

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, the 16th November, 2017

NOTIFICATION

S. R. O. 1194(I)/2017.- The following amendments to the Securities Brokers (Licensing and Operations) Regulations, 2016 proposed to be made by the Securities and Exchange Commission of Pakistan in exercise of powers conferred by section 169 of the Securities Act, 2015 (III of 2015) read with section 114 of the Futures Market Act, 2016 (XIV of 2016) are hereby published for the information of all persons likely to be affected thereby and, as required by sub-section (4) of the said section 169 and sub-section (4) of said section 114, notice is hereby given that objections or suggestions thereon, if any, may be sent to the Commission within fourteen days of placement of draft amendments on the website of the Commission , namely:-

DRAFT AMENDMENTS

In the aforesaid Regulations,--

(1) In regulation 1,-

- (a) in sub-regulation (1), the word “Securities” shall be omitted;
- (b) in sub-regulation (2), for the words “on the date of commencement of Part V of the Act” the words “at once” shall be substituted; and
- (c) after sub-regulation (2), amended as aforesaid, the following new sub-regulation shall be inserted, namely:-

“(3) In case of futures brokers, these regulations shall apply only in respect of futures brokers for futures contracts based on securities.”;

(2) in regulation 2,-

- (a) in sub-regulation (1),
 - (i) in clause (b), after the word “broker” the words “or futures broker” shall be inserted;
 - (ii) in clause (d), after the word “broker” the words “or futures broker” shall be inserted;
 - (iii) for clause (e), the following shall be substituted, namely:-

“ “Companies Act” means Companies Act, 2017 (XIX of 2017);”;

- (iv) after clause (e), substituted as aforesaid, the following new clauses shall be inserted, namely:-

“ (ea) “Futures Act” means the Futures Market Act, 2016 (XIV of 2016);

(eb) “Futures broker” for the purposes of these regulations, shall have the same meaning as assigned to it in clause (24) of section 2 of the Futures Act;

- (v) in clause (i), the word “ and” at the end shall be omitted;

- (vi) after clause (i), amended as aforesaid, the following new clause shall be inserted, namely:-

“(ia) “senior management officer” shall have the same meaning as assigned to it in clause (lviii) of section 2 of the Act and includes compliance officer; and”

- (vii) in clause (j), after the words “securities exchange” the words “or futures exchange” shall be inserted;

- (b) in sub-regulation (2), for the word “Ordinance” the expression “Companies Act, the Futures Act” shall be substituted;

- (3) in regulation 3,-

- (a) in chapter II, in the heading, after the word “BROKER” the words “AND FUTURES BROKER” shall be inserted;

- (b) after the word “securities broker” wherever appearing, the words “or futures broker” shall be inserted; and

- (c) in the proviso, after the word “Act” the words “or a futures broker under sub-section (7) of section 123 of the Futures Act” shall be inserted;

- (4) in regulation 4,-

- (a) in the heading, after the word “securities broker” the words “or futures brokers” shall be inserted;

- (b) after the word “securities broker” wherever appearing, the words “or futures broker” shall be inserted;

- (c) after the word “Act” the expression “or Futures Act, as applicable,” shall be inserted;

- (d) after clause (aa), the following new clause shall be inserted, namely:-

- “(aaa) in case of a futures broker, it has applied for or already holds a license as a securities broker;”;
- (e) in clause (a), after the word “Act” the words “or Futures Act respectively” shall be inserted;
 - (f) for clause (g), the following shall be substituted, namely:-

“(g) its sponsors have submitted verifiable documents including wealth statements submitted with the tax authorities to demonstrate that its net-worth is not less than twice the amount to be subscribed by him personally;”;
and
 - (g) clause (h) shall be omitted;
 - (h) clause (i) shall be substituted as follows:-

“(i) where sponsors holds more than fifty one per cent shares of the securities broker or futures broker, at least one third of its board of directors shall comprise of its sponsors at all times;”;
- (5) in regulation 5,-
- (a) in sub-regulation (1),-
 - (i) after the expression “(4),” the word “an” shall be inserted;
 - (ii) after the words “securities broker” the words “or futures broker” shall be inserted; and
 - (iii) after the expression “Form A” the expression “or Form A1 as applicable” shall be inserted;
 - (b) in sub-regulation (2),-
 - (i) after the words “securities broker” wherever appearing, the words “or futures broker” shall be inserted;
 - (ii) in clause (a), after the semi colon at the end, the word “and” shall be inserted;
 - (iii) clause (c) shall be omitted; and
 - (iv) in proviso, after the word “category” appearing at the end, the words “except the financial resource requirements” shall be inserted;

(c) in sub-regulation (3), after the words “securities exchange” the expression “or the futures exchange, as applicable,” shall be inserted;

(d) in sub-regulation (4),-

(i) after the words “securities exchange” the expression “or futures exchange, as applicable,” shall be inserted;

(ii) in clause (b), after the word “Act” the expression “or Futures Act, as applicable,” shall be inserted;

(iii) in clause (d), the word “and” appearing at the end shall be omitted;

(iv) in clause (e), after the semi colon at the end, the word “and” shall be inserted; and thereafter the following new clause and proviso shall be inserted, namely:-

“ (f) the past track record of regulatory compliance of the applicant, its sponsors, directors and senior management officers:

Provided that only such documents will be required to be submitted by the applicant along-with the application which had not earlier been provided by it at the time of applying for grant or renewal of licence as a securities broker, and the futures exchange and the Commission shall only check compliance of such applicant with any additional requirements as applicable under the Futures Act and these regulations, if any, provided there is no change in status of compliance of the applicant with the requirements of the Act and these regulations.”;

(e) after sub-regulation (7), the following new sub-regulations shall be inserted namely:-

“(8) A securities broker or futures broker may, at any time, apply to the Commission for change of its category along-with the following documents or information.-

- (a) existing license(s) in original
- (b) latest audited financial statements;
- (c) latest audited Net Capital Balance Certificate and/or audited liquid capital statement;
- (d) details of changes in shareholding of the securities broker or futures broker; and
- (e) a statement of compliance with the applicable fit and proper criteria provided in these regulations.

