



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Press Release

November 6, 2015

For immediate release

SECP approves new rules and regulations for the capital market

ISLAMABAD, – November 6: As part of subsidiary legislation under the Securities Act, 2015, the Securities and Exchange Commission of Pakistan (SECP) has accorded approval to the draft Bond Pricing Agency Rules, 2015, the draft Centralized KYC (Know-Your-Customer) Organization Rules, 2015 and the draft Securities Brokers Regulations, 2015.

The SECP has invited public comments on the draft Securities Brokers Regulations, 2015 and for this purpose, has published the said regulations in the official Gazette and also placed the same on its website today. The regulations have also been disseminated to various prominent stakeholders such as State Bank of Pakistan, stock exchanges, central depository, clearing company and ICAP etc. for consultation purposes. Comments received on the regulations within fifteen days from its publication (today) will be considered and evaluated. Additionally consultative sessions with market participants will also be held to ensure maximum feedback.

The draft regulations introduce a new regulatory regime for the securities brokers based on international best practices, while addressing shortcomings in the existing broker regime and aligning the same with the entire scheme of the Securities Act. The regulations will help achieve the objectives of risk management and enhanced investor protection by introducing various requirements for securities brokers including disclosure of conflict of interest and segregation of assets, and by ensuring that only well-capitalized brokers operate in the securities market. The new regime also takes into account the effect of the proposed integration of the stock exchanges which is in process, and facilitates the transition of brokers from the existing regime to the new requirements in the post-integration scenario.

The draft Bond Pricing Agency Rules have been drafted with the aim of providing regulatory cover to the establishment of a Bond Pricing Agency (BPA) for the bond market in line with global best practices. The BPA would act as independent entity mandated with the role to provide fair valuations of debt securities issued by the Government and corporations based on comprehensive data collection, validation, pricing, and dissemination to the stakeholders. Among other obligations, the BPA would be required to maintain independence and objectivity in pricing of bonds; meet certain operational requirements and continuously review its pricing methodologies.

The draft Centralized KYC Organization (CKO) Rules have been drafted with the aim of providing regulatory cover to the establishment and functioning of a CKO. The CKO shall act as a central repository for KYC information of all clients of market intermediaries and will ensure that KYC data used by CDC, NCCPL, brokers and traders is verified, well maintained and centralized. This will not only help curb market abuse and other malpractices, but will also eliminate duplication in the KYC process.

Both the above draft rules have been forwarded to the Federal Government for approval, post which the process of public consultation will be initiated for the same.

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