



PAKISTAN STOCK BROKERS ASSOCIATION

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

Regd Office: Mezzanine Floor, Trading Hall, Stock Exchange Building, Stock Exchange Road,
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PSBA/Notice-208

May 27, 2025

NOTICE FOR MEMBERS

PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO DEVELOPMENT AND IMPLEMENTATION OF CODE OF CONDUCT BY THE SECURITIES BROKERS FOR THEIR EMPLOYEES

This is in reference to the notification PSX/N-558 dated May 27, 2025 (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 **June 10, 2025**, so that a consolidated response is submitted to the authorities for their consideration.

Sd
Akber Ali
Officer - Secretariat

Copy to:

1. PSBA Website

INVITATION OF PUBLIC COMMENTS

**PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO
DEVELOPMENT AND IMPLEMENTATION OF CODE OF CONDUCT BY THE
SECURITIES BROKERS FOR THEIR EMPLOYEES**

This is to inform that the Pakistan Stock Exchange Limited (PSX), in exercise of the power conferred upon it u/s (7) of the Securities Act, 2015, is proposing amendments to PSX Regulations in relation to requiring the Securities Brokers to develop and implement a comprehensive 'Code of Conduct' for the employees duly approved by their Board of Directors.

SIGNIFICANCE OF CODE OF CONDUCT:

The Securities Brokers and their associated persons/ representatives are required to exercise high standards of ethical and professional conduct by acting with integrity, transparency, competence and diligence. The proliferation of an ethical behavior and compliance culture is crucial to maintaining investors' trust and upholding integrity of market. Therefore, it is vital that the Securities Brokers institutionalize a Code of Conduct as part of their overall governance structure with an aim to foster culture of compliance and accountability. The said Code must specify the conducts that constitute material violations impacting the rights and interests of the customers and the resulting disciplinary actions against employees involved in such misconduct.

PROPOSED AMENDMENT TO PSX REGULATIONS:

Keeping in view the above, PSX is proposing to insert a new Clause 4.31 in PSX Regulations requiring the Securities Brokers to comply with the following:

1. Develop and implement 'Code of Conduct' with the approval of the Board of Directors and ensure its dissemination to all employees and conduct training for awareness and compliance.
2. The Code of Conduct must specify the following:
 - (a) Acts or conducts that constitute material violations, as set out in proposed Clause 4.31.2 (b).
 - (b) Disciplinary actions that may be taken against employees found guilty of misconduct, as prescribed in proposed Clause 4.31.2 (c).
3. Constitute an independent Disciplinary Committee, which shall be responsible for performing functions as laid down in proposed Clause 4.31.2 (d).
4. Submit the findings to the Board of Directors, along with the disciplinary action(s) taken in accordance with the Code of Conduct. The Board of Directors may direct any additional action(s) if deemed necessary.
5. Preserve the investigation report and related records and shall forward the same to the Exchange or Commission as and when required.

6. Remain responsible for addressing the grievances of its customer who has been affected due to the misconduct of its employee(s) as laid down in Clause 4.31.2 (b).

Note: Since the Securities Brokers are subject to compliance with other applicable Codes such as Code of Conduct governing trading by employee prescribed under Annexure II to Chapter 4 of PSX Regulations, they may choose to integrate the Code proposed under this notice with the existing Codes to make a comprehensive Code or prescribe it separately, depending upon their own policies.

INVITATION OF PUBLIC COMMENTS:

In terms of Section 7(3) of the Securities Act, 2015, the Securities Brokers and other concerned are invited to provide written comments on proposed amendment to PSX Regulations, which are attached herewith as **Annexure A**, latest by **June 13, 2025** through such modes and in such manner as prescribed in the 'Guidelines for Submission of Comments', which are attached herewith as **Annexure B**.



AJEET KUMAR
Chief Regulatory Officer

“ANNEXURE A”

**PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO
DEVELOPMENT AND IMPLEMENTATION OF CODE OF CONDUCT BY THE
SECURITIES BROKERS FOR THEIR EMPLOYEES**

PROPOSED INSERTIONS

**4.31. DEVELOPMENT AND IMPLEMENTATION OF CODE OF CONDUCT BY THE
SECURITIES BROKERS:**

4.31.1. In the interest of promoting ethical and compliance standards within the capital market, the Securities Brokers are required to develop and implement a comprehensive Code of Conduct for their employees, duly approved by their board of directors.

