



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,
Off I.I Chundrigar Road, Karachi.

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PSBA/Notice-132

January 22, 2024

NOTICE FOR MEMBERS

PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX) REGULATIONS AND CHANGES IN FORMS 3 AND 7 OF THE CORRESPONDENCE MANUAL OF PSX

This is in reference to the notification PSX/N-79 dated January 23, 2024 (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 **January 29, 2024**, 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 PAKISTAN STOCK EXCHANGE LIMITED (PSX) REGULATIONS AND CHANGES IN FORMS 3 AND 7 OF THE CORRESPONDENCE MANUAL OF PSX

As a front-line regulator, PSX always remains at the forefront in taking measures aimed at enhancing transparency, fairness and integrity for the investor protection. In furtherance of these goals, PSX is proposing to take the following additional measures and make corresponding amendments to the relevant frameworks in order to make them operative:

1. Proposed amendments to PSX Regulations to empower PSX to conduct off-site monitoring of listed companies:

PSX presently monitors and enforces compliance by listed companies with the continuing reporting and disclosure obligations prescribed in the PSX Regulations. PSX is proposing to enhance the scope of its monitoring to ascertain compliance by the listed companies with various additional disclosures required to be made by them under the Companies Act, 2017, Regulations made thereunder and specific notices and circulars issued by the Securities and Exchange Commission of Pakistan (SECP).

In this regard, PSX is proposing to introduce requisite provisions in its Regulations primarily to empower itself to conduct off-site monitoring of listed companies regularly in various additional disclosure obligations stipulated in the aforementioned frameworks and take disciplinary action against the non-compliant company.

The salient features of the proposed amendments are listed below:

- (a) PSX shall select the listed companies on the basis of risk-based criteria for conducting off-site monitoring under intimation to the SECP.
- (b) PSX shall conduct off-site monitoring of the selected listed companies regularly to ascertain their compliance with the various disclosure obligations as specified in the scope of monitoring/review suggested by the SECP.
- (c) PSX may require a listed company, its directors, executives and/or relevant external auditor(s) to produce such documents, information or record (whether in documentary or electronic form) as it may deem necessary in relation to the off-site monitoring and matters incidental thereto.
- (d) PSX shall initiate necessary disciplinary action(s) against a listed company in accordance with the power conferred to it under clause 5.21 of PSX Regulations where it is established that the company has failed to comply with a disclosure requirement.
- (e) Where PSX considers it appropriate, it may refer any matter to the SECP for further inquiry, inspection or investigation.

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

2. Changes in Forms 3 and 7 of PSX's Correspondence Manual to require dissemination of complete financial statements and other information while releasing quarterly and annual financial results approved by the Board of Directors of the listed companies:

The listed companies are required under Clause 5.6.8. of the PSX Regulations to send its quarterly and annual financial results in the manner as prescribed by PSX. Listed companies disseminate annual and quarterly results using Form 3 and Form 7 of the Correspondence Manual (CM), respectively, wherein, they disclose the required information listed in **Table-A** below:

Table-A

- | |
|---|
| <ul style="list-style-type: none">(i) Statement of profit or loss along with appropriations, comparative figures of immediately preceding corresponding period and consolidated statement of profit and loss, if applicable.(ii) Earning/ loss per share(iii) Entitlements (cash dividend, bonus shares or right shares)(iv) Any other entitlement/ corporate action / price-sensitive information.(v) Observation / qualification of the auditors (second quarterly and annual financial results)(vi) Details of Annual General Meeting/ Annual Review Meeting (annual financial results) |
|---|

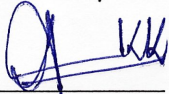
PSX understands that the decisions of investors with respect to trading in stock market are dependent, among others, on access to complete financial position of the company i.e. complete financial statements including notes, which they receive subsequent to release of financial results on the day of meeting of the Board of Directors.

In order to ensure higher standards of disclosures, fairness and considering the international practices, PSX is proposing to enhance the requirements of Form 3 and 7 of the CM to require the listed companies to disclose following information, in addition to the information as presently mentioned in Table-A above, immediately after holding of the board meetings:

- (i) Statement of Financial Position
- (ii) Statement of Other Comprehensive Income
- (iii) Statement of Changes in Equity
- (iv) Statement of Cash Flows
- (v) Notes to the Financial Statements
- (vi) Auditor's Report and Auditor's Review Report

INVITATION OF PUBLIC COMMENTS:

In terms of Section 7(3) of the Securities Act, 2015, all concerned are invited to provide written comments on above matters. The comments can be submitted through such modes and in such manner as prescribed in the 'Guidelines for Submission of Comments' which are attached herewith as **Exhibit A**, latest by **January 31, 2024**.