(9) The Commission, if satisfied with the provided information and documents and having considered that the change of category will be beneficial for the securities broker or futures broker, its customers, securities market and/or futures market,

may issue new license(s) for another category for the remaining term of the licence(s) earlier granted by the Commission.”;

(6) in regulation 6,-

(a) in sub-regulation (1),-

(i) after the word “securities broker” wherever appearing, the words “and/or futures broker” shall be inserted; and

(ii) for the table, the following table and proviso shall be substituted, namely:-

“

Category of securities broker/futures broker	Paid up Capital -PKR million-	Net worth -PKR million-	Minimum Net Capital Balance -----PKR million----
Trading Only in securities market	15	15	2.5
Trading Only in both securities market and futures market	25	25	4
Trading and Self Clearing in securities market	35	35	5
Trading and Self Clearing in both securities market and futures market	55	55	7.5

Provided that the Commission may specify a higher amount of paid-up capital and net-worth for any category of securities brokers or futures brokers from time to time.”;

(b) in sub-regulation (2),-

(i) after the word “securities broker” wherever appearing, the words “or futures broker” shall be inserted; and

(ii) for the table, the following table shall be substituted, namely:-

Category of securities broker/futures broker	Within year 1 from obtaining fresh licence	Within year 2 from obtaining fresh licence
Trading Only	Securities broker/futures broker to meet at least 50% of the amount less than the minimum specified requirement	Securities broker/futures broker to meet remaining amount less than the minimum specified requirement

Trading and Self-Clearing	Securities broker/futures broker to meet at least 50% of the amount less than the minimum specified requirement	Securities broker/futures broker to meet remaining amount less than the minimum specified requirement
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(c) in sub-regulation (3),-

- (i) after the word “securities broker” wherever appearing, the words “or futures broker” shall be inserted;
- (ii) after the word “securities exchange, as applicable” wherever appearing, the words “or futures exchange” shall be inserted; and
- (ii) after the word “Act” the words “or Futures Act” shall be inserted;

(d) in sub-regulation (4), the following shall be substituted, namely:-

- “(4) A securities broker and futures broker shall file monthly statements of net capital balance and liquid capital with the securities exchange or futures exchange, as applicable, and clearing house computed in a manner specified in Schedules II and III respectively, immediately after coming into force of these regulations, and shall also submit an audited statement of net capital balance on half yearly basis.
- (4A) The securities broker and futures broker shall start maintaining minimum liquid capital as per such amounts and/or ratios and after such period of time as may be specified by the Commission and upon such specification by the Commission, the securities broker and futures broker shall be required to submit audited statement of liquid capital on half yearly basis, and the requirement to maintain net capital balance, the requirement to submit monthly statements of net capital balance and the requirement to submit half yearly audited statements of net capital balance shall be discontinued.”;

(e) in sub-regulation (5),-

- (i) after the word “securities broker”, the words “and futures broker” shall be inserted; and
- (ii) after the expression “securities exchange” the expression “or futures exchange, as applicable,”;

(f) for sub-regulation (6), the following shall be substituted, namely:-

- “(6) In case of non-submission of statements of net capital balance and liquid capital within a time period as may be notified by the securities

exchange, futures exchange or clearing house or any shortfall in the net capital balance and/or liquid capital, either reported by the securities broker and futures broker or identified by the securities exchange, futures exchange, clearing house or the Commission, the securities exchange or futures exchange, as applicable, and clearing house shall immediately restrict the trading facility of such securities broker or futures broker and shall only allow it to close out the open position in a controlled environment.”; and

- (g) in sub-regulation (7), after the word “securities broker”, wherever appearing, the words “and futures broker” shall be inserted;

- (7) for regulation 7, the following shall be substituted, namely:-

“7. Additional requirements for licence under Trading and Self-Clearing category.- Licence for Trading and Self-Clearing category shall only be granted to an applicant which fulfills the following additional conditions-

- (a) it has been admitted as a clearing member by the clearing house and a participant by the central depository; and
- (b) it will convert into public company, if already not a public company or get itself listed on the securities exchange or meet disclosure and reporting requirements as applicable to a public interest company under the Companies Act as may be required by the Commission from time to time.”;

- (8) in regulation 8,-

- (a) in sub-regulation (1),-

- (i) after the word “securities broker”, wherever appearing, the words “or futures broker” shall be inserted; and

- (ii) in clause (a), after the word “Act” the expression “or Futures Act as applicable,” shall be inserted;

- (iii) in clause (b), after the word “Act” the expression “or Futures Act” shall be inserted;

- (iv) for clause (e), the following shall be substituted, namely:-

“(e) compliance of the applicant’s promoters, directors and senior management officers with the fit and proper criteria specified in Annexure B; and”;

- (v) for clause (f), the following shall be substituted, namely:-

“(f) history of past regulatory compliance and any pending penal action against the applicant, its sponsors, directors and senior

management officers for an offence under the Act, the Futures Act and the Companies Act;”;

(b) in sub-regulation (2),-

(i) for clause (b), the following shall be substituted, namely:-

“ (b) the applicant is in compliance with the provisions of the Act or Futures Act, these regulations and any notifications or directives or codes issued thereunder; and”;

(ii) after the expression “Form B1” the expression “and Form B1 as applicable,” shall be inserted;

(iii) after the expression “securities exchange” the expression “or the futures exchange, the” shall be inserted;

(iv) after the word “Act”, the expression “or Futures Act, as applicable” shall be inserted; and

(iv) in the proviso, after the expression “securities broker” the expression “or a futures broker” shall be inserted;

(c) in sub-regulation (3),-

(i) after the expression “securities broker” wherever appearing, the expression “or a futures broker” shall be inserted; and

(ii) after the word “Act” the expression “or Futures Act, as applicable,” shall be inserted;

(d) in sub-regulation (4),-

(i) after the expression “securities exchange” the expression “or futures exchange, as applicable,” shall be inserted; and

(ii) after the expression “securities broker” wherever appearing, the expression “or a futures broker” shall be inserted;

(9) for regulation 9, the following shall be substituted, namely:-

“9. Renewal of licence. - (1) Subject to the provisions of the Act or Futures Act, as applicable, and these regulations, a securities broker or futures broker shall, one month prior to the date of expiry of its licence, apply to the Commission in Form C and Form C1 along with all the documents as specified in Annexure C and receipt evidencing payment of renewal fee of such amount as specified in Schedule I, for renewal of its licence.

(2) A securities broker or futures broker applying for renewal of licence under sub-regulation (1), shall submit its application along-with supporting documents through the securities exchange or futures exchange to the Commission.

Provided that such documents will be required to be submitted by the applicant along-with the application which had not earlier been provided by it at the time of applying for grant or renewal of licence as a securities broker, and the futures exchange and the Commission shall only check compliance of such applicant with any additional requirements as applicable under the Futures Act and these regulations, if any, provided there is no change in status of compliance of the applicant with the requirements of the Act and these regulations.

