



PAKISTAN STOCK BROKERS ASSOCIATION

(A company setup under section 42 of the Companies Act 2017)

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PSBA/Notice-118

Oct 26, 2023

NOTICE FOR MEMBERS

PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX) **REGULATIONS IN RELATION TO VARIOUS MATTERS**

This is in reference to the notification PSX/N-1095.- dated Oct **26, 2023 (attached)**, whereby the comments have been invited by the PSX:

In this regard, the members are hereby requested to kindly submit your comments, if any, at psamail024@gmail.com latest by **November 03, 2023**, so that a consolidated response is submitted to the authorities for their consideration.

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AKBER ALI
Officer - Secretariat

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INVITATION OF PUBLIC COMMENTS

PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX)
REGULATIONS IN RELATION TO VARIOUS MATTERS

This is to inform the public that the PSX, in exercise of power conferred upon it u/s 7 of the Securities Act, 2015, is proposing amendments to its Regulations in relation to the following matters:

- (A) Bringing additional reforms in the Growth Enterprise Market of PSX.
- (B) Requiring the relevant persons of a listed company to disclose cumulative shareholding in the company while disclosing change of interest.
- (C) Suspending a securities broker, instead of declaring it as defaulter, upon passing of its members' voluntary winding-up resolution without the consent of PSX.
- (D) Enhancement of investor protection measures relating to client-titled bank account(s) of the securities broker.

Following is the details of each of the above matters:

(A) BRINGING ADDITIONAL REFORMS IN THE GROWTH ENTERPRISE MARKET (GEM) OF PSX:

The GEM Regulations of PSX were introduced in 2019 in place of Small and Medium Enterprises Regulations with an aim to encourage growth companies to raise capital through stock exchange under softer admission and reporting requirements compared to the Main Board of PSX.

Post launch of GEM, PSX introduced following reforms in its GEM Regulations with the approval of the SECP in view of the feedback received from market participants from time to time:

- (a) The threshold of assets held by an individual to qualify as an Accredited Individual Investor was reduced from PKR 15 million to PKR 5 million.
- (b) The existing requirement for an Accredited Individual Investor to have net assets of at least PKR 5 million was replaced with total assets of same value.
- (c) PSX vide notice dated March 10, 2022 notified the manner of verification of eligibility of accredited individual investors, whereby, the Securities Broker is required to only obtain self-declaration from an individual investor who will acknowledge that he/she meets the eligibility criteria prescribed in Chapter 5A.
- (d) An additional definition of Accredited Individual Investors was inserted, whereby, an individual who holds securities in CDC worth PKR 5 million or more at the time of self-declaration is also considered eligible to trade in GEM companies.
- (e) Investors eligibility has been automated. The investors who participate in GEM are auto marked in NCSS of NCCPL through an automated process on the basis of data provided by PSX and CDC. Moreover, those investors who have securities worth more than the minimum

requirement of PKR 5 million maintained with CDC are also auto marked as Accredited Individual Investor in NCSS of NCCPL

PSX held consultative session with the market participants and based on the feedback received in general, PSX is proposing to bring the following additional amendments to Chapter 5A [Regulations governing listing and trading of equity securities on GEM] of PSX Rulebook:

- (i) The threshold of assets held by an individual to qualify as an Accredited Individual Investor is proposed to be reduced from PKR 5 million to PKR 1 million for the purpose of subscription of shares during issuance/offering phase or during trading after listing at the Exchange.
- (ii) General public may be allowed to trade in the secondary market after six months from the date of listing of the growth company at PSX subject to fulfillment of the following conditions that the company has disseminated the following information to the Exchange:
 - (a) half-yearly financial statements reviewed by the statutory auditor; and
 - (b) half-yearly progress report showing the status of the commitment mentioned in the Information Memorandum.

The proposed amendments to PSX Regulations in relation to this matter are attached herewith as **Annexure A**.

(B) REQUIRING THE RELEVANT PERSONS OF A LISTED COMPANY TO DISCLOSE CUMULATIVE SHAREHOLDING IN THE COMPANY WHILE DISCLOSING CHANGE OF INTEREST:

Existing PSX Regulation 5.6.4 requires disclosure to the Company Secretary where any director, CEO, substantial shareholder or executive of a listed company or their spouses executes trade in shares of the listed company of which he/she is a director, CEO, substantial shareholder or executive. Such director, CEO, substantial shareholder or executive is also required to deliver a written record of the price, number of shares, form of share certificates, (i.e., whether physical or electronic into Central Depository System), and nature of transaction to the Company Secretary within seven days of effecting the transaction. The Company Secretary is required to immediately forward the same to PSX for dissemination to all concerned.

