

GOVERNMENT OF PAKISTAN  
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Islamabad, 8<sup>th</sup> May, 2017

NOTIFICATION

S. R. O. 314 (I)/2017.- The following amendments to the Research Analyst Regulations, 2015, proposed to be made by the Securities and Exchange Commission of Pakistan, in exercise of powers conferred by clause (q) of section 169 of the Securities Act, 2015 (Act No. III of 2015), are hereby published for information of all persons likely to be affected thereby, and notice is hereby given that objections or suggestions thereon, if any, may be sent to the Commission within fourteen days of placement of the draft amendments on the website of the Commission, namely:-

DRAFT AMENDMENTS

In the aforesaid Regulations,-

(1) in regulation 2:

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

“e) **“Public Appearance”** means any participation in a conference call, seminar, forum (including interactive and non-interactive electronic forum and electronic communication), radio or television or internet or web or print media broadcast, authoring a print media article or other public speaking activity in which a Research Analyst, or an officer, director, or employee of a Research Entity or Independent Research Analyst, makes a recommendation or offers an opinion, concerning listed securities or a public offer;”

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

“f) **Research Analyst**” means a person, by whatever name called, who is involved in the preparation, writing and/or publication of a Research Report or the substance of a Research Report concerning securities that are listed or to be listed on a stock exchange registered in Pakistan and includes such persons or firms who prepare Research Reports and sell

them to a Research Entity for publication under the Research Entity's name;"

(c) for clause (g), the following shall be substituted, namely:

**"g) "Research Entity"** means a company which provides services of issuance of a Research Report in its own name through the Research Analysts employed by it or through third party Research Analysts not employed by it and which is also engaged in providing the following services for the securities market:

- (i) acting as a securities adviser;
- (ii) acting as an underwriter;
- (iii) offering brokerage services;
- (iv) participating in a selling or an offering for the issuer or otherwise acting in furtherance of a public offer of the issuer;
- (v) acting as an adviser in a merger or acquisition;
- (vi) providing or arranging venture capital or equity or debt;
- (vii) serving as placement agent for the issuer or otherwise acting in furtherance of a private offering of the issuer; and
- (viii) any other services as may be notified by the Commission."

(d) for clause (h), the following shall be substituted, namely:

**"h) "Research Report"** includes a written communication, in any form, which includes:

- (i) a Price Target – the fundamental value of a listed security or a public offer derived by the Research Analyst; or
- (ii) a "buy/sell/hold" recommendation or an analysis or opinion concerning a listed security or a public offer; or
- (iii) an analysis of equity securities of a particular sector or industry; or
- (iv) a commentary predicting a specific level or change for an index;

providing information reasonably sufficient upon which to base an investment decision, but does not include the following communications:

- (i) comments on general trends in the securities market;
- (ii) commentaries on economic, political or market conditions;
- (iii) periodic reports or other communications prepared for unit holders of mutual funds or collective investment schemes;

- (iv) internal communications that are not given to current or prospective clients;
- (v) communications that constitute offer documents or prospectus that are circulated under a specific law;
- (vi) statistical summaries of financial data of the companies;
- (vii) general commentary relating to the past performance of a sector or the index; and
- (viii) any other communication which the Commission may specify from time to time.

(2) in regulation 7,-

(a) for sub-regulations (1) and (2), the following shall be substituted, namely:-

“(1) The Independent Research Analyst, Research Entity and Research Analyst shall have adequate documentary basis, supported by research, for preparing a Research Report.

(2) The Research Analyst shall ensure that facts in the Research Reports are based on reliable information and the source of such information is disclosed. Further, the Research Analyst shall refrain from speculating on or predicting the outcome of matters –pending before the Court of law.”; and

(b) after sub-regulation (2) substituted as aforesaid, the following new sub-regulation

(2A) shall be added, namely:-

“(2A) The Research Analyst shall define the terms used in making recommendations and these terms should be used consistently.”;

(3) in regulation 9, after sub-regulations (4) the following new sub-regulation shall be added, namely:-

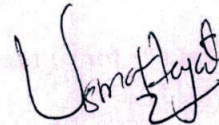
“(5) In case a Research Entity obtains content of a Research Report from a third party and publishes it under the Research Entity’s name, such third party shall be treated as a Research Analyst for the purposes of these Regulations and shall be responsible for compliance with these Regulations and shall make all necessary disclosures of any material conflict of interest in such Research Report. Such Research Entity shall also provide disclosures required under these Regulations in the Research Report.”; and

(4) in regulation 10, for sub-regulation (3), the following shall be substituted, namely:

“(3) Independent Research Analyst, Research Entity and such Research Analyst who sells its research to Research Entities but is not employed with them, shall inform the Commission before commencement of its business for the purposes of record.”

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[No. Sy/SECP/8/13]



( Usman Hayat )

Secretary to the Commission