(3) The securities exchange or futures exchange, as applicable, shall scrutinize the application for renewal of licence and the documents submitted by the securities broker or futures broker prior to submission of the same for consideration of the Commission, along-with a letter of recommendation stating that it has reviewed the contents of the application and the supporting documents and has found the same to be in conformity with the Act or Futures Act, as applicable, and these regulations:

Provided that while submitting the letter of recommendation to the Commission, the securities exchange or futures exchange, as applicable, shall also take into account the securities broker's or futures brokers' outstanding customer complaints and its track record with respect to its compliance with the applicable regulatory requirements:

Provided further that along-with the recommendation letter, the securities exchange or futures exchange shall submit a confirmation to the Commission that it has visited the premises of the securities broker or futures broker and is satisfied with the infrastructure and human resources deployed by the securities broker or futures broker to ensure ongoing compliance with these regulations.

(4) The Commission upon being satisfied that the applicant continues to meet the requirements for licensing, is in compliance with the provisions of the Act, the Futures Act and any rules, regulations, notifications, directives or codes issued thereunder and it is in the public interest and interest of the capital market, shall renew the licence for one year and issue a certificate of renewal of licence to the applicant in the Form D and Form D1.

(5) Where the application for renewal of licence is made within the provided time but has not been decided by the Commission, the licence of the securities broker or futures broker shall continue to be valid until the application for renewal is decided by the Commission.

(6) While renewing the licence of a securities broker or futures broker, the Commission may, in addition to the criteria laid down for grant of licence, also take into account the past track record and history of regulatory compliance of the

securities broker or futures broker, its sponsors, directors and senior management officers.

(7) The Commission shall send an intimation of renewal of licence of the securities broker or futures broker to the securities exchange or futures exchange, as applicable, clearing house and central depository.”;

(10) in regulation (10),-

- (a) in sub-regulation (1), after the word “Act” the expression “or Futures Act, as applicable,” shall be inserted;
- (b) after the expression “securities broker” wherever appearing, the expression “or a futures broker” shall be inserted;
- (c) after the expression “securities exchange” the expression “or the futures exchange” shall be inserted;
- (d) in sub-regulation (3), for the words “A securities broker” appearing in the beginning, the words “An applicant” shall be inserted;
- (e) for sub-regulation (4), the following shall be substituted, namely:-

“(4) The Commission shall communicate its decision of refusal to grant or renew the licence to the applicant, the securities exchange or futures exchange as applicable, the central depository and the clearing house forthwith and in the case of refusal to renew the licence may also publish such fact in a newspaper of wide circulation in Pakistan.”;

(11) for regulation 11, the following shall be substituted, namely:-

“11. Cancellation of licence.- (1) A securities broker or futures broker may apply to the Commission for cancellation of its licence along-with a confirmation from the securities exchange or futures exchange that such securities broker or futures broker has informed all its existing customers, settled all dues and pending claims of the customers and has completed all formalities for closure of business.

(2) The Commission may, after being satisfied that all formalities for closure of business including settlement of customer claims have been completed, cancel the licence of such securities broker or futures broker:

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

(3) A licence granted to a securities broker or futures broker shall stand cancelled where-

- (a) the TRE certificate of such securities broker or futures broker is cancelled by the securities exchange or futures exchange; or
- (b) the securities broker or futures broker is declared defaulter by a securities exchange or futures exchange and the reason for such declaration is not removed within a period of six months from such declaration; or
- (d) the securities broker or futures exchange is declared insolvent by a Court; or
- (e) the securities broker or futures broker fails to apply for renewal of licence within the specified time; or
- (f) the licence is suspended by the Commission and such suspension has not been revoked till the time of expiry of licence issued to the securities broker or futures broker.

(4) A securities broker or futures broker 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 clearing and settlement of all its obligations up to the date on which it has been working as a securities broker or futures broker.

(5) The Commission shall send an intimation of cancellation of licence of a securities broker or futures broker to the securities exchange or futures exchange, clearing house and central depository and may also publish the order of cancellation in a newspaper of wide circulation in Pakistan.”;

(12) in regulation 12,-

- (a) in the heading, after the word “BROKER” the words “ AND FUTURES BROKER” shall be added;
- (b) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
- (c) in sub-regulation (6), after the expression “securities market” the expression “or futures market” shall be inserted; and
- (d) in sub-regulation (7), after the expression “securities exchange” the expression “or futures exchange” shall be inserted;

(13) in regulation 13,-

- (a) in sub-regulation (1),-

- (i) after the expression “securities broker” wherever appearing, the expression “or a futures broker” shall be inserted;
- (ii) after the expression “securities exchange” the expression “or futures exchange” shall be inserted;
- (iii) after the expression “trading in securities” the expression “ and futures contracts” shall be inserted; and
- (iv) for clause (g), the following shall be substituted, namely:-
 - “(g) specific risks of trading in futures and leverage markets etc., as applicable” ;
- (v) after clause (g), substituted as aforesaid, the following proviso shall be added, namely:-
 - “Provided further that in case of a futures broker, it may provide one consolidated risk disclosure document to the customer containing risks of both the securities markets and futures markets.”;
- (b) in sub-regulation (2), after the expression “securities broker” the expression “or futures broker” shall be inserted;
- (14) in regulation 14, after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
- (15) in regulation 15, after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
- (16) in regulation 16,-
 - (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
 - (b) after the word “Act”, the expression “or Futures Act” shall be inserted ;
 - (c) after the expression “securities exchange” wherever appearing, the expression “or futures exchange” shall be inserted;
 - (d) in sub-regulation (1),-
 - (i) in clause (b), after the word “Commission” the words “at a conspicuous place at its premises” shall be inserted;
 - (ii) in clause (g), after the expression “securities market”, the expression “and futures market” shall be inserted;

(iii) for clause (i), the following shall be substituted, namely:-

“(i) establish an internal code of practice, aimed at ensuring that members of its board of directors, employees and accredited representatives act in accordance with the best interests of its customers, the integrity of the market and are in compliance of the Act or Futures Act as applicable, these regulations and any other applicable laws, notifications, directives, circulars etc.”; and

(iv) for clause (k), the following shall be substituted, namely:-

“(k) ensure that Know Your Customer and Customer Due Diligence is being conducted properly in accordance with the relevant rules, regulations, notifications, directives, circulars etc. issued by the Commission and/or the securities exchange or futures exchange from time to time;”;

(v) in clause (m), after the expression “securities market”, the expression “, the futures market” shall be inserted;

(e) in sub-regulation (2),-

(i) in clause (a), after the word “securities” appearing for the second time, the expression “or futures contracts based on securities” shall be inserted and after the words “the securities markets”, the words “or futures market” shall be inserted; and

(ii) in clause (b), after the word “securities”, the words “or futures contracts” shall be inserted and after the expression “financial benefit” the expression “for the securities broker or futures broker or any of its employees” shall be inserted;

(iii) in clauses (c) and (e), after the expression “securities” the expression “and/or futures contracts” shall be inserted;

(iv) in clause (h), after the word “the securities market”, the expression “or futures market” shall be inserted;