PSX is proposing to amend PSX Regulation 5.6.4 to ensure that the disclosure in respect of trading in the shares of a listed company by its director, CEO, substantial shareholder or executive shall also mention, along with aforesaid details of the trade, the **cumulative shareholding** of such person in the company. The objective of this amendment is to further enhance transparency by providing more meaningful information to the stakeholders about total interest of a person, enabling the investors to make informed decisions. The proposed amendments to PSX Regulations in relation to this matter are attached herewith as **Annexure B**.

(C) SUSPENDING A SECURITIES BROKER, INSTEAD OF DECLARING IT AS DEFAULTER, UPON PASSING OF ITS MEMBERS' VOLUNTARY WINDING-UP RESOLUTION WITHOUT THE CONSENT OF PSX:

With an aim to ensure maximum protection of the rights and interests of investors and taking into account the international practices, PSX is proposing to specify the following procedural

requirements in PSX Regulations in relation to passing of the members' resolution for voluntary winding-up:

(i) A securities broker must immediately inform in writing to PSX regarding its decision to file members' winding up of the company after the meeting of its Board of Directors wherein the matter was approved.

(ii) Upon receiving the above information, PSX in addition to the securities broker, shall invite claims from the investors and other securities brokers and give 30 days' notice in case of 'Trading Only securities brokers and 90 days' notice in case of other categories of securities brokers for submitting claims.

Provided that in the cases where the securities brokers have been inactive for the last 24 months from the date of intimation to PSX, the notice period shall be 30 days.

(iii) A securities broker shall be required to ensure complete settlement of claims within 60 days from the date of expiry of the notice issued by PSX.

(iv) A securities broker shall provide an Undertaking to PSX, confirming the settlement of all claims received in response to the notice of invitation of claims.

(v) A securities broker shall submit a bank guarantee equivalent to PKR 5 million, or any equivalent security in a manner as may be acceptable by PSX with the approval of the Commission, which shall be valid for a period of at least two years from the date of the Undertaking. The same will enable PSX to settle claims if received after the settlement of claims by the securities broker.

(vi) Upon submission of the above-referred undertaking and the security amount, the broker shall obtain consent from PSX before proceeding for the winding up.

However, in case the securities broker passes a resolution for members' voluntary winding-up without following the above procedural requirements, PSX, instead of declaring such securities broker a **defaulter** as per PSX Regulation 21.4.2, shall suspend the trading terminals of such securities broker, until further notice.

The proposed amendments to PSX Regulations in relation to this matter are attached herewith as **Annexure C**.

(D) ENHANCEMENT OF INVESTOR PROTECTION MEASURES RELATING TO CLIENT-TITLED BANK ACCOUNT(S) OF THE SECURITIES BROKER:

In furtherance to its objective to ensure maximum protection of the rights of investors, PSX is proposing to introduce following measures in PSX Regulations:

(i) Securities brokers shall be required to submit to PSX the details of all business bank account(s) opened for holding funds as and when required by PSX. The Securities Broker shall be required to inform PSX within five (05) working days of opening of new bank account or closure of existing bank account. Such information shall be submitted in the manner notified by the PSX.

- (ii) Cash withdrawals from the client-titled bank accounts maintained by the securities brokers shall be prohibited and all payments to customers must be made through cross-cheques or other banking channels.
- (iii) PSX shall be empowered to obtain balance confirmation of any one or more of the client-titled bank accounts maintained by the securities broker, with the written authority of the concerned securities broker. Such power shall only be utilized by PSX where it deems appropriate to obtain such information and after complying the internal approval process. For this purpose, the securities broker may be required to authorize on its letterhead the relevant officials of PSX for obtaining balance confirmation of the client-titled bank account(s) maintained by the broker from the concerned bank branch.
- (iv) PSX shall inform the SECP and the banks, as per the latest list of bank accounts maintained with PSX by the concerned securities broker, regarding suspension, cancellation or forfeiture of TRE Certificate of such TRE Certificate Holder. Further, in case of cancellation, forfeiture or declaration of a securities broker as defaulter, PSX, while referring its case to the SECP, shall request it to take appropriate action(s) including taking steps to freeze the bank account(s) of such securities broker.
- (v) The funds available in the proprietary account of the defaulted securities broker should vest with PSX, as in the case of securities available in the House Account. These funds shall only be utilized by PSX for the settlement of verified claims against the concerned defaulted brokers.

