



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

Press Release

Regulations governing system audit of KSE brokers revamped

Islamabad, March 13: In continuation of its efforts to enhance transparency and reinforce investor confidence in the capital market, the Securities and Exchange Commission of Pakistan (SECP) has revamped the regulations governing system audit of the brokers of the Karachi Stock Exchange. The revised regulations strengthen monitoring and compliance of market intermediaries with the applicable regulatory provisions and improve enforcement power of the regulators.

The scope of the audit has been broadened to include broker's regulatory compliance with various applicable laws, rules and regulations. This includes compliance with the requirement of formulating and implementing effective know your customer and customer due diligence internal policies at broker level and frameworks that reinforce requirements of the Anti-Money Laundering Act.

Under these regulations, brokers if found non-compliant with any regulatory requirements in an audit exercise will be subject to limited scope audit by the exchange in the following six months to check rectification of non-compliances highlighted in the audit report. For effective deterrence of non-compliances, the limit of fines has been increased - along with empowering the exchange to have the broker audited/inspected at any time, in addition to the routine audits.

It is expected that the revised regulations will facilitate in achieving the objectives of market integrity and investor protection while putting in place effective checks and balances to deter, detect and rectify instances of market abuse. Meanwhile, the SECP has also advised the exchange to initiate work on developing its capacity and capabilities to conduct in-house audits of its brokers to ensure improved compliance and effective monitoring in line with best international practices.

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