(v) for clause (k), the following shall be substituted, namely:-

“(k) accept any money from a customer or any other person on a promise of predetermined or guaranteed return;”;

(vi) after clause (k), substituted as aforesaid, the following new clause shall be inserted, namely:-

“(ka) accept any money or deposit or borrowing by whatsoever name called and in whatsoever manner from any person including an individual or any segment of public or directors and sponsors of a securities broker or futures broker including their representatives and agents except in the following manner-

- (i) redeemable capital issued by a securities broker or futures broker under the Companies Act;
- (ii) finance obtained by a securities broker or futures broker from a financial institution;
- (iii) advance, application or subscription money for shares of a securities broker or futures broker;
- (iv) subordinated loans from directors, sponsors or substantial shareholders of a securities subject to the conditions as may be imposed by the Commission from time to time; and”;

(f) in sub-regulation (3),-

(i) after the word “securities” appearing for the second time, the words “and futures contracts” shall be inserted;

(ii) for clause (a), the following shall be substituted, namely:-

“(a) disclosure by its employee and accredited representative of any possession of or open positions in securities and futures contracts by him/her, his/her spouse and/or dependent children along with details of their accounts with a securities broker or futures broker and such information shall be reported to the compliance officer of the securities broker or futures broker;”;

(iii) in clause (c), after the word “securities” the words “or futures contracts” shall be inserted; and

(iv) in clause (d), after the word “securities” the words “and positions in futures contracts” shall be inserted;

(g) in sub-regulation (7),-

(i) in clause (a), after the words “the securities exchange”, the words or futures exchange as applicable” shall be inserted;

(ii) in clause (b),-

(A) after the word “securities” appearing for the first time, the words “or futures contracts” shall be inserted;

- (B) in sub-clause (iii), in paragraph (C), after the word “security” the words “or instrument” shall be inserted; and
 - (C) in sub-clause (iii), in paragraph (D), after the word “securities” the word “futures” shall be inserted;
- (h) in sub-regulation (9), in clause (g), after the word “Act” the word “or Futures Act as applicable,” shall be inserted;
- (i) in sub-regulation (10), for clause (e), the following shall be substituted, namely:-

“(e) testing of the contingency plan on regular basis or any other interval as may be specified by the Commission.”;
- (j) in sub-regulation (11),-
 - (i) after the expression “securities adviser” the expression “or futures adviser” shall be inserted;
 - (ii) after the expression “particular security” the expression “or taking position in any futures contracts” shall be inserted;
 - (iii) for clause (a), the following shall be substituted, namely:-

“(a) can be used to determine which securities to buy or sell, or when to buy or sell them, or which position to enter into in a futures contract or when to enter into such a position;”;
 - (iv) in clause (c), after the word “securities” the expression “or futures contracts” shall be inserted;
- (k) in sub-regulation (12), the words “Trading and Clearing category” shall be omitted;
- (l) in regulation (13), for the expression “Clearing category” the expression “Self-Clearing category” shall be substituted;
- (17) in regulation 17,-
 - (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted; and
 - (b) in sub-regulation (1), after the word “customer” appearing for the first time, the expression “including acceptance of cash and securities from it” shall be inserted;

- (18) in regulation 18,-
- (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted; and
 - (b) in sub-regulation (1), in clause (c), the words “of a regulated securities activity” shall be omitted;
- (19) in regulation 19,-
- (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted; and
 - (b) in sub-regulation (1), after the word “securities” appearing for the second time, the words “or futures contracts” shall be inserted;
 - (c) in sub-regulation (4),-
 - (i) after the word “securities” appearing for the first time, the words “or futures contracts” shall be inserted;
 - (ii) after the word “securities” appearing for the third time, the words “or futures contracts” shall be inserted; and
 - (iii) after the word “securities” appearing for the fourth time, the words “or futures contracts” shall be inserted;
- (20) in regulation 20, after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
- (21) in regulation 21,-
- (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
 - (b) after the expression “securities exchange” wherever appearing, the expression “or futures exchange” shall be inserted; and
 - (c) after the word “securities” appearing for the second time in sub-regulation (1) and in clause (e) of sub-regulation (3), the words “or futures contracts” shall be inserted;
- (22) in regulation 22, after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
- (23) in regulation 23,-

- (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted; and
 - (b) in sub-regulation (2), after the word “Act” the expression “or Futures Act as applicable,” shall be inserted;
- (24) in regulation 24, after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
- (25) in regulation 25,-
 - (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted; and
 - (b) in sub-regulation (1), after the word “securities” appearing for the second time, the expression “or futures contracts” shall be inserted; and
 - (c) in sub-regulation (3), the expression “category or Trading and Clearing category” shall be omitted;
- (26) in regulation 26,-
 - (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted; and
 - (b) in sub-regulation (1),-
 - (i) after the expression “securities exchange” the expression “or futures exchange” shall be inserted; and
 - (ii) after the expression “securities,” appearing for the third time, the expression “futures contract,” shall be inserted;
- (27) in regulation 27,-
 - (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted; and
 - (b) in sub-regulation (4), after the expression “securities exchange” the expression “or futures exchange” shall be inserted;
- (28) in regulation 28, after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
- (29) in regulation 29,-

- (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted; and
 - (b) in sub-regulation (2), for the words “ or Trading and Clearing category” the word “categories” shall be substituted; and
 - (c) in sub-regulation (4), after the expression “securities exchange” the expression “or futures exchange” shall be substituted;
- (30) in regulation 32,-
- (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted; and
 - (b) in sub-regulation (1), for the word “Ordinance” the words “Companies Act” shall be substituted;
- (31) in regulation 33,-
- (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
 - (b) after the expression “securities exchange” wherever appearing, the expression “or futures exchange” shall be inserted;
 - (c) in sub-regulation (3), after the word “Act” the expression “or Futures Act, as applicable,” shall be inserted;
 - (d) in sub-regulation (4), after the word “Act” the expression “or Futures Act, as applicable,” shall be inserted;
 - (e) in sub-regulation (5),-
 - (i) in clause (b), after the word “securities” appearing for the first and second time, the expressions “or futures contracts” shall respectively be inserted;
 - (ii) in clause (s), after the word “securities” the expressions “or futures contracts” shall be inserted;
 - (iii) in clause (u), after the word “securities” appearing for the first time, the expressions “or futures contracts” shall be inserted;
- (32) in regulation 34,-
- (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;

- (b) in sub-regulation (1), for the word “Ordinance” the words “Companies Act” shall be substituted;
- (c) in sub-regulation (2).-
 - (i) for clause (g), the following shall be substituted, namely:-

