

Government of Pakistan
Securities and Exchange Commission of Pakistan

NOTIFICATION

Islamabad, the 9th August, 2016

S. R. O. 732 (I)/2016. - In exercise of powers conferred by sub-section (4) of section 169 of the Securities Act, 2015 the Securities and Exchange Commission of Pakistan hereby makes the following amendments to the Central Depositories (Licensing and Operations) Regulations, 2016, namely:-

In the aforesaid Regulations,--

(1) In regulation (5),-

- (a) after the words, "ongoing basis", following shall be inserted, "or within such period(s) as the Commission may direct while granting license under these regulations";
- (b) in clause (b), after the word, "insurance", the word, "cover", shall be inserted;
- (c) in clause (b), after the word, "employees", the words, "for an amount of rupees two billion or more" shall be inserted;
- (d) in clause (e), after the word, "and", the words, "enter into service level agreement(s) with the securities exchanges and clearing houses", shall be inserted;
- (e) After clause (e), following new clauses shall be added:

“(f) have documented business continuity plan including a disaster recovery site”

“(g) continuously improve the quality and efficiency of its systems and procedures, including the attainment of relevant internationally recognized certifications;”

“(h) put in place necessary controls and safeguards to ensure cyber security, access to confidential information and alteration, destruction, disclosure or dissemination of records and data;”

- (f) The numbering of clause (f), (g), (h), (i), (j), (k) and (l) shall be substituted with (i), (j), (k), (l), (m), (n) and (p), respectively;
- (g) In renumbered clause (j), the words “or other requirements as may be specified by the Commission from time to time” shall be substituted with the words “to the extent consistent with the provisions of the Act or these regulations”;
- (h) in renumbered clause (l), after the word “register”, the words “or allow” shall be added;
- (i) in renumbered clause (n), the word “activity” shall be substituted with the word “functions”;
- (j) in renumbered clause (n), in the first proviso, after the word activity, the words “which is” shall be added;
- (k) in renumbered clause (n), in the first proviso, the words “ its activities as” shall be substituted

- with the words “functions of”;
- (l) in renumbered clause (n), in the first proviso, the word “assigned” shall be substituted with the word “allowed”;
- (m) in renumbered clause (n), the second proviso is substituted with:

“Provided further that, subject to the approval of the Commission, a central depository may carry-out such activity which is not incidental to function of a central depository, by forming subsidiary(ies). A central depository registered with the Commission prior to commencement of these regulations shall be required to transfer any such activity which is not incidental to its functions as a central depository to its subsidiary company(ies) within one year from the date of grant of licence under these regulation”;

- (n) After clause (n), following new clause (o) shall be added:

“(o) prescribe a code of conduct for its employees and ensure compliance with the same; and”;

(2) In regulation (7),-

Regulation (7) is substituted with regulation (6), namely:

“(1) An applicant seeking license under regulation 4 shall have an initial paid-up capital and net worth of not less than rupees one billion:

Provided that the Commission may require the central depository to maintain a higher paid-up capital and net-worth in a progressive manner.

Provided further that a central depository registered with the Commission prior to commencement of these regulations shall be required to maintain minimum paid-up capital and net-worth within the timelines as provided below commencing from the date of date of grant of licence under the Act and these regulations

Minimum Paid-up Capital	Minimum net-worth	Time period allowed
Rs.1 billion	Rs. 3 billion	Within 2 year
Rs. 2.5 billion	Rs.5 billion	Within 5 years
Rs. 4 billion	Rs.7 billion	Within 8 years

Explanation: For the purpose of these regulations, net worth shall be calculated as total assets less total liabilities less surplus on revaluation, if any, created upon revaluation of fixed assets.”;

(3) In regulation (6),-

Regulation (6) is substituted with regulation (7), namely:

“(1) The applicant and its promoters, substantial shareholders, directors and senior management officers shall be fit and proper persons as per the criteria specified as Annexure-I. Provided that while evaluating fit and proper criteria in respect of promoters and substantial shareholders of the central depository, the fit and proper criteria shall also be applied to the extent as may be practical on the directors and majority shareholders of such promoters and substantial shareholders.”;