The proposed amendments to PSX Regulations in relation to this matter are attached herewith as **Annexure D**.

INVITATION OF PUBLIC COMMENTS:

In terms of Section 7(3) of the Securities Act, 2015, all interested parties are invited to provide written comments on the proposed amendments to PSX Regulations in relation to the above matters, which are attached herewith as **Annexure A, B, C and D** respectively. The comments can be submitted latest by **November 06, 2023** through such modes and in such manner as prescribed in the 'Guidelines for Submission of Comments' which are attached herewith as **Exhibit A**.



AJJEET KUMAR

Chief Regulatory Officer

Cc:

1. The Executive Director/HOD (PRDD), SMD, SECP
2. The Chief Executive Officer, PSX
3. The Chief Executive Officer, CDC
4. The Chief Executive Officer, NCCPL
5. The Chief Executive Officer, PMEX
6. The Chief Executive Officer, E-Clear
7. The Chief Executive Officer, IFMP
8. The Chief Executive Officer, PSEB
9. The Project Director, PSEB
10. The Secretary General, PSBA

“ANNEXURE A”

**PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO BRINGING
ADDITIONAL REFORMS IN THE GROWTH ENTERPRISE MARKET OF PSX**

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>5A.1. DEFINITIONS:</p> <p>5A.1.1. In this chapter, unless the subject or context otherwise requires:</p> <p>a) “Accredited Investor” includes:</p> <p>(i) Institutional investors; and (ii) Accredited individual investors registered with NCCPL having:</p> <p>i) assets of at least PKR 5 million; including but not limited to value of securities held in respective CDC investor account or sub account; or ii) any other criteria or threshold as may be specified by the Exchange.</p>	<p>5A.1. DEFINITIONS:</p> <p>5A.1.1. In this chapter, unless the subject or context otherwise requires:</p> <p>a) “Accredited Investor” includes:</p> <p>(i) Institutional investors; and (ii) Accredited individual investors registered with NCCPL having:</p> <p>i) assets of at least PKR 5 million; including but not limited to value of securities held in respective CDC investor account or sub account; or ii) any other criteria or threshold as may be specified by the Exchange.</p>	<p>In light of feedback received from market participants and other relevant stakeholders, PSX is proposing following amendments:</p> <ul style="list-style-type: none"> ▪ The minimum threshold of assets held by an individual to qualify as an Accredited Individual Investor for the purpose of subscription of shares during issuance/offering phase or during trading after listing at the Exchange, is proposed to be reduced from PKR 5 million to PKR 1 million. This is expected to help attract new investors and promote liquidity in GEM.
<p>5A.9. TRADING OF SECURITIES ON EXCHANGE, RISK MANAGEMENT AND ALLIED MATTERS:</p> <p>5A.9.1. TRADING:</p> <p>Any Securities Broker can trade on the GEM either on its own account or on account of its clients through the Trading System.</p> <p align="center"><u>New Insertion</u></p>	<p>5A.9. TRADING OF SECURITIES ON EXCHANGE, RISK MANAGEMENT AND ALLIED MATTERS:</p> <p>5A.9.1. TRADING:</p> <p><u>(a)</u> Any Securities Broker can trade on the GEM either on its own account or on account of its clients through the Trading System.</p> <p><u>(b) The trading in the shares of a GC shall be allowed to the general public subject to the dissemination of following information to the Exchange by the GC:</u></p>	<ul style="list-style-type: none"> ▪ The condition of allowing trading at the Exchange only among the Accredited Individual Investors is proposed to be removed subject to the fulfilment of the two conditions as specified in newly inserted clause 5A.9.1(b). Once the GC complies with these two disclosure obligations which are important from the perspective of investing public to know and appraise the financial condition of the company, the

	<p>(i) <u>half-yearly reviewed financial statements; and</u></p> <p>(ii) <u>half-yearly progress providing the status of the commitment mentioned in the Information Memorandum.</u></p>	<p>trading in the shares of such GC shall be open for trading to all individual investors in addition to accredited institutional investors.</p>
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“ANNEXURE B”

PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO REQUIRING THE RELEVANT PERSONS OF A LISTED COMPANY TO DISCLOSE CUMULATIVE SHAREHOLDING IN THE COMPANY WHILE DISCLOSING CHANGE OF INTEREST

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>5.6.4. DISCLOSURE OF INTEREST BY RELEVANT PERSONS HOLDING COMPANY’S SHARES:</p> <p>Where any director, CEO, substantial shareholder or executive of a Listed Company or their spouses sell, buy or take any beneficial position, whether directly or indirectly, in shares of the Listed Company of which he/she is a director, CEO, substantial shareholder or executive, as the case may be, he/she shall immediately notify in writing to the Company Secretary. Such director, CEO, substantial shareholder or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates, (i.e., whether physical or electronic into Central Depository System), and nature of transaction to the Company Secretary within seven days of effecting the transaction. The Company Secretary shall immediately forward the same to the Exchange for its dissemination to all concerned. The notice of the director, CEO, substantial shareholder or executive, as the case may be, shall also be presented by the Company Secretary at the meeting of the board of directors immediately subsequent to such transaction. In the event of default by a director, CEO or executive to give a written notice or deliver a written record, the Company Secretary shall place the matter before the board of directors in its immediate next meeting.</p>	<p>5.6.4. DISCLOSURE OF INTEREST BY RELEVANT PERSONS HOLDING COMPANY’S SHARES:</p> <p>Where any director, CEO, substantial shareholder or executive of a Listed Company or their spouses sell, buy or take any beneficial position, whether directly or indirectly, in shares of the Listed Company of which he/she is a director, CEO, substantial shareholder or executive, as the case may be, he/she shall immediately notify in writing to the Company Secretary. Such director, CEO, substantial shareholder or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates, (i.e., whether physical or electronic into Central Depository System), and nature of transaction <u>and cumulative numbers of shares owned</u> to the Company Secretary within seven days of effecting the transaction. The Company Secretary shall immediately forward the same, <u>along with cumulative shareholding in terms of percentage owned,</u> to the Exchange for its dissemination to all concerned. The notice of the director, CEO, substantial shareholder or executive, as the case may be, shall also be presented by the Company Secretary at the meeting of the board of directors immediately subsequent to such transaction. In the event of default by a director, CEO or executive to give a</p>	<p>This would add to transparency and more meaningful information to the investing public regarding total interest of a person mentioned in this clause.</p>

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>Provided that each listed company, excluding open-end mutual funds, shall determine a closed period prior to the announcement of interim/final results and any business decision, which may materially affect the market price of its shares. No director, CEO or executive shall, directly or indirectly, deal in the shares of the listed company in any manner during closed period. The closed period shall start from the day when any document/statement, which forms the basis of price sensitive information, is sent to the board of directors and terminate after the information is made public. Every listed company shall advise its directors about the closed period at the time of circulating agenda and working papers for the board meetings, along with sending intimation of the same to the Exchange.</p> <p>Explanation: For the purpose of clause 5.6.1 and 5.6.4, the expression “executive” means the CEO, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary by whatever name called, and other employees of the company for whom the board of directors will set the threshold to be reviewed on an annual basis and disclosed in the annual report.</p>	<p>written notice or deliver a written record, the Company Secretary shall place the matter before the board of directors in its immediate next meeting.</p> <p>No Change</p> <p>No Change</p>	

“ANNEXURE C”

PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO SUSPENDING A SECURITIES BROKER, INSTEAD OF DECLARING IT AS DEFAULTER, UPON PASSING OF MEMBERS’ VOLUNTARY WINDING-UP RESOLUTION WITHOUT THE CONSENT OF PSX