“(g) treatment of amount receivable from customers including aging analysis thereof;” and
 - (ii) clause (h) shall be omitted;
- (33) in regulation 35,-
 - (a) after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted; and
 - (b) in sub-regulation (3), in clause (a), after the word “Act” the expression “or Futures Act, as applicable,” shall be inserted;
 - (c) in sub-regulation (7), for the full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-

“Provided that where the auditor is removed during their tenure, the securities broker or futures broker shall appoint the auditor with prior approval of the Commission.”;
- (34) in regulation 36, after the expression “securities broker” wherever appearing, the expression “or futures broker” shall be inserted;
- (35) for regulation 37, the following shall be substituted, namely:-

“37. Management rating.- The securities brokers or futures brokers licenced under the Trading and Self Clearing category shall, from the date as may be specified by the Commission from time to time, obtain management rating on annual basis from a credit rating company licensed by the Commission and disclose such rating at all times on their websites and all advertisements.”;
- (36) in Form A,-
 - (a) the expression “Trading and Clearing” shall be omitted; and
 - (b) the expression “securities” appearing for the fifth time, shall be omitted;
- (37) after Form A, amendment as aforesaid, the following new form shall be inserted, namely:-

"Form A1

**FORM OF APPLICATION FOR LICENCE AS A FUTURES BROKER
[see regulation 5(1)]**

To
The Securities and Exchange Commission of Pakistan,
Islamabad.

Dear Sir,

1. We(Name of the company)..... hereby apply for licence of futures broker under theTrading Only/Trading and Self-Clearing.... category under section 51 of the Futures Market Act, 2016.
2. Certified true copies of all the documents specified in Annexure A of the Brokers (Licensing and Operations) Regulations, 2016 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";

(38) in Annexure A,-

- (a) after the expression "securities broker", wherever appearing, the expression "or futures broker" shall be inserted;
- (b) after the expression "securities exchange", wherever appearing, the expression "or futures exchange" shall be inserted;
- (c) in paragraph (1.9), after the words "the Securities Act, 2015", the words "or the Futures Market Act, 2016" shall be inserted;
- (d) in paragraph (4.4), the word "Securities" appearing before the word "Brokers" shall be omitted; and
- (e) in paragraph (4.8), the word "Securities" appearing before the word "Brokers" shall be omitted;;

(39) for schedule I, the following shall be substituted, namely:-

“Schedule I
[see regulations 5(1) and 9(1)]

SCHEDULE OF FEES*

Description of fee	Amount of fee in PKR
Fee to be paid at the time of applying for licence as a securities broker or futures broker	
a) In case of a securities broker or futures broker deemed licensed under regulation 3	*Rs50,000
b) In all other cases	*Rs100,000
Fee to be paid at the time of applying for renewal of licence as a securities broker or futures broker	*Rs50,000

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

* The specified fee will be charged separately for both licenses, i.e. licence for securities broker and licence for futures broker.”;

(40) for Annexure B, the following shall be substituted, namely:-

“Annexure B
FIT AND PROPER CRITERIA
[see regulation 4]

**FIT AND PROPER CRITERIA FOR APPLICANT, SPONSORS, DIRECTORS AND SENIOR
MANAGEMENT OFFICERS OF SECURITIES BROKERS AND FUTURES BROKER**

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 broker/futures broker within three business days and the securities broker/futures broker shall within a period of seven business days report the same to the securities exchange/futures exchange and the Commission.

In addition to the applicant and the sponsors of the applicant, eligibility of any person desiring to act as a director on the board of directors or senior management officer of a securities broker/futures broker 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, 2017 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 Financial 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., has/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 private 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 defaulted in payment of Government duties/taxes/cess or has misused customer assets.
- (v) The person should be a tax payer and his/its name should be borne on the Active Tax Payers List regularly published by Federal Board of Revenue: Provided that this requirement shall not be applicable in the case of foreign nationals.

(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 graduate degree in finance, accountancy, business management, commerce, economics, law, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - ii) have an experience of at least five years in activities relating to capital market, specifically brokerage business.
 - iii) have attained necessary certification as specified by the Commission from time to time.

- (2) In case of chief executive officer, the person should:
 - a) be a member of a recognized body of professional accountants or possess a post-graduate degree in finance, accountancy, business management, commerce, economics, law, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - b) have a minimum experience of seven years in a senior management position in the regulated financial services sector.
 - c) have attained necessary certification as specified by the Commission from time to time

- (3) In case of compliance officer, the person should:
 - a) 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
 - b) 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.

Provided that for all of the above persons, where a person possesses seven years of relevant experience of the capital markets, the minimum qualification requirement shall be relaxed.

- (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, memorandum and articles of association and the Corporate Governance Code.

- (5) The sponsors of the securities broker or the futures broker have sound track record and extensive experience of providing financial services in any regulated market within or outside Pakistan.

(c) Competency

- (i) Membership or licence of the person or any company in which the person 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 e.g. 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 83 of the Futures Market Act, 2016, 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 the person by the Commission with material 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 the securities exchange/futures exchange.

- (v) An order restraining, prohibiting or debarring the sponsors, directors or senior management officers of securities broker or futures broker from dealing in securities/futures market or from accessing the capital market has not been passed; or penalty of Rs.500,000/- or more has not been imposed on such persons 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 sponsors, directors or senior management officers 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 the 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) 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 broker/futures broker 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.
- (iii) The person's immediate family member is also not a director, officer, sponsor or shareholder of a company holding TRE certificate and/or the combined shareholding of the immediate family members in any company licensed as a securities broker/futures broker does not exceed twenty percent.

- (iv) It shall be mandatory to disclose any shareholding in a listed company in such person's name or in the name of his/her immediate family member or in the name of an entity being managed or controlled by him/her or his/her immediate family member to the securities broker/futures broker and the securities exchange/futures exchange;
- a. at the time of submission of initial information; and
 - b. on quarterly basis for the respective period.
- (v) The person shall not simultaneously be serving as a director on the board of more than seven listed companies.