(4) In regulation (8),-

(a) in sub-regulation (1), after the word depository, occurring for the first time, following clauses shall be added:

“a. a securities exchange or a connected company or the majority shareholder of such securities exchange, or an associate of the majority shareholder of such securities exchange”;

“b. any of the following institution subject to compliance with the conditions provided under sub-regulation (2) below:”

(b) in sub clause (i) of sub-regulation (1), the words “A public” shall be substituted with the word “a”;

(c) in sub clause (i) of sub-regulation (1), the word “and” shall be substituted with the word “or”;

(d) in sub clause (ii) of sub-regulation (1), the word “A” shall be substituted with the word “a”;

(e) the sub clause (iii) of sub-regulation (1) shall be omitted;

(f) the numbering of sub clause (iv), (v) and (vi) shall be substituted with to (iii), (iv) and (v), respectively;

(g) in renumbered sub clause (iii) of sub-regulation (1), the word “A” shall be substituted with the word “a”;

(h) in renumbered sub clause (iii) of sub-regulation (1), after the word “providing”, the word “trading” shall be added;

(i) in renumbered sub clause (iv) of sub-regulation (1), the word “An” shall be substituted with the word “an”;

(j) after sub-regulation (1), following clause shall be inserted, namely:-

“(2) Shareholding in a central depository by institutions referred at clause (b) of sub-regulation (1) shall be subject to the following conditions:

- (a) the institution or any of its sponsors or directors are not associated person(s) of a TRE certificate holder or any of its sponsors or directors;
- (b) it complies with the capital requirements specified under the relevant provisions of applicable laws;
- (c) it has a minimum long-term credit rating as may be determined by the Commission from time to time;
- (d) its license for providing any financial services has not been suspended or cancelled by any regulatory authority during the last five years;

- (e) no investigation or enquiry conducted under the relevant laws has been concluded against it by the Commission, State Bank of Pakistan, National Accountability Bureau, Federal Investigation Agency or any other regulatory or government body, with any adverse findings;
- (f) an order restraining, prohibiting or debarring it from providing any financial services has not been passed by any regulatory authority, government body or agency or a court of law; and
- (g) it has not been declared defaulter in payment of taxes";
- (k) sub-regulation (2) is renumbered as sub-regulation (3);
- (l) proviso of renumbered sub-regulation (3), shall be substituted with sub-regulation (4), namely:-
 - "(4) Any person holding shares in an existing central depository on the date of commencement of these regulations, shall comply with requirements of sub-regulation (2) and (3) above within a time period of three years from the date of commencement of these regulations.";

(5) In regulation (9),-

- (a) the word "Board" in the title of regulation 9 shall be substituted with the word "board";
- (b) in sub-regulation (1), the word "applicant", wherever occurring, the word "central depository" shall be substituted";
- (c) in sub-clause (e) of sub-regulation (1), the word "major" shall be substituted with the word "substantial";
- (d) in sub-regulation (2), after the word "depository, the words "shall not have more than two director associated with a TRE certificate holder on its board and" shall be added;
- (e) after sub-regulation (2), the following sub-regulation (3) shall be added, namely:-
 - "(3) An independent director shall be appointed by the board of directors of the central depository with prior written approval of the Commission in the following manner:
 - (a) a central depository shall maintain a panel of fit and proper persons suitable for appointment as independent directors;
 - (b) a minimum of two names from the panel maintained under clause (a) above shall be submitted by the central depository to the Commission for each vacancy, for its approval. The central depository shall ensure that such persons are selected from diverse but relevant fields of work with appropriate qualification and experience;
 - (c) the Commission may, if satisfied that a person is suitable for appointment as independent director grant its approval for the appointment of the selected person by the board of directors of central depository:
 - Provided that where the Commission is not satisfied about the suitability of the proposed persons for appointment as a director, it may refer the matter back to the central depository for proposing other names after following the due process.
 - (d) unless provided otherwise, the term of the independent directors so appointed shall be the same as that of the shareholder directors;
 - (e) an independent director may be removed by the board of directors of the central depository with prior written approval of the Commission if such persons fail to

meet fit and proper criteria:

(f) any vacant position of an independent director shall be filled in the similar manner as provided for initial appointment of an independent director”;

- (f) in sub-regulation (4), the word “a” shall be substituted by the word “the”;
- (g) in sub-regulation (7), after the word “An”, the word “existing” shall be omitted;
- (h) in sub-regulation (7), after the word “depository”, the word “registered with the Commission prior to the commencement of these regulations” shall be added;
- (i) in sub-regulation (7), the words “within three months from the date of commencement of these regulations”, shall be substituted with the words “till 30th September 2016”;

(6) In regulation (10),-

Regulation (10) has been substituted with the following, namely:-

“(1) The appointment, renewal of appointment and termination of services of the chief executive officer shall be made with the prior approval of the Commission and for this purpose the term “removal and/or termination” shall include non-renewal of his/her contract.

(2) The board of directors of a central depository shall determine the manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the chief executive officer.

(3) A chief executive officer shall be appointed by the central depository through following process:

(a) a central depository shall forward to the Commission names of three suitable persons meeting fit and proper criteria provided in these regulations for selection and approval for appointment of one of them as chief executive officer. The central depository may recommend name of one of the candidates for consideration of the Commission.

(b) the Commission may, if satisfied that the person is suitable for appointment by the central depository as chief executive officer of the central depository, grant its approval for appointment of a person from the three candidates as chief executive officer of the central depository:

Provided that, if the Commission is not satisfied with the suitability of the proposed persons for appointment as chief executive officer, it may refer the matter back to the central depository for proposing other names after following the due process.

(4) The appointment of the chief executive officer shall be made for a period of three years subject to renewal with the prior approval of the Commission.”;

(7) In regulation (11),-

- (a) in sub-regulation (1), after the word “Commission”, the words “who shall be responsible for monitoring compliance of the central depository with the applicable legal and regulatory framework” shall be omitted;

- (b) in sub-regulation (2), the word “in” shall be substituted by the words “by the central depository through”;
- (c) in sub-regulation (2), the word “manner” shall be substituted by the word “process”;
- (d) in clause (a) of sub-regulation (2), the “A” shall be substituted by “a”;
- (e) in clause (a) of sub-regulation (2), after the word “three”, the word “suitable” shall be added;
- (f) in clause (a) of sub-regulation (2), the following words shall be added at the end:

“The central depository may recommend name of one of the candidates for consideration of the Commission.”

- (g) in clause (b) of sub-regulation (2), after the word “appointment”, occurring for the first time, the words “by the central depository” shall be added;
- (h) in clause (b) of sub-regulation (2), after the words “approval for”, the words “the appointment” shall be omitted;
- (i) in clause (b) of sub-regulation (2), the words “the one of the three candidates as the selected person as” shall be substituted with the words “a person from the three candidates”;
- (j) in clause (b) of sub-regulation (2), the words “the selected person as” shall be omitted;
- (k) in clause (b) of sub-regulation (2), the following proviso shall be added:
 “Provided that, if the Commission is not satisfied with the suitability of the proposed persons for appointment as compliance officer, it may refer the matter back to the central depository for proposing other names after following the due process.”;
- (l) Sub-regulation (3) shall be substituted with the following sub-regulations (3),(4),(5), namely:-

“(3) The compliance officer shall be a dedicated position and must not have other responsibilities except as listed below or any ancillary responsibility;

- a) manage, lead and control the compliance and regulatory functions of the central depository;
- b) develop, implement and monitor compliance policies, processes and procedures to cover all aspects of the central depository’s regulatory, operational and statutory obligations;
- c) handle matters relating to the regulations of the central depository, including regular review of the same to ensure their suitability and finalizing proposals for amendments in the regulations for the approval of board of directors of the central depository;
- d) monitor compliance of the central depository and CDS elements with applicable legal and regulatory framework, policies and procedures and take enforcement actions under the applicable regulatory framework;
- e) supervise or conduct any investigation, inspection or enquiry required to be conducted by a central depository;
- f) monitor the redressal of disputes, complaints or grievances arising

out of handling of securities in the central depository system in a timely manner;