4.31.2. Each Securities Broker shall:

- (a) Formulate a Code of Conduct that sets out the expected standards of behaviour and ethics for all employees;**
- (b) Define in the Code of Conduct, at a minimum, the following actions or activities as “major/material breaches”:**
 - (i) Unauthorized trading and any other undue activities in customer accounts;**
 - (ii) Receipt of funds from customers in the employee’s personal name;**
 - (iii) Performing any securities market related activities from an unregistered office or location, whether in the name of the employee or the Securities Broker;**
 - (iv) Material violation of applicable rules and regulations detrimental to the rights and interests of the customers, including breach of the code of conduct prescribed by the Commission under the Securities Brokers (Licensing and Operations) Regulations, 2016 and the Exchange under Clause 4.20 of PSX Regulations;**
 - (v) Breach of confidentiality or misuse of customer’s information; and**
 - (vi) Any other prohibited activities as deemed appropriate by the Securities Broker.**
- (c) Specify in the Code of Conduct the disciplinary actions that may be taken against employees found guilty of misconduct. These may include, but are not limited to:**
 - (i) Issuance of warning letters;**
 - (ii) Restriction or Suspension of employment;**
 - (iii) Termination of employment.**

Provided that where an employee’s services are terminated due to a breach of the Code of Conduct, the Securities Broker shall publish the name of the employee on their official website and submit a formal report to the Commission and the Exchange.

- (d) Constitute an independent Disciplinary Committee, which shall be responsible for:**

PROPOSED INSERTIONS

- (i) Reviewing material breaches or violations of the Code of Conduct and recommending and enforcing disciplinary actions in line with the gravity and nature of the breach;
- (ii) Exercising due prudence and discretion in determining whether an employee should be restricted from trading activities; and
- (iii) Referring the case to the law enforcement agencies for further investigation or prosecution, where deemed necessary.

4.31.3. The Securities Brokers shall ensure proper dissemination of the Code of Conduct among employees and conduct training for awareness and compliance. The Securities Brokers shall also establish appropriate internal mechanisms to monitor and ensure adherence to the Code of Conduct.

4.31.4. The Securities Broker shall submit its findings to its board of directors, along with the disciplinary action(s) taken in accordance with the Code of Conduct. The Board of Directors of the Securities Broker may direct any additional action(s) if deemed necessary.

4.31.5. The Securities Broker shall preserve the investigation report and related records and shall forward the same to the Exchange or Commission as and when required.

4.31.6. The Securities Broker shall remain responsible for addressing the grievances of its customer who has been affected due to the misconduct of its employee(s) as laid down in Clause 4.31.2 (b).

**PROPOSED AMENDMENTS TO “THE CODE OF CONDUCT FOR TRADING BY
EMPLOYEES OF BROKERAGE HOUSES” PRESCRIBED IN ANNEXURE II TO
CHAPTER 4 OF PSX REGULATIONS**

EXISTING CODE	PROPOSED AMENDMENTS	RATIONALE
CODE OF CONDUCT FOR TRADING BY EMPLOYEES OF BROKERAGE HOUSES	CODE OF CONDUCT FOR TRADING BY EMPLOYEES OF <u>SECURITIES BROKERS</u> BROKERAGE HOUSES	
1. Employees of Securities Brokers desirous of trading must obtain prior written authorization for such activity from the Securities Broker or authorized officer of the Securities Broker on his trading account opening form.	1. Employees <u>including employees serving as directors of Securities Brokers</u> desirous of trading <u>for their own personal accounts or on behalf of their spouses and/ or dependent children must</u> obtain prior written authorization for such activity from the Securities Broker or authorized officer of the Securities Broker on his trading account opening form.	To align with Clause 16(3)(b) and 16(6) of the Securities Brokers (Licensing and Operations) Regulations, 2016, for added clarity.
2. Employee must submit to the Securities Broker or authorized officer of the Securities Broker, a written undertaking of his understanding and willingness to strictly abide by all the relevant rules, regulations, codes and procedures as prescribed by the Exchange, Clearing Company, Depository Company and the Commission at all times while trading on his own account.	2. Employee must submit to the Securities Broker or authorized officer of the Securities Broker, a written undertaking of his understanding and willingness to strictly abide by all the relevant rules, regulations, codes and procedures as prescribed by the Exchange, Clearing Company, Depository Company and the Commission at all times while trading on his own account <u>or on behalf of their spouses and/ or dependent children.</u>	
3. The provisions of Chapter 7 and 7A of these Regulations or any other Regulation which may be made from time to time in this regard would be applicable to such trades.	No Change	
4. All trades on behalf of the employees concerned shall be executed against their own respective UINs and shall be subject to these Regulations.	No Change	