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 broker/futures broker.
- Along-with the application for licence for a securities broker/futures broker:
 - a) the applicant's individual sponsors, directors and senior management officers 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 individual sponsors, directors and senior management officers of the ____ (name of securities broker/futures broker) ____

1.	Curriculum Vitae/Resume containing:
(a)	Name:
(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)	<p>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*:</p> <table border="1"> <thead> <tr> <th></th> <th>Name of Organization</th> <th>Designation</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td></td> <td>Company A</td> <td></td> <td>DD/MM/Y Y - DD/MM/Y Y</td> </tr> <tr> <td></td> <td>Company B</td> <td></td> <td>DD/MM/Y Y - DD/MM/Y Y</td> </tr> </tbody> </table>		Name of Organization	Designation	Period		Company A		DD/MM/Y Y - DD/MM/Y Y		Company B		DD/MM/Y Y - DD/MM/Y Y
	Name of Organization	Designation	Period										
	Company A		DD/MM/Y Y - DD/MM/Y Y										
	Company B		DD/MM/Y Y - DD/MM/Y Y										

2.	<p>1. Nature of directorship: a) Executive b) Non-executive</p> <p>2. Status of directorship: a) Nominee director b) Elected director c) Independent director</p> <p>Number of shares subscribed or held _____</p> <p>Nominated by (name of shareholder/ nominating entity)</p>												
3.	<p>Names of companies, firms and other organizations of which the person is presently a director, partner, office holder or majority shareholder (Information to be provided on the following sample format*)</p> <table border="1"> <thead> <tr> <th></th> <th>Name of Organization</th> <th>Designation</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td></td> <td>Company A</td> <td></td> <td>DD/MM/YY - DD/MM/YY</td> </tr> <tr> <td></td> <td>Company B</td> <td></td> <td>DD/MM/YY - DD/MM/YY</td> </tr> </tbody> </table>		Name of Organization	Designation	Period		Company A		DD/MM/YY - DD/MM/YY		Company B		DD/MM/YY - DD/MM/YY
	Name of Organization	Designation	Period										
	Company A		DD/MM/YY - DD/MM/YY										
	Company B		DD/MM/YY - DD/MM/YY										
4.	Names of any persons on the board of the (name of securities broker/futures broker) who are related to the applicant.												

Signature _____

*use additional sheets if required

Affidavit to be provided by the applicant, sponsors, directors and senior management officers of the applicant

(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 forthe position of director/senior management officer....(OR) being sponsor..... of the (name of applicant)..... according to the Fit and Proper Criteria specified as per the Brokers (Licensing and Operations) Regulations, 2016.
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 applicant)...., securities exchange/futures exchange 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 applicant).... any matter which may potentially affect my status as sponsor/director/senior management officer as per the fit and proper criteria specified in the Brokers (Licensing and Operations) Regulations, 2016.
6. That all the documents provided to(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 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 applicant)..... do hereby state on solemn affirmation as under:-

1. That(name of the institution)..... is eligible for being sponsor of the(name of applicant)..... according to the fit and proper criteria specified as per the Brokers (Licensing and Operations) Regulations, 2016.
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 applicant)..
securities exchange/futures exchange 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 applicant).... any matter which may potentially affect its status as sponsor of the ... (name of applicant).... as per the fit and proper criteria specified in the Brokers (Licensing and Operations) Regulations, 2016.
6. That all the documents provided to(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.

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 broker/futures broker as per the Brokers (Licensing and Operations) Regulations, 2016.
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 securities exchange/futures exchange or 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 securities exchange/futures exchange any matter which may potentially affect its status as a securities broker/futures broker as per the licencing conditions and fit and proper criteria specified in the Brokers (Licensing and Operations) Regulations, 2016.

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”;

- (41) in schedule II, after the expression “securities broker”, wherever appearing, the expression “or futures broker” shall be inserted;
- (42) for schedule III, the following shall be substituted, namely:-

“Schedule III
[see regulation 6(4)]

**Monthly statements of liquid capital with the Commission and the securities
exchange/futures exchange**

NAME OF THE SECURITIES BROKER/FUTURES BROKER

Computation of Liquid Capital

As on dd.mm.yyyy

#	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	Balance Sheet Value net of depreciation	100% of net value	Nil
1.2	Intangible Assets	Balance Sheet Value net of amortization	100% of net value	Nil
1.3	Investment in Govt. securities	Balance Sheet Value	Difference between book value and Sale value on the date on the basis of PKRV published by NIFT	Sale value on the date on the basis of PKRV published by NIFT
1.4	Investment in debt securities	Balance Sheet Value net of any provision	<p>If listed than</p> <p>i. 5% of the balance sheet value in the case of tenure upto 1 year</p> <p>ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years</p> <p>iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.</p> <p>If unlisted than</p> <p>i. 10% of the balance sheet value in the case of tenure upto 1 year</p> <p>ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years</p> <p>iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.</p>	Net amount after deducting provisions and haircuts
1.5	Investment in equity securities	Balance Sheet Value net of any provision	i. If listed 15% or VaR of each securities on the cutoff date as computed by the securities exchange/futures	Net amount after deducting provisions and haircuts

			exchange for respective securities whichever is higher ii. If unlisted, 100% of carrying value	
1.6	Investment in subsidiaries	Balance Sheet Value net of any provision	100% of net value	Nil
1.7	Investment in associated companies/undertaking	Balance Sheet Value net of any provision	i. If listed 20% or VaR of each securities as computed by the securities exchange/futures exchange for respective securities whichever is higher ii. If unlisted, 100% of net value	Net amount after deducting provisions and haircuts
1.8	Statutory or regulatory deposits/ basic deposits with exchanges, clearing house or central depository or any other entity	Balance Sheet Value	100% of net value	Nil
1.9	Margin deposits with exchange and clearing house	Balance Sheet Value	Nil	Balance Sheet Value
1.10	Deposit with authorized intermediary against borrowed securities under SLB	Balance Sheet Value	Nil	Balance Sheet Value
1.11	Other deposits and prepayments	Balance Sheet Value	100% of carrying value	Nil
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.	Balance Sheet Value	Nil 100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	Balance Sheet Value
1.13	Dividends receivables	Balance Sheet Value	Nil	Balance Sheet Value

1.14	Amount receivable against Repo financing	Balance Sheet Value	Amount paid as purchaser under the REPO agreement. Securities purchased under repo arrangement shall not be included in the investments	Balance Sheet Value
1.15	Advances and Receivables other than trade receivables	Balance Sheet Value	<p>1. No Haircut may be applied on the short term loan to employees provided these loans are secured and due for repayment within 12 months.</p> <p>2. No Haircut may be applied to the advance tax to the extent it is netted with provision of taxation</p> <p>3. In all other cases, 100% of net value</p>	Adjusted Value
1.16	Receivables from clearing house or securities exchange(s) or futures exchange	Balance Sheet Value	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains	Lower of net balance sheet value or value determined through adjustments
1.17	Receivables from customers	Balance Sheet Value net of provisions	<p>i. In case receivables are against margin financing, the aggregate of (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut</p> <p>ii. In case receivables are against margin trading, 5% of the net balance sheet value</p> <p>iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,</p> <p>iv. In case of other trade receivables not more than 5</p>	<p>i. Lower of net balance sheet value or value determined through adjustments</p> <p>ii. Net amount after deducting haircut</p> <p>iii. Net amount after deducting haircut</p> <p>iv. Balance sheet value</p> <p>v. Lower of net balance</p>