- g) maintain effective liaison with the Commission in respect of above stated matters; and
- h) perform any other related function as may be assigned by the central depository or the Commission.;

(4) The compliance officer shall functionally report to the board of directors of the central depository;

(5) In case of any non-compliance, the compliance officer shall take necessary action under the applicable regulatory framework and where the matter requires attention of the board of directors of the central depository, the same shall be reported immediately”;

(m) In proviso of sub-regulation (5), after the word matter, the word “also” shall be added;

(n) sub-regulation (4) and (5) shall be renumbered to (6) and (7) respectively;

(o) after renumbered sub-regulation (7), the following sub-regulation (8) shall be added namely:

“(8) The board of directors of the clearing house shall put in place necessary mechanism to ensure that the compliance officer performs his/her functions in a transparent, equitable and timely manner.”;

(8) In regulation (15),-

(a) sub-regulation (7) “The central depository shall appoint an auditor with the prior approval of the commission to carry out an audit of its systems every alternate year in accordance with the terms of reference specified in Annexure III.” shall be substituted with the following sub-regulations (7) and (8), namely:

“(7) A central depository shall undergo a mandatory annual audit of its operations, regulatory functions and IT systems and any other systems or functions as specified by the Commission from time to time.

(8) For the purposes of the audit specified in sub-regulation (7) above, the central depository shall, with the prior approval of the Commission, appoint an independent auditor with relevant expertise who shall conduct such audit in accordance with the terms of reference specified in Annexure III.”;

(b) sub-regulation (8), is renumbered to (9);

(9) In regulation (16),-

(a) in sub-regulation (1), the word “three”, shall be substituted with the word “four”;

(b) in sub-regulation (1), the numbering of clause “(a),(b),(c),(d),(e),(f),(g),(h),(i),(j),” shall be re-numbered to “(b),(c),(d),(e),(f),(g),(h),(i),(j),(k)”;

(c) In renumbered clause (b) of sub-regulation (1), after the word “regulation”, “15” shall be added;

- (d) In renumbered clause (b) of sub-regulation (1) , after the words “compliance of the”, the word “central depository” shall be added;
- (e) In renumbered clause (j) of sub-regulation (1), the words “giving names of persons holding more than 10% shares”, shall be substituted with “with name of each shareholder”;
- (f) In renumbered (j) of sub-regulation (1), the words “above 10%”, shall be substituted with “during review period”;
- (g) After sub-regulation (1), the following sub-regulation (2) shall be added namely:-
“(2)In addition to the submission of annual report to the Commission, the central depository shall place the annual report on its official website no later than one week from the date of its publication.”;

(10) In regulation (17),-

- (a) In sub-regulation (3) of regulation (17), after the words “to submit to it such”, the words “other information or”, shall be added;

(11) In Annexure (I),-

- (a) Replace the title “FIT AND PROPER CRITERIA FOR SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR MANAGEMENT OFFICERS OF A CENTRAL DEPOSITORY” with “Fit and Proper Criteria for the Applicant and its Promoters, Substantial Shareholders, Directors and Senior Management Officers”;
- (b) In application and scope of annexure (I), the word “through”, shall be substituted with the words “including the financial soundness to”;
- (c) In application and scope of annexure (I), the words “company secretary of central depository”, shall be substituted with the words “within three business days and the central depository shall within a period of seven business days report the same”;
- (d) In application and scope of annexure (I), after the words “In addition to the”, the words “applicant and its promoters and” shall be added;
- (e) In application and scope of annexure (I), the words, “of the applicant” shall be omitted;

(1) In part (a),-

- (a) In part (a) of application and scope, the words “status or solvency”, shall be substituted with “soundness and integrity”;
- (b) In clause (i) of part (a), after the words “liabilities with”, the word “its” shall be added;
- (c) In clause (iii) of part (a), the words “, in his individual capacity or as director of a company, has not been in default of payment of dues owed to any investor, financial institution, or securities exchange, commodity exchange, clearing company, depository company 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.” shall be substituted with “and companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc., have no overdue payment to any investor, financial institution, securities exchange, commodity exchange, clearing company, 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: For the purposes of clause (iii) above, the central depository shall obtain Credit Information Bureau (CIB) reports to determine any overdue/past due payment of the person to a financial institution. In case of any amount appearing in the overdue column of the latest CIB report, such person shall not be considered fit and proper person except:

- a. 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 in CIB report, no rejection shall be made unless the person has been provided with an opportunity of making a representation before the Commission.”;
- (d) In clause (v) of part (a), after the words “regularly published by FBR”, the words “Provided that this requirement shall not be applicable in the case of non-resident foreign nationals” shall be inserted;

(2) In part (b),-

- (a) In clause (i) of part (b), after the words “and knowledge of the capital markets,”, the word “clearing houses” shall be inserted;
- (b) In clause (i) of part (b), after the words “with prior approval of the Commission.”, the words “Provided further that in case of independent director, such relaxation may be granted only by the Commission.”, shall be omitted.;
- (c) In sub-clause (b) of clause (ii), after the words “or has served at a”, the word “senior management” shall be inserted;
- (d) In sub-clause (b) of clause (ii), the word “equivalent to”, shall be substituted with “preferably as” ;
- (e) In sub-clause (b) of clause (ii), the word “preferably”, shall be substituted with “of a substantial size”;
- (f) In sub-clause (b) of clause (iii), after the words “or has served at a”, the word “senior management” shall be inserted;
- (g) In sub-clause (b) of clause (iii), the word “equivalent to”, shall be substituted with “preferably as”;
- (h) In sub-clause (b) of clause (iii), the word “preferably”, shall be substituted with “of a substantial size”;
- (i) In clause (v), the words “chief risk and head of internal audit”, shall be substituted with the word “compliance”
- (j) In sub-clause (a) of clause (v), after the words “body of professional accountants”, the

words "or possess a postgraduate degree in finance, accountancy, business management, commerce, economics, capital market and financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent" shall be inserted;

- (k) In sub-clause (b) of clause (v), the word "risk" shall be substituted with "compliance";
- (l) After clause (v), the following clause shall be added:
 - "(vi) In case of head of internal audit, the person should:
 - a. be a member of a recognized body of professional accountants or a Certified Fraud Examiner; and
 - b. have preferably served as head of internal audit for a period of three years in any other company; or have:
 - i. a minimum experience of five years in related functions at the central depository; or
 - ii. served as head of finance, audit, compliance or other corporate functions for a period of four years in any other company;;
- (m) in part (b), clause (vi) and (vii), (viii), (ix), shall be renumbered to (vii), (viii), (ix), and (x);
- (n) in clause renumbered (vii), after the words "in case of company secretary", the words "and compliance officer" shall be omitted;
- (o) in sub-clause (b) of renumbered clause (vii), after the words "served as company secretary", the words "and/or compliance officer" shall be omitted;
- (p) in renumbered clause (viii), after the words " in case of head of", the words "information technology (IT) or head of" shall be inserted;
- (q) in renumbered clause (viii) of part (b), the following proviso shall be added; "Provided that the a central depository shall not appoint or retain any person as senior management officer who is above sixty years of age or who was in service of a TRE certificate holder or an associated company of such TRE certificate holder during the last three years";
- (r) in second proviso of renumbered clause (viii), after the word, "Provided", the word "further", shall be added;
- (s) in renumbered clause (ix), after the words "In case of", the words "promoters and", shall be added;

(3) In part (c),-

- (a) in clause (i) of part (c), after the words "has not been suspended/ cancelled", the words "on disciplinary ground" shall be added;
- (b) after clause (i), the following sub-part shall be added:
 - "(ii) No proceedings are pending with respect to the applicant's winding up, insolvency or analogous relief.";
- (c) clause (ii) has been renumbered to clause (iii);

(4) In part (d),-

- (a) in part (d), after clause (i), the following clause shall be added:

- “(ii) The person is not a party in litigation against the Commission in respect of any criminal offence or a matter relating to non-payment of customer claims or in any other manner prejudicial to the interest of customers and general public.”
- (b) In part (d), the numbering of clause “(ii),(iii),(iv),(v),(vi),(vii)”, shall be substituted with “(iii),(iv),(v),(vi),(vii),(viii),(ix)”;
- (c) In part (d), after renumbered clause (iii), the following clause shall be added:
“(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.”;
- (d) In renumbered clause (iv) of part (d), the figure “Rs.500,000/”, shall be substituted with the words “rupees five hundred thousand”;
- (e) In renumbered clause (viii) of part (d), after the words “legislation from acting as a director”, the words “or senior management office” shall be added;
- (f) In part (d), after renumbered clause (ix) the following clause shall be added:
“(x) In case of promoters and substantial shareholders, their majority shareholders, and directors have proven track record of regulatory compliance with no major disciplinary action taken and any adverse comment provided by the relevant regulatory authority”;

(g) (4) In part (c),-

Part (c) of application and scope has been substituted with the following, namely:-

- “(i) The person has no relationship with the central depository 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 family member is also not a director, officer or sponsor of a company holding TRE certificate and/ or the combined shareholding of the family members in any brokerage house 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 family member or in the name of an entity being managed or controlled by him or his family member, or any change in such holding, to the central depository and the Commission;
 - a. at the time of submission of initial information ; and
 - b. On quarterly basis for the respective period,

Further, the central depository shall, during the tenure of independent director, disseminate the information relating to the trading in securities by such independent director to the securities exchange for public disclosure.

- (v). The person shall have no personal services contract(s) and shall not be currently serving as an employee and has not been employed at any position of the central depository within the past two years.
- (vi). The person shall not simultaneously be serving as a director on the board of more than seven listed companies.

Note:

- All directors must inform the central depository of any change in the submitted information that may potentially affect their status of directorship, within 48 hours of knowledge of such change.
- 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 central depository.
- Along-with the application for licence as a central depository and on subsequent appointment;
(i) the applicant's directors and senior management officers shall submit duly filled attached form and affidavit given below:
(ii) the authorized person on behalf of the applicant and authorized person on behalf of the promoters and substantial shareholders shall submit the following duly filled Affidavit.

Form for Information to be provided by Persons Desiring Prospective Directorship on the Board or a senior management office of a central depository

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)	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*:			
	Sr#	Name of Organization	Designation	Period
	1	Company A		dd/mm/yy - dd/mm/yy
	2	Company B		dd/mm/yy - dd/mm/yy

2. In case of proposed director,

1. Nature of directorship:
Executive Non-executive

2. Status of directorship:
Independent director Shareholder director

*
Number of shares subscribed or held _____
Nominated by (name of shareholder) _____

3. In case of proposed director,
Names of companies, firms and other organizations of which the proposed person is presently a director, partner, office holder or major shareholder (Information to be provided on the following sample format*)

Sr#	Name of Organization	Designation	Period
1	Company A		dd/mm/yy - dd/mm/yy
2	Company B		dd/mm/yy - dd/mm/yy

4. In the case of nomination of director by a shareholder the date of board of directors' meeting in which the nomination of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors.)

5. Names of any persons on the board of the central depository who are related to the applicant.

Signature _____
*use additional sheets if required"

(12) In Annexure-I

Previous affidavit has been substituted with the following affidavit:

“Affidavit to be provided by the applicant, promoters, substantial shareholders, directors and senior management officers of the applicant(On Stamp Paper of Appropriate Value)

AFFIDAVIT

(name of central depository)

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

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

1. That I am eligible for the position of director/senior management officer of the ...(name of central depository).... according to the fit and proper criteria specified for the position of directors/senior management officers of a central depository, as per the Central Depositories (Licensing and Operations) Regulations 2016.
2. That I and the companies, firms, sole proprietorship etc. where I am a chief executive officer, director (other than nominee director), owner or partner etc. has no overdue payment of 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 ...(name of central depository)..... or the Commission requests or obtains information about me from any third party.
5. That I undertake to bring to the attention of the ...(name of central depository)..... any matter which may potentially affect my status for the position of director/senior management officer as per the fit and proper criteria specified in the Central Depositories (Licensing and Operations) Regulations 2016.
6. That all the documents provided to ...(name of central depository)....., 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 promoter and substantial shareholder:

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

1. That(name of the institution)..... is eligible for being promoter/substantial shareholder of the(name of central depository)..... according to the fit and proper criteria specified as per the Central Depositories (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 central depository).. or the Commission 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 central depository).... any matter which may potentially affect its status as promoter/substantial shareholders of the ... (name of central depository).... as per the fit and proper criteria specified in the Central Depositories (Licensing and Operations) Regulations, 2016.
6. That all the documents provided to(name of central depository).... 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 central depository as per the Central Depositories (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 Commission requests or obtains information about(name of the applicant)..... from any third party.
5. That I undertake, on behalf of(name of the applicant)..... that(name of the applicant)..... will bring to the attention of the Commission any matter which may potentially affect its status as a central depository as per the licencing conditions and fit and proper criteria specified in the Central Depositories (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(name of 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"

(13) In Annexure-II,-

In part 3 of annexure-II

(a) In part 3, the clause (b) shall be omitted;

(b) The numbering of "(c),(d),(e),(f),(g),(h),(i),(j)", shall be changed to "(b),(c),(d),(e),(f),(g),(h),(i)";

(14) In Annexure-III,-

The annexure III has been substituted by the following:

"Annexure III

**TERMS OF REFERENCE OF OPERATIONAL, REGULATORY AND SYSTEM AUDIT OF
CENTRAL DEPOSITORY UNDER REGULATION 15(8)**

(1) A central depository shall require an independent auditor to conduct operational and system audit in accordance with any or all of the following:

(i) reviewing appropriateness of controls and safeguards mentioned at regulation 5(h);

(ii) reviewing the information processing facilities of the central depository and the integrity of its central depository systems including:

(a) maintenance of security and confidentiality over the data of the CDS Elements;

(b) security over the physical operation of the central depository systems;

(c) backup and disaster control and recovery procedures for central depository systems; and

(d) access controls for central depository systems; and

(iii) assessing the integrity and accuracy of information generated by the central depository systems including, without limitation:

(a) internal controls over data input by the central depository; and

(b) processing and reporting of transaction data.

(iv) performing any other function or conducting audit of any other area as may be assigned by the Commission or central depository at the time of appointment of such auditor.

(2) The TORs for regulatory compliance audit of a central depository may include all or any of the following procedures as may be specified by the Commission at the time of appointment of special auditor and any additional procedures that Commission may direct:

- (i) ensure compliance with the relevant regulatory framework, including but not limited to:
 - (a) Securities Act, 2015;
 - (b) Central Depositories Act, 1997;
 - (c) The Companies Ordinance, 1984;
 - (d) Central Depository (Licensing and Operations) Regulations, 2016;
 - (e) The regulations of the central depository as approved by the Commission under the Central Depositories Act, 2015 and/or the Securities Act, 2015;
 - (f) The policies, procedures, directives, guidelines, circulars issued/approved by the Commission or the board of directors of a central depository.
 - (ii) ensure compliance with the Memorandum of Association and Articles of Association of the central depository;
 - (iii) ensure existence of and compliance with Standard Operating Procedures relating to all major operational processes;
 - (iv) ensure that policies and procedures are formulated to identify and prevent conflict of interest of directors with the interest of capital market, investors and central depository and are complied with;
 - (v) ensure that central depository system and related functionalities operate in compliance with the requirements of approved regulations and procedures of the central depository;
 - (vi) identify the roles and responsibilities of the commission, the securities exchange(s), clearing house and central depository as per applicable regulatory framework and also evaluate the extent to which the respective roles and responsibilities overlap and require clear demarcation. Based on this, also prepare matrix outlining roles and responsibilities where two or more institutions are involved; and
 - (vii) evaluate any other aspect of central depository functions that may be required by the Commission.”
-

Bushra
9/8/16

(Bushra Aslam)
Secretary to the Commission

