum of space available for safe custody of record specified in these regulations.

1.6. Latest wealth statement of the promoters, or other comparable document in case of foreign nationals. In case the promoter is a corporate entity then latest audited financial statements should be submitted.

1.7. Details of outstanding legal proceedings, if any, initiated against the applicant, or its sponsors, directors, majority shareholders or senior management officers, by the Commission or any other regulatory authority.

1.8. Details of penal actions, if any, taken against the applicant, or its sponsors, directors, majority shareholders or senior management officers, during the last three years by the Commission or any other regulatory authority.

1.9. In case any associated company of the applicant is already licenced with the Commission as a licenced entity, the following details shall be provided, namely:-

- (i) name of such associated company;
- (ii) details of warning notices, if any, issued to such associated company by the Commission;
- (iii) details of legal proceedings, if any, initiated against such associated company by the Commission or any other regulatory authority; and
- (iv) penal action, if any, taken against such associated company by the Commission during the last three years.

2. Details of infrastructural facilities:

- Computer systems installed including hardware and software
- Available manpower, and
- Office space (mention extent of area in square feet available)

3. Other information:

3.1 Details as per following format of all pending disputes in which the applicant is a party:

- a) Name of the party
- b) Name and place of court/tribunal where dispute is pending
- c) Amount involved
- d) Pending since
- e) Date of last hearing
- f) Decision at last hearing

3.2 List of civil and criminal offenses in which the applicant or any of its sponsors, directors or senior management officer has remained involved during the last three years.

3.3 Any other information considered relevant to the business of the securities manager.

3.4 Any significant awards or recognition, collective grievances against the applicant.

4. List of documents to be provided along with application:

4.1 Copy of memorandum and articles of association of the applicant duly certified from the company registration office (CRO) concerned containing copy of the certificate of incorporation and that of the certificate of commencement of business, duly certified from the CRO concerned.

4.2 Copies of Forms 3, 27, 28 and 29 of the applicant duly certified from the CRO concerned.

4.3 Audited accounts for the last three years and latest half yearly and quarterly accounts.

4.4 Copies of documents evidencing compliance with the financial resource requirements specified in the Securities Managers (Licensing and Operations) Regulations, 2017.

4.5 Profile/Fit and Proper related documents of the applicant, its sponsors, `directors, chief executive and compliance officer of the applicant, along-with details such as name, qualification, experience and date of appointment, directorship in other companies, names of such other companies and date of appointment as director in such other companies.

4.6 Copies of documents evidencing compliance with the qualification, experience and mandatory certification requirements specified by the Commission for the applicant or its relevant employees.

4.7 Any other information/document as required by the Commission.

Schedule I
[see regulation 6(1) and 8(1)]

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

SCHEDULE OF FEE*

| Description of fee | Amount of fee in PKR |
|---|-----------------------------|
| Fee to be paid at the time of applying for licence as a securities manager | 200,000 |
| Fee to be paid at the time of applying for renewal of licence as a securities manager | 100,000 |

* The above fees shall be deposited into the designated bank account of the Commission, along-with applicable collection charges.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
LICENCE TO ACT AS A SECURITIES MANAGER

Licence No.

Islamabad,

____(date)_____

The Securities and Exchange Commission of Pakistan having considered the application by (Name of the company).... for the licence of securities manager under section 68 of the Securities Act, 2015, and being satisfied that the said applicant is eligible for a licence and that it would be in public interest and in the interest of the capital market so to do, hereby grants licence, in exercise of the powers conferred by section 69 of the Securities Act, 2015 to(name of the company).... as a securities manager subject to the provisions of the Securities Act, 2015 and the rules and regulations made thereunder, as amended from time to time.

2. This licence is valid up to one year from the date of issuance.

Signature of the Officer

FORM OF APPLICATION FOR GRANT OF RENEWAL OF LICENCE AS SECURITIES MANAGER

To
The Securities and Exchange Commission of Pakistan,
Islamabad.

Dear Sir,

1. We _____(Name of the applicant)_____ having licence number hereby apply for renewal of the licence of securities manager under section 69 of the Securities Act, 2015.

2. The existing licence is due to expire on

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

4. Certified true copies of all the documents specified in Annexure C of the Securities Managers (Licensing and Operations) Regulations, 2017 are enclosed.

5. It is requested that the licence be renewed for a period of one year.

Yours faithfully,

Signature of 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.

Annexure C
[see regulation 8(1)]

Information to be provided along-with application for renewal of licence as a securities manager

The following details shall be provided along-with application for renewal by a securities manager along with the relevant supporting documents for the last one year:

1. Details of the non-compliance by it, if any, with any provision of the applicable laws including the Act and rules or regulations made thereunder.
2. Details of the non-compliance by it, if any, with any of the licensing conditions, if any.
3. Details of any penal or disciplinary action initiated or taken against the applicant, its sponsors, directors, majority shareholders or senior management officers, by any regulatory authority or government agency/department.
4. Details of legal proceedings, if any, initiated against it and penal actions taken against it and penalty imposed by the Commission or any other regulatory authority.
5. Details of changes made, if any, in the object clause of its memorandum of association or other constitutive documents.
6. Number and details of customer complaints received, if any and their redressal status.
7. Number and details of arbitration awards announced and implemented, if any.
8. Copy of the last annual audited financial statements along-with latest quarterly or half yearly financial statements, where applicable.
9. Copies of documents evidencing continuous compliance with the requirements of financial resource requirements specified in the Securities Managers (Licensing and Operations) Regulations, 2017.
10. An undertaking on a stamp paper specifying that the securities manager, its sponsors, directors and employees are in compliance with all the requirements for grant of renewal of licence under the Securities Managers (Licensing and Operations) Regulations, 2017.
11. Any other information and document as may be required by the Commission from time to time.

**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
CERTIFICATE OF RENEWAL OF LICENCE AS SECURITIES MANAGER**

Licence No.

Islamabad,
____(date)_____

The Securities and Exchange Commission of Pakistan having considered the application for renewal of licence of a securities manager by(Name of the company)...., and being satisfied that the said securities manager is eligible for renewal of licence and that it would be in public interest and in the interest of the capital market so to do, hereby grants renewal of licence to(Name of the company)...., as a securities manager in exercise of the powers conferred by section 69 of the Securities Act, 2015, for one year subject to the provisions of the Securities Act, 2015 and the rules and regulations made thereunder, as amended from time to time.

Signature of the Officer

[No.SY/SECP/8/13]


(Bilal Rasul)
Secretary to the Commission