			<p>days overdue, 0% of the net balance sheet value</p> <p>v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts</p> <p>vi. 100% haircut in the case of amount receivable from related parties</p>	sheet value or value determined through adjustments
1.18	Cash and bank Balances	<p>i. Bank balance – Proprietary accounts</p> <p>ii. Bank balance – Customer accounts</p> <p>iii. Cash in hand</p>	Nil	Balance sheet value
1.19	Subscription money against investment in IPO/ offer for sale (asset)	Balance Sheet Value	No haircut may be applied in respect of amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker or futures broker.	Net amount after deducting haircuts
1.20	Total Assets	Balance Sheet Value		Adjusted Value
2. Liabilities				
2.1	Trade payables	<p>i. Payable to exchanges and clearing house</p> <p>ii. Payable against leveraged market products</p> <p>iii. Payable to customers</p>	Nil	Balance sheet value
2.2	Current Liabilities	<p>i. Statutory and regulatory dues</p> <p>ii. Accruals and other payables</p>	Nil	Balance sheet value

		iii. Short-term borrowings iv. current portion of subordinated loans v. Current portion of long-term liabilities vi. Deferred liabilities vii. Provision for Taxation viii. other liabilities as per accounting principles and included in the financial statements		
2.3	Non-current liabilities	i. Long-term financing ii. Staff retirement benefits iii. other liabilities as per accounting principles and included in the financial statements	1. 100% haircut may be allowed against long term portion of financing obtained from a financial institution including amount due against finance leases. 2. Nil in all other cases	Balance sheet value
2.4	Subordinated Loans	Balance Sheet Value	100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted	Net value after deducting adjustments
2.5	Advance against shares for increase in capital of securities broker or futures broker	Balance Sheet Value	100% Haircut may be allowed in respect of advance against shares if : (a) The existing authorized share capital allows the proposed enhanced share capital (b) Board of Directors of the company has approved the increase in capital (c) Relevant Regulatory approvals have been obtained (d) There is no unreasonable delay in issue	Net amount after deducting haircuts

			of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed (e) Auditor is satisfied that such advance is against the increase of capital.	
2.6	Total Liabilities	Balance Sheet Value		Adjusted Value
3. Ranking Liabilities relating to				
3.1	Concentration in margin financing	Nil	The amount calculated client-to-client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees	Amount as determined through adjustment
3.2	Concentration in securities lending and borrowing	Nil	The amount by which the aggregate of (i) amount deposited by the borrower with NCCPL, (ii) cash margins paid and (iii) the market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	Amount as determined through adjustment
3.3	Net underwriting Commitments	Nil	<u>(a) in the case of rights issue:</u> if the market value of securities is less than or equal to the subscription price, the aggregate of (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitment exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting commitment <u>(b) in any other case:</u> 12.5% of the net underwriting commitments	Amount as determined through adjustment

3.4	Negative equity of subsidiary	Nil	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	Amount as determined through adjustment
3.5	Foreign exchange agreements and foreign currency positions	Nil	5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	Amount as determined through adjustment
3.6	Amount payable under REPO	Balance sheet value	Carrying value	Carrying value
3.7	Repo adjustment	Nil	In the case of financier/ purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/ seller the market value of underlying securities after applying haircut less the total amount received, less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser	Amount as determined through adjustment
3.8	Concentrated proprietary positions	Nil	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market value of a security exceeds 51% of the proprietary position, then 10% of the value of such security	Amount as determined through adjustment
3.9	Opening Positions in futures and options	Nil	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value	Amount as determined through adjustment

			of securities held as collateral/ pledged with securities exchange after applying VaR haircuts ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met	
3.10	Short sell positions	Nil	i. In case of customer positions, The market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts	Amount as determined through adjustment
3.11	Total Ranking Liabilities			Total determined amount

Calculations Summary of Liquid Capital

- (i) Adjusted value of Assets (serial number 1.20)
- (ii) Less: Adjusted value of liabilities (serial number 2.6)
- (iii) Less: Total ranking liabilities (serial number 3.11)

Note: The Commission may issue guidelines and clarifications in respect of the treatment of any component of Liquid Capital including any modification, deletion and inclusion in the calculation of Adjusted value of assets and liabilities to address any practical difficulty.

In case any securities are pledged, except those pledged in favor of securities exchange, futures exchange or clearing house against margin requirements or pledged

in favor of banks against short-term financing arrangements, 100% haircut shall be applied for the purposes of computation of adjusted value of assets.”;

- (43) in Form B, the expression “/ Trading and Clearing” shall be omitted;
- (44) after Form B, amended as aforesaid, the following new Form B1 in shall be inserted, namely:-

**“Form B1
[see regulation 8(2)]**

**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
LICENCE AS FUTURES BROKER**

No.

Islamabad, ...(date)....

The Securities and Exchange Commission of Pakistan having considered the application for licence by..... (Name of the company).... forTrading Only/Trading and Self-Clearing.... category of futures broker under section 51 of the Futures Market Act, 2016 and being satisfied that the said company is eligible for a licence under the said category, 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 52 of the Futures Market Act, 2016 to(name of the company).... subject to the provisions of the Futures Market Act, 2016 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”;

- (45) in Form C,-
 - (a) the expression “/ Trading and Clearing” shall be omitted; and
 - (b) for the expression “Securities Brokers (Licensing and Operations) Regulations, 2016” the expression “Brokers (Licensing and Operations) Regulations, 2016” shall be substituted;
- (46) after Form C, amended as aforesaid, the following new Form C1, shall be inserted, namely:-

**“Form C1
[see regulation 9(1)]**

FORM OF APPLICATION FOR RENEWAL OF LICENCE AS A FUTURES BROKER

To
The Securities and Exchange Commission of Pakistan,
Islamabad.

Dear Sir,

1. We,(Name of the futures broker).... hereby apply for the renewal of the licence of futures broker under theTrading Only/Trading and Self-Clearing.... category under section 52 of the Futures Market Act, 2016.
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 Brokers (Licensing and Operations) Regulations, 2016 are enclosed.
5. It is requested that the licence be renewed for a period of one year.

Yours faithfully,
Signature of the Chief Executive”;

- (47) In Annexure C,-
- (a) after the expression “securities broker” , wherever appearing, the expression “or futures broker” shall be inserted;
 - (b) in paragraph (1), the word “Act” shall be replaced with the expression “the Securities Act, 2015 or Futures Market Act, 2016, as applicable” shall be inserted;
 - (c) for the expression “Securities Brokers (Licensing and Operations) Regulations, 2016”, wherever appearing, the expression “Brokers (Licensing and Operations) Regulations, 2016” shall be substituted; and
 - (d) in paragraph (3), the word “major” shall be replaced with the word “majority”;
- (48) in Form D, the expression “/ Trading and Clearing” shall be omitted;

- (49) after Form D, amended as aforesaid, the following new Form D1, shall be inserted, namely:-

“Form D1
[see regulation 9(4)]

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
RENEWAL OF LICENCE AS FUTURES BROKER

No.

