

GOVERNMENT OF PAKISTAN
Securities and Exchange Commission of Pakistan

-.-.-

Islamabad, the January 3, 2024

NOTIFICATION

S.R.O. 14 (I)/2024.- The following draft amendments in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, proposed to be made by the Securities and Exchange Commission of Pakistan, with the approval of Federal Government, in exercise of the powers conferred by sub-section (1) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), read with clause (b) of section 43 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), are hereby published for information of all persons likely to be affected thereby and notice is hereby given that comments or objections thereon, if any may be sent to the Commission within fourteen days of publication of the draft in the official Gazette, namely:-

DRAFT AMENDMENTS

In the aforesaid Rules, -

(1) in rule 2, in sub-rule (1), -

- (i) in clause (vi), for the expression “broker registered under the Brokers and Agents Registration Rules, 2001” the expression “securities broker” shall be substituted;
- (ii) in clause (vii), for the expressions “Securities and Exchange Ordinance, 1969 (XVII of 1969)” the expression “Securities Act, 2015 (III of 2015)” shall be substituted;
- (iii) in clause (xiv), for the expression “Companies Ordinance, 1984 (XLVII of 1984)” the word “Act” shall be substituted;
- (iv) in clause (xvii), in sub-clause (a), the expression “120 of the Ordinance” the expression “66 of the Act shall be substituted;
- (v) in clause (xix), in the “Explanation” in paragraph (ii), -
 - (a) in sub-paragraph (b), the words “subject to the clearance of the Commission” shall be omitted;
 - (b) in sub-paragraph (f), after the semi colon at the end, the word “and” shall be added; and
 - (c) in sub-paragraph (g), the word “and” at the end shall be omitted and thereafter, sub-paragraph (h) shall be omitted;
- (vi) in clause (xxa), after the expression “notified entity,” the words “a trustee” shall be inserted;
- (vii) in clause (xxib), in sub-clause (a), for the expression “sub-section (2) of section 3 of the Ordinance” the expression “clause (68) of section 2, of the Act” shall be substituted;
- (viii) in clause (xxiia), for the expression “regulation 35 of the Listing Regulations of Karachi Stock Exchange” the expression “sub-section (2) of section 166 of the Act” shall be substituted;

- (ix) clause (xxxvix), shall be renumbered as “(xxxix)”;
- (x) for clause (xliia), the following shall be substituted, namely:-
“(xliia) “securities broker” shall have the same meaning as assigned thereto in the Securities Act, 2015 (III of 2015);”;
- (xi) in clause (xliv), for the expression “Trusts Act, 1882 (II of 1882)” the expressions “respective Federal or Provincial Trust Act” shall be substituted;

(2) in rule 5, in sub-rule (5), -

- (i) the first proviso shall be omitted;
- (ii) for 2nd and 3rd provisos the following shall be substituted, namely: -
“Provided that a person engaged or desirous to engage in the business of microfinancing except through digital channels/mobile applications, shall not be required to obtain license if having less than five thousand active borrowers or having outstanding loan portfolio of less than fifty million rupees:

Provided further that such person undertaking micro financing or desirous to undertake micro financing within above prescribed threshold should receive funding from a *bona fide* source such as reputable local or international donor agencies or Federal or Provincial Governments or entities regulated by the Commission or State Bank of Pakistan or such other sources as specified by the Commission and such providers of fund shall route the funding through proper banking channels. Such person shall also submit an undertaking to the Commission on their funding sources and shall become member of the relevant micro finance association and ensure compliance with association’s code of conduct.”;

(3) in sub-rule (6), -

- (i) clause (f) shall be omitted; and
- (ii) for clause (j), the following shall be substituted, namely: -

“(j) the company shall ensure that the personnel employed by it for executive positions, research or other related functions possess sufficient educational qualifications and professional experience to undertake the proposed form of business:

Provided that a new company shall ensure compliance with this clause within 90 days of grant of license;”;

(4) in rule 7, in sub-rule (1), for clause (d), the following shall be substituted, namely: -

- “(d) prepare its accounts in conformity with the International Financial Reporting Standards notified under sub-section (4) of section 225 of

the Act and technical releases issued by Institute of Chartered Accountants of Pakistan from time to time;”;

- (5) after rule 7A, the following new rule shall be inserted, namely: -

“7B. Requirements for majority shareholder of NBFC: - (1) No person can hold or become beneficial owner of five percent or more shares of a deposit taking NBFC and ten percent or more shares of any other NBFC without prior approval of the Commission.

Provided that the shares shall be deemed to be owned, held or controlled by a person if they are owned, held or controlled by that person individually or in concert with family members;

Explanation: - “family members” in relation to a person means his spouse, dependent lineal ascendants and descendants and dependent brothers and sisters.

(2) If the Commission has determined that a person is holding or is a beneficial owner of five percent or more shares of a deposit taking NBFC and ten percent or more shares of any other NBFC without prior approval of the Commission or a person that acquired shareholding with prior approval of the Commission subsequently fails to meet the fit and proper test as the Commission may, by an order in writing stating reasons, require such person to reduce, divest or transfer to a fit and proper person, his shareholding in the NBFC within such reasonable period and in such manner as may be specified in the order.

Provided that the Commission may, in the interest of the financial services market, the NBFC or general public, by an order in writing stating reasons, require any person to reduce, divest or transfer, his shareholding in the NBFC within such reasonable period and in such manner as may be specified in the order.”

- (6) after rule 10B, the following new rule shall be inserted, namely: -

“10C. Power to alter forms and schedules.—(i) The Commission may, by notification, in the official Gazette, alter or add to any of the requirements contained in the forms and schedules of these rules, including any annexures to such forms and schedules, and such alterations or additions shall have effect as if enacted in these rules and shall come into force on the date of the notification, unless the notification otherwise directs.”;

- (7) in FORM-II, -

(i) in sub-paragraph 2(f), after the semi colon at the end, the word “and” shall be added;

(ii) in sub-paragraph 2(g), expression “;” shall be replaced with “.”.

(iii) in paragraph (6), after the words “signature of” the word “all” shall be

inserted;

(8) in Schedule I, -

- (i) in 2nd row, in 7th column, for the expression "Ordinance" the expression "Act" shall be substituted;
- (ii) in 4th row, in the 2nd column, after paragraph (ii), the following new paragraph shall be inserted, namely: -

"(iii) Any other company as approved by the Commission";

- (iii) in 4th row, in 7th column, for the expression "Ordinance" the expression "Act" shall be substituted;
- (iv) in 5th row, in the 2nd column, after paragraph (ii), the following paragraph shall be inserted, namely: -

"(iii) Any other public limited company as approved by the Commission";

- (v) in 5th row, in 7th column, for the expression "Ordinance" the expression "Act" shall be substituted;
- (vi) in 6th row, in the 2nd column, after paragraph (iii), the following paragraph shall be inserted, namely: -

"(iv) Any other company as approved by the Commission.".

- (vii) in 6th row, in 7th column, for the expression "Ordinance" the expression "Act" shall be substituted;

- (viii) in 7th row, in the 2nd column, after paragraph (ii), the following paragraph shall be inserted, namely: -

"(iii) any other public limited company as approved by the Commission".

- (ix) in 7th row, in 7th column, for the expression "Ordinance" the expression "Act" shall be substituted.



(Bilal Rasul)
Secretary to the Commission