

Press Release

For immediate Release

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SECP issues research analyst regulations

ISLAMABAD, July 28: The Securities and Exchange Commission of Pakistan (SECP) has issued Research Analyst Regulations, 2015, under the newly promulgated Securities Act, 2015. These regulations have been framed to regulate the area of investment recommendation/research analysis, address potential conflict of interest and to ensure impartiality of the reports/recommendations made by research analysts. They have been framed after extensive stakeholder consultation and obtaining public opinion.

In line with the principles set out by the International Organization of Securities Commissions (IOSCO), these regulations are expected to address the conflict of interest issues faced by research analysts, improve governance standards and minimize market malpractices, with special emphasis on the sell-side research analysts. The regulations require establishing comprehensive policies and procedures by research analysts/research entities so as to effectively address the above issues.

In order to avoid potential conflict of interest, adequate provisions have been provided in relation to compensation of research analysts and conduct of business. For standardization and quality assurance purposes, broad guidance is provided in respect of contents of research reports. Similarly, appropriate disclosure requirements have been prescribed enabling users of research reports to make unbiased and informed decisions. The regulations also provide for minimum qualifications and experience requirements for research analysts, their general responsibilities and required records to be maintained besides providing provisions for compliance and enforcement mechanism and liability for action in case of default.

With these regulations in place, the area of research and recommendations in securities market is going to be properly regulated. The regulations provide an enabling environment for further growth of this area and will help to streamline relevant market practices.