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
Chapter 4: TRADING RIGHTS ENTITLEMENT (TRE) CERTIFICATE		
<p align="center">New Insertion</p>	<p><u>4.9A. PASSING OF MEMBERS’ RESOLUTION FOR VOLUNTARY WINDING-UP:</u></p> <p><u>A TRE Certificate Holder may pass members’ resolution for voluntary winding-up subject to compliance with the following procedures:</u></p> <p><u>(a) A TRE Certificate Holder must immediately inform in writing to the Exchange regarding passing of the resolution for voluntary winding-up after the meeting of its Board of Directors wherein the matter was approved;</u></p> <p><u>(b) The Exchange, in addition to the concerned TRE Certificate Holder, shall invite claims from the investors and other TRE Certificate Holders and give 30 days’ notice in case of Trading Only Securities brokers and Online Only Securities Broker and 90 days’ notice in case of other categories of securities brokers for submitting claims. Provided that in the cases where the TRE Certificate Holder has been inactive for the last 24 months from the date of intimation to the Exchange, the notice period shall be 30 days;</u></p> <p><u>(c) A TRE Certificate Holder shall be required to complete the process of settlement of claims within 60 days from</u></p>	<p>To further strengthen the regulatory framework to ensure maximum protection of the rights of investors, PSX is proposing to specify the procedural requirements under PSX Regulation 20.6A.2 for securities brokers in relation to passing of the members’ resolution for voluntary winding-up or the winding-up by the Court.</p>

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
	<p><u>the date of expiry of the notice issued by the Exchange;</u></p> <p>(d) <u>A TRE Certificate Holder shall provide an Undertaking to the Exchange, confirming the settlement of all claims received in response to the notice of invitation of claims; and</u></p> <p>(e) <u>A TRE Certificate Holder shall submit a bank guarantee equivalent to PKR 5 million, or any equivalent security in a manner as may be acceptable by the Exchange with the approval of the Commission, which shall be valid for a period of at least two years from the date of Undertaking. The same will enable the Exchange to settle claims if received after the settlement of claims by the TRE Certificate Holder.</u></p> <p>(f) <u>A TRE Certificate holder shall obtain consent from the Exchange before proceeding for the winding-up upon submission of the above referred undertaking and the security amount.</u></p>	
CHAPTER 20: DISCIPLINARY ACTIONS AGAINST TRE CERTIFICATE HOLDERS REGULATIONS		
	<p><u>20.15A. DISCIPLINARY ACTIONS IN RESPECT OF PASSING OF MEMBERS' RESOLUTION FOR VOLUNTARY WINDING-UP:</u></p> <p><u>In case the TRE Certificate Holder passes members' resolution for voluntary winding-up without following the procedures as prescribed under Clause 4.9A, the Exchange shall immediately suspend the trading terminals of</u></p>	

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
	<u>such TRE Certificate Holder until further notice.</u>	
<p>20.15A. COMPLIANCE WITH PSX REGULATIONS BY THE PCM:</p> <p>20.15A.1. The PCM shall comply with the applicable requirements of these Regulations as specified by the Commission.</p> <p>20.15A.2. In case PCM is found non-compliant with the requirements of clause 20.15A.1, the Exchange shall refer such case to the Commission for further investigation/inspection and/or enforcement action(s) as deemed appropriate by the Commission.</p>	<p>20.15A^B. COMPLIANCE WITH PSX REGULATIONS BY THE PCM:</p> <p>20.15A^B.1. The PCM shall comply with the applicable requirements of these Regulations as specified by the Commission.</p> <p>20.15A^B.2. In case PCM is found non-compliant with the requirements of clause 20.15A.1, the Exchange shall refer such case to the Commission for further investigation/inspection and/or enforcement action(s) as deemed appropriate by the Commission.</p>	<p>Consequential renumbering due to insertion of clause 20.15A.</p>
CHAPTER 21: DEFAULT MANAGEMENT IN RESPECT OF TRE CERTIFICATE HOLDERS / BROKERS REGULATIONS		
<p>21.4. DECLARATION AS DEFAULTER:</p> <p>21.4.2. A Securities broker against whom a winding-up order has been passed by the Court for failure to discharge its obligations towards creditors or a resolution for creditors' voluntary winding-up has been passed or a resolution for members' voluntary winding-up has been passed without obtaining prior consent of the Exchange, shall ipso facto be declared as a defaulter.</p>	<p>21.4. DECLARATION AS DEFAULTER:</p> <p>21.4.2. A Securities Broker against which a winding-up order has been passed by the Court for failure to discharge its obligations towards creditors or a resolution for creditors' voluntary winding-up has been passed or a resolution for members' voluntary winding-up has been passed without obtaining prior consent of the Exchange, shall ipso facto be declared as a defaulter.</p>	<p>In case the TREC Holder passes a resolution for members' voluntary winding-up without obtaining the consent of the Exchange, it is proposed that the Exchange should suspend the trading terminals of such TRE Certificate Holder instead of declaring it as a defaulter. This change is proposed to secure the interests of investors and help settle their claims, if any, in an efficient and well-controlled manner through the broker itself.</p>