EXISTING CODE	PROPOSED AMENDMENTS	RATIONALE
5. Employees must ensure that investment advice given to clients by them does not result in a conflict of interest with their individual trading activities.	5. Employees must ensure that investment advice given to clients by them <u>(if legally authorized to do so)</u> , does not result in a conflict of interest with their individual trading activities.	Addition made for clarity that investment/ securities advice can only be given if such person is licensed by the SECP.
6. The employees should not indulge in buying or selling securities of a company for their own account or any account over which they exercise control if they possess non-public information or inside information of that company or information pertaining to any potential trade/deal which may affect the share price of that company. Further, they will not pass any such information to others.	No Change	
7. The employees should not buy or sell those securities for their own account in which they are aware of clients' proposed trades, trades by the Securities Broker or forthcoming research report regarding such securities.	No Change	
8. Securities Brokers shall monitor their employees' trades regularly and the Internal Audit Department will ensure compliance of these Regulations and any violation shall be communicated to Audit Committee/Chief Executive Officer and shall be submitted to the Exchange and/or the Commission as and when demanded.	No Change	
9. Adherence by Securities Brokers as well as their employees, in letter and spirit, to this Code of Conduct is mandatory.	No Change	

End of Proposed Amendments

“ANNEXURE B”

GUIDELINES FOR SUBMISSION OF COMMENTS

1. PSX invites the interested parties to provide their comments and views with specific reference to the subject matter of the proposed amendments to PSX Regulations notified in this Notice.

2. The comments can be submitted through any of the following modes:

Email	comments.rad@psx.com.pk
Mail	The Chief Regulatory Officer, Regulatory Affairs Division, 2 nd Floor, Administration Building, Pakistan Stock Exchange Building, Pakistan Stock Exchange Road, Karachi – 74000.

3. At the time of submission of comments, respondent is advised to provide the information, as per **Table-A** below, so that PSX may contact him/her for clarification or deliberation on the comments, if needed. Anonymous responses may be disregarded by PSX.

Table-A

TO BE FILLED BY THE RESPONDENT	
Name of respondent	
Name of company (if applicable)	
Designation (if applicable)	
Contact Number	
Email Address	

4. The respondent may request confidential treatment for his/ her identity and all or any part of comments due to their proprietary, confidential or commercial nature, by clearly marking the information in **Table-B** below:

Table-B

DISCLOSURE OF IDENTITY AND COMMENTS
Please check the box(es) if you wish to be remain confidential:
<input type="checkbox"/> I wish to have my identity remain confidential.
<input type="checkbox"/> I wish to keep all or any part of my comments confidential.

If respondent wishes to keep any part(s) of comments confidential, then he/she is required to clearly specify such part(s) of comments.

5. To ensure quality and promote transparency, PSX will publish the relevant comments of respondents and its management’s response thereon in the form of a **Response Paper** on its website, within a reasonable timeframe, after close of public consultation session, unless the respondent has made a confidentiality request.
6. Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, respondents should note that notwithstanding any confidentiality request, PSX will share all their response(s) with the Securities and Exchange Commission of Pakistan (Apex Regulator).
7. By submitting comments, respondents are deemed to have consented to the collection, use and disclosure of data that is provided to PSX, unless respondents wish to have their identity or comments remain confidential.