



Securities and Exchange Commission of Pakistan

Press Release

August 16, 2018

For immediate release

SECP Amends PSX Regulations Governing Offices/Branch Offices of Brokers

August 16, 2018: The Securities and Exchange Commission of Pakistan (SECP) in the meeting Chaired by the Worthy Chairman SECP has accorded its approval for crucial amendments to the Pakistan Stock Exchange Limited (PSX) Regulations governing the opening of offices and branch offices by the securities brokers. The amendments introduce stringent eligibility criteria for opening of new offices/branches by securities brokers. In the earlier PSX Regulations apart from the procedural and operational requirements, there was absence of checks on a brokers' compliance history and track record.

The amendments introduced by the SECP aim to address the apex regulators' foremost concern that the frontline regulators instill stronger mechanisms for investor protection. The regulations now require that any broker opening a new office/branch office must have impeccable track record and compliance history in dealing with complaints and arbitration awards up to the satisfaction of the PSX. The broker must also have no significant disciplinary action against it by the SECP, Exchange or CDC during the last three years for any material violations in relation to misuse or unauthorized use of customers' assets or improper segregation of customers' funds; or where it has been found that an unregistered or unauthorized person was involved in dealing with customers on commission basis for trading through the broker. The amendments also require that any sponsor, director or senior management officer of the broker has not been engaged in the capacity of sponsor, director or senior management officer with any other broker declared defaulter by Exchange or NCCPL or whose TRE Certificate has been forfeited or cancelled by the Exchange due to non-compliance of any applicable rules, regulations, notices, procedures, guidelines, etc.

The amendments also require periodic offsite monitoring of the offices/branches of securities brokers by PSX along with empowering PSX to take further appropriate actions in case of any violation/non-compliance of the Regulations. The compliance officer of the broker has been obligated to confirm to the Exchange on a bi-annual basis that the office or branch office of the broker is/are in compliance with the applicable regulations of SECP and Exchange. In case of any non-compliance, the compliance officer shall report the same to the broker, exchange and SECP.

Most importantly, the revised regulations now require PSX to visit the brokers' office prior to granting certificate of registration to confirm that the office/branch office fulfils the regulatory requirements including sufficient infrastructure, appropriate number of qualified personnel, sufficient systems for transmitting clients' records to head office and the additional eligibility requirements mentioned in the regulations.

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