“ANNEXURE D”

**PROPOSED MEASURES IN RELATION TO ENHANCEMENT OF INVESTOR PROTECTION
MEASURES RELATING TO CLIENT-TITLED BANK ACCOUNT(S) OF THE SECURITIES BROKER**

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
CHAPTER 3: PAKISTAN STOCK EXCHANGE LIMITED		
<p>3.7. DISSEMINATION OF RELATED INFORMATION BY THE EXCHANGE TO OTHER MARKET ENTITIES AND GENERAL PUBLIC:</p> <p>3.7.1. The Exchange shall, immediately on the same day, disseminate the appropriate information to the CDC, NCCPL, all other Stock Exchanges, the PMEX and the Commission; relating to imposition of fine, voluntary switching off of the Trading Terminals upon the request of Securities Broker, suspension, cancellation, forfeiture of TRE Certificate, declaration of default, non-renewal or cancellation of registration as a Securities Broker by the Commission, suspension of any or all of the privileges of TRE Certificate Holder including restriction and/or suspension of Trading Terminals or any similar penal action(s) taken against such TRE Certificate Holder by the Exchange under these Regulations for taking required actions, if any, at their end. The Exchange shall also place such information on its website for the general public preferably on the same day on which such action is taken, but not later than the time of opening of market on the next trading day.</p> <p>The Exchange shall also make available on its website and update every 30 days, a consolidated report in respect of disciplinary actions taken</p>	<p>3.7. DISSEMINATION OF RELATED INFORMATION BY THE EXCHANGE TO OTHER MARKET ENTITIES AND GENERAL PUBLIC:</p> <p align="center">No Change</p> <p align="center">No Change</p>	

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>against TRE Certificate Holders by the Exchange, CDC, NCCPL and SECP during past three years.</p> <p>Provided that prior to issuance of notice for deactivation of a TRE Certificate Holder as a Securities Broker, the Exchange shall ensure that no settlement is pending against such Securities Broker.</p> <p>Furthermore, the Exchange shall also immediately publish public notice(s) regarding cancellation or forfeiture of TRE Certificate and declaration of default against such Securities Broker in widely circulated newspapers of Pakistan in Urdu and English languages.</p>	<p>No Change</p> <p>No Change</p>	
<p>New Insertion</p>	<p><u>3.7.1A. The Exchange shall inform the Commission and the banks, as per the latest list of bank accounts maintained with PSX by the TRE Certificate Holder, regarding suspension, cancellation or forfeiture of TRE Certificate of such TRE Certificate Holder. Further, in case of cancellation, forfeiture or declaration of a TRE Certificate Holder as defaulter, the Exchange, while referring its case to the Commission, shall request the Commission to take appropriate action(s) including taking steps to freeze the bank account(s) of such TRE Certificate Holder.</u></p>	<p>PSX is proposing to specify certain control in its Regulations to further safeguard the interests of the customers, minimize the risk of unauthorized movement of funds, if any, by a securities broker by a securities broker which is near to its suspension, in a suspended state or having its TRE Certificate cancelled/ forfeited. Therefore, this clause is proposed to be inserted.</p>