Islamabad,(date)....

The Securities and Exchange Commission of Pakistan having considered the application for renewal of licence by(Name of the futures broker).... forTrading Only/Trading and Self-Clearing.... category of the futures broker, and being satisfied that the said futures broker is eligible for renewal of licence under the said category 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 futures broker)...., in exercise of the powers conferred by section 52 of the Futures Market Act, 2016, for one year subject to the provisions of the Futures Market Act, 2016 and the rules and regulations made thereunder, as amended from time to time.

Signature of the Officer”; and

- (50) for Annexure D, the following shall be substituted, namely:-

“Annexure D
[see regulation 16(1)(f)]

CORPORATE GOVERNANCE CODE FOR SECURITIES BROKER/FUTURES BROKER

All securities brokers/futures brokers shall ensure compliance with the following Corporate Governance Code. The listed securities brokers/futures broker shall ensure compliance with this Code in addition to any corporate governance rules/regulations, codes or guidelines applicable on listed companies as prescribed by the Commission. In case where there is any inconsistency with the requirements of rules/regulations, codes or guidelines prescribes by the Commission for listed companies the provisions of the such rules/regulations, codes or guidelines shall prevail over this Code.

1. Board of Directors

- a) A securities broker/futures broker shall establish an effective board of directors (board), responsible for ensuring long-term success and for monitoring and evaluating the management's performance. The size and composition of the board should reflect the scale and complexity of the securities brokers'/futures brokers' business.
- b) The board is encouraged to have a balance of executive and non-executive directors, with the requisite skills, competence, knowledge and experience.

2. Responsibilities, powers and functions of board of directors

- a) The board should set the strategic objectives and ensure that necessary financial and human resources are in place for meeting those objectives. The board shall further ensure that significant policies have been formulated on the following issues, among others:
 - i) governance, risk management and compliance issues;
 - ii) customer relations including customer awareness and a mechanism and timeline for handling/resolving their complaints/grievances; and
 - iii) segregation of customer assets from securities brokers'/futures brokers' assets.
- b) The board shall formulate and ensure adoption of a code of conduct/code of ethics to promote integrity of its business, its board, its employees and its accredited representatives, with special emphasis on measures for curbing any market manipulative activities such as front running, insider trading and other market abuse.
- c) The board shall devise an effective whistle-blower mechanism enabling all stakeholders, including employees and accredited representatives, to freely communicate their concerns about any illegal or unethical practices. The board would ensure that the interest of a whistle-blower is not prejudicially affected.
- d) The board shall appoint a Chief Executive Officer (CEO) to lead the management team, and exercise executive authority over operations of the company.
- e) Any casual vacancy occurring on the board shall be intimated immediately to the securities exchange/futures exchange. The board shall strive to fill such vacancy on the board as soon as possible.
- f) The board is encouraged to obtain fidelity insurance against risk of misconduct, negligence or frauds committed by the officials of securities brokers/futures brokers.

3. Meetings of the board

- a) The board shall meet at least once in every six months and be provided with appropriate and timely information.
Provided that a securities broker/futures broker licensed under the Trading Only category may comply with the above requirement on a voluntary basis.
- b) The board shall ensure that the minutes of meetings of the board are appropriately recorded.

4. Committees of the board

- a) The board may establish appropriate board committees in order to allow a more effective discharge of its duties.
- b) The board may define in writing the terms of reference of the various committees, explaining their role and the advisory authority delegated to them by the board. These terms of reference may be reviewed by the board on a periodic basis.
- c) The board is encouraged to form an audit committee which should preferably be constituted of independent/non-executive directors. At least one member of the audit committee, where formed, should have relevant financial/accountancy qualification/experience.
- d) The main responsibilities of the audit committee may include the following:
 - To monitor the integrity of the financial statements of the company;
 - To review the company's internal controls and risk management systems;
 - To make recommendations to the board in relation to appointment or removal of the auditor;
 - To approve the remuneration and terms of engagement of the auditor;
 - To review and monitor the auditor's independence and effectiveness;
 - To develop and implement policy on engagement of the auditor to supply non-audit services;
 - To monitor and review the effectiveness of the company's internal audit function.

5. Appointment of senior management officers

Securities brokers/futures brokers shall have an appropriate and suitably qualified management team commensurate with the size and complexity of its business.

6. Awareness Programs for Directors

- a) Securities brokers/futures brokers are encouraged to make efforts to familiarize their directors with this Code, other applicable laws, and their duties and responsibilities.
- b) Securities brokers/futures brokers shall ensure compliance of its directors with any mandatory certification requirements as may be specified by the Commission from time to time.

7. Auditors

A securities broker/futures broker shall have its statutory audit conducted from an auditor enlisted within Category “A” or “B” of the State Bank of Pakistan’s Panel of Auditors.

8. Related party transactions

The details of all related party transactions shall be placed before the board for review and approval.

9. Corporate and financial reporting framework

- a) Not later than four months from the close of the financial year, all securities brokers/futures brokers shall prepare and circulate an Annual Report to the Commission and the securities exchange/futures exchange. The Annual Report shall contain the following:
 - i) Annual audited financial statements;
 - ii) Directors’ Report;
 - iii) A statement by the CEO that there are no transactions entered into by the broker during the year, which are fraudulent, illegal or in violation of any securities/futures market laws.

Provided that a securities broker/futures broker licensed under the Trading Only category may comply with the requirement of inclusion of Directors’ Report in its Annual Report on a voluntary basis.

- b) The quarterly and annual financial statements shall be approved by the board and the CEO.
Provided that a securities broker/futures broker licensed under the Trading Only category may comply with the above requirement in respect of quarterly financial statements on a voluntary basis.
- c) The directors may annex statements to the following effect with the Directors’ Report, prepared under Section 226 of the Companies Act, 2017:
 - The financial statements, prepared by the management of the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;

- Proper books of accounts of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored.
- If the brokerage house is not considered to be a going concern, the fact along with the reasons shall be disclosed
- The directors' report shall cover, loans, TFCs, Sukuks or any other debt instruments in which the company is in default or likely to default. There shall be a clear presentation with details as to the aggregate amount of the debt overdue or likely to become overdue and the reasons for the default/emerging default situation and the measures taken by the company to address and settle such default situation.

10. Statement of Compliance with the Code

All securities brokers/futures brokers, except listed securities brokers/futures brokers, shall publish a statement of compliance with this Code in their Annual Reports.”.

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


(Bilal Rasul)
Secretary to the Commission