



## Press Release

*April 29, 2015*

*For immediate release*

### **National Assembly passes Securities Bill 2015**

ISLAMABAD, April 29: The National Assembly passed on Wednesday the Securities Bill, 2015. The bill provides to amend and consolidate laws for the

Presently the securities market is being regulated under Securities and Exchange Ordinance 1969 (SEO 1969). There was a need that SEO 69 be repealed and replaced with a comprehensive and modern piece of legislation.

The new bill will effectively regulate the securities market.

The Securities and Exchange Commission of Pakistan (SECP) – the apex regulator of securities market, feels that the old law remains fundamentally incomplete devoid of a proper and logical structure and suffers from lack of necessary enforcement powers.

### **Brief of Securities Bill 2015**

The bill has specified minimum standards, which listed companies and other aforementioned persons are required to comply with respect to inside information. The bill will clearly define the role and responsibilities of the companies as well as the person possessing inside information. It also describes the obligation of stock exchanges with respect to dissemination of information so that no person takes undue advantage of the inside information. With the promulgation of the law, it is expected that the SECP would be in a better position to prosecute the persons involved in insider trading.

To strike a balance between appropriate regulation, and principles of free market, the new Securities Bill provides for adequate provisions for emergency powers to be retained by the SECP, while at the same time 'emergency' has been clearly defined.

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Further, for enhanced protection of investors, the SECP may make regulations for setting up of centralized customer protection compensation fund and is empowered to issue directions to stock exchanges, central depository and clearing houses. The Draft Bill also provides for a more effective enforcement regime with detailed provisions relating to inspection and investigation powers of the SECP. Also, the Bill grants powers for strict disciplinary actions in cases of violations of law including full range of penalties with grounds specified for suspension and revocation of licenses of entities licensed under the law.

The SECP completed an extensive consultative process with the stakeholders and along with dissemination to the general public for feedback. The bill was later presented in the National Assembly however upon completion of the term of the Assembly, the bill lapsed and was referred back to the Ministry of Finance. Subsequently, it was tabled before the Senate on January 1, 2015 and referred to its Senate's Standing Committee. The Committee held detailed deliberations in various sessions and unanimously approved the final draft on March 3, 2015 after incorporating comments of its members.

Experts said that the new bill besides addressing various shortcomings of the 1969 Ordinance contains provisions for promoting public confidence in the market including full disclosure at the time of the initial offering, continuous disclosure requirements and an inclusive compliance regime. While disclosure requirements are essential to investor protection, they are not sufficient to protect against activities such as insider trading and market manipulation. Accordingly, the bill has been developed in an effort to curtail these activities. The SECP has to ensure that trading in securities takes place in a market where all investors have access to the same information at the same time.

The new legislation has also been drafted with a view to establishing standards of competence and conduct for those persons who are in positions of fiduciary responsibility. These are primarily persons who have custody or control over investors' assets, and those who provide advice or service to investors. The bill attempts to ensure that investors receive advice from those qualified to give it in terms of specific criteria. People rendering such services within the securities industry are required to be registered with the regulator. They are subject to rules regarding educational standards, record keeping, reporting to clients and conflicts of interest.

Other key features of the Bill revealed that draft Bill provides detailed and comprehensive regulatory structure including provisions for prescribing eligibility criteria and fit and proper criteria for licensing of these frontline regulators, stock brokers, agents of stock brokers, underwriters, balloters, transfer agents etc. The bill while taking into consideration the spirit and requirements of the demutualization law provides for shareholding and governance structure of the stock exchanges, clearing and depository companies that ensures these entities function as national institutions.

Moreover, the detailed provisions in relation to the duties and responsibilities of frontline regulators, provisions for regulatory audit of these entities and requirements for effective periodic reporting have been set. Additionally, the bill requires detailed code of conduct for brokers, securities advisors and analysts. Currently, takeovers are governed under the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 and Regulations made there under.

However, to provide for enhanced fairness, equity and transparency and to address practical issues faced in such transactions, more detailed provisions have been added to the bill which will replace the current regulatory framework. The Bill will facilitate takeover activities creating a balance between, and at times, conflicting objectives and interests of various stakeholders in the context of substantial acquisition of shares in, and takeovers of listed companies. Further, the bill seeks to ensure that fair and accurate disclosure of all material information is made by relevant persons, to various stakeholders to enable them to take informed decisions.