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>3.16. MONITORING COMPLIANCE WITH THESE REGULATIONS:</p> <p>New Insertion</p>	<p>3.16. MONITORING COMPLIANCE WITH THESE REGULATIONS:</p> <p><u>3.16.8. Where the Exchange deems it appropriate, it may require the TRE Certificate Holders to authorize the relevant official(s) of the Exchange to obtain account balance confirmation of any one or more of the business bank account(s) of such TRE Certificate Holder.</u></p>	<p>PSX may have powers to obtain balance confirmation directly from the bank based on the written authority given by the concerned broker. This power shall be exercised only where the Exchange deems it appropriate in the interests of investors.</p>
CHAPTER 4: TRADING RIGHTS ENTITLEMENT (TRE) CERTIFICATE		
<p>New Insertion</p>	<p><u>4.17.1A. The Securities Broker shall submit to the Exchange the details of all business bank account(s) opened for holding funds as and when required by the Exchange. The Securities Broker shall be required to inform the Exchange within five (05) working days of opening of new bank account or closure of existing bank account.</u></p> <p><u>The above information shall be submitted in the manner notified by the Exchange.</u></p>	<p>For effective monitoring and transparency, PSX should have a an updated information available at all times regarding the bank accounts where the funds are parked.</p> <p>For brokers' convenience, PSX shall prescribe a manner for submission of this information in due course.</p>
<p>4.23. RECEIPT / PAYMENT OF AMOUNT FROM / TO CUSTOMERS:</p> <p>New Insertion</p>	<p>4.23. RECEIPT / PAYMENT OF AMOUNT FROM / TO CUSTOMERS:</p> <p><u>4.23.3. The Securities Brokers shall make all payments to the customers through crossed cheques/ bank/ drafts/ pay orders or any other banking channels. Cash withdrawals from the client-titled bank accounts maintained by the securities brokers shall not be allowed.</u></p>	<p>To accentuate its significance and for effective compliance and monitoring, this requirement which is already specified in Clause 23 of the Securities Brokers (Licensing and Operation) Regulations, 2016 is proposed to be reproduced here.</p>

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
CHAPTER 20: DISCIPLINARY ACTIONS AGAINST TRE CERTIFICATE HOLDERS REGULATIONS		
<p>20.16. CONSEQUENCES OF TRE CERTIFICATE HOLDER'S SUSPENSION / CANCELLATION / FORFEITURE OF TRE CERTIFICATE:</p> <p>20.16.6. Upon cancellation/ forfeiture of a TRE Certificate, the Exchange may utilize the following assets of TRE Certificate Holder, as applicable depending upon category of Securities Broker, for the purpose of discharging such TRE Certificate Holder's obligations related to transactions and dealings made subject to any PSX Regulations or NCCPL Regulations towards NCCPL, other TRE Certificate Holders and customers:</p> <p style="text-align: center;">New Insertion</p>	<p>20.16. CONSEQUENCES OF TRE CERTIFICATE HOLDER'S SUSPENSION / CANCELLATION / FORFEITURE OF TRE CERTIFICATE:</p> <p>20.16.6. Upon cancellation/ forfeiture of a TRE Certificate, the Exchange may utilize the following assets of TRE Certificate Holder, as applicable depending upon category of Securities Broker, for the purpose of discharging such TRE Certificate Holder's obligations related to transactions and dealings made subject to any PSX Regulations or NCCPL Regulations towards NCCPL, other TRE Certificate Holders and customers:</p> <p><u>g) Funds available in the proprietary and client-titled bank account(s) of the Defaulter;</u></p>	<p>To ensure maximum settlement of aggrieved claimants, it is proposed that these funds should vest with PSX for settlement purpose.</p>
<p>20.18. VERIFICATION OF INVESTORS' CLAIMS, INSPECTION OF BOOKS & RECORDS AND CONDUCTING OF ENQUIRY</p> <p style="text-align: center;">New Insertion</p>	<p>20.18. VERIFICATION OF INVESTORS' CLAIMS, INSPECTION OF BOOKS & RECORDS AND CONDUCTING OF ENQUIRY</p> <p><u>20.18.2 In exercise of the powers conferred under Regulation 3.16.8, the Exchange may, after obtaining written authority from the concerned TRE Certificate Holder, seek balance confirmation of the client-titled bank accounts maintained by the TRE Certificate Holder from the designated branch of the concerned bank.</u></p>	<p>PSX may have powers to obtain balance confirmation directly from the bank based on the written authority given by the concerned broker. This power shall be exercised only where the Exchange deems it appropriate in the interests of investors.</p>

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
CHAPTER 21: DEFAULT MANAGEMENT IN RESPECT OF TRE CERTIFICATE HOLDERS / BROKERS REGULATIONS		
21.6. COMPOSITION AND FUNCTIONS OF THE DEFAULT COMMITTEE:	21.6. COMPOSITION AND FUNCTIONS OF THE DEFAULT COMMITTEE:	
21.6.1. DEFAULTERS' ASSETS:	21.6.1. DEFAULTERS' ASSETS:	
New Insertion	<u>(e) Funds available in the proprietary and client-titled bank account(s) of the Defaulter.</u>	To ensure maximum settlement of aggrieved claimants, it is proposed that these funds should vest with PSX for settlement purpose.

End of Proposed Amendments