AJEET KUMAR

Chief Regulatory Officer

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

“ANNEXURE A”

PROPOSED AMENDMENTS TO PSX REGULATIONS TO EMPOWER PSX TO CONDUCT OFFSITE MONITORING OF LISTED COMPANIES

Existing Regulations	Proposed Amendments	Rationale																		
<p>5.21. DISCIPLINARY ACTIONS:</p> <p>5.21.1. Any Listed Company which fails or refuses to comply with, or contravenes any provision of these Regulations, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to disciplinary action(s) by the Exchange as specified below:</p> <p>(a) Issue an Advice; (b) Issue a warning in writing to act more carefully and vigilantly. (c) Reprimand in writing that the conduct warrants censure; (d) Impose any one or more conditions or restrictions; (e) Direct to take remedial actions to rectify its non-compliance(s); (f) Impose a fine as specified below:</p> <table border="1" data-bbox="248 1444 647 1749"> <thead> <tr> <th>REGULATION NO.</th> <th>AMOUNT OF PENALTY</th> <th>AMOUNT OF PENALTY FOR EVERY DAY DURING WHICH THE DEFAULT CONTINUE</th> </tr> </thead> <tbody> <tr> <td>5.7.2 (b), 5.5.10, 5.6.9 (c)</td> <td>-</td> <td>PKR 5,000/-</td> </tr> <tr> <td>5.6.9 (a), 5.7.1 (b), 5.8.1 (a), 5.8.2 (a)(i)</td> <td>-</td> <td>PKR 10,000/-</td> </tr> <tr> <td>5.6.10 (i)</td> <td>-</td> <td>KIBOR+1% of defaulted amount</td> </tr> <tr> <td>5.7.1 (a)</td> <td>PKR 10,000/-</td> <td>-</td> </tr> <tr> <td>5.14</td> <td>PKR 200,000/-</td> <td>PKR 10,000/-</td> </tr> </tbody> </table> <p>Provided where reasonable grounds are adduced by a company and after taking into account the factors including but not limited to the severity and frequency of non-compliance of such company, the Exchange may</p>	REGULATION NO.	AMOUNT OF PENALTY	AMOUNT OF PENALTY FOR EVERY DAY DURING WHICH THE DEFAULT CONTINUE	5.7.2 (b), 5.5.10, 5.6.9 (c)	-	PKR 5,000/-	5.6.9 (a), 5.7.1 (b), 5.8.1 (a), 5.8.2 (a)(i)	-	PKR 10,000/-	5.6.10 (i)	-	KIBOR+1% of defaulted amount	5.7.1 (a)	PKR 10,000/-	-	5.14	PKR 200,000/-	PKR 10,000/-	<p>5.21. DISCIPLINARY ACTIONS:</p> <p>5.21.1. Any Listed Company which fails or refuses to comply with, or contravenes any provision of these Regulations, or knowingly and willfully authorizes or permits such failure, refusal or contravention, <u>or where a Listed Company is found to have breached any disclosure requirement(s) during off-site monitoring conducted by the Exchange under clause 5.24 of these Regulations, such Listed Company</u> shall, be liable to disciplinary action(s) by the Exchange as specified below:</p> <p style="text-align: center;">No Change</p> <p style="text-align: center;">No Change</p> <p style="text-align: center;">No Change</p>	<p>PSX is proposing to introduce requisite provisions in its Regulations primarily to empower itself to conduct off-site monitoring of listed companies regularly in various additional disclosure obligations stipulated under the Companies Act, 2017, Regulations made thereunder and specific notices and circulars issued by the SECP and take disciplinary action against the non-compliant listed company.</p>
REGULATION NO.	AMOUNT OF PENALTY	AMOUNT OF PENALTY FOR EVERY DAY DURING WHICH THE DEFAULT CONTINUE																		
5.7.2 (b), 5.5.10, 5.6.9 (c)	-	PKR 5,000/-																		
5.6.9 (a), 5.7.1 (b), 5.8.1 (a), 5.8.2 (a)(i)	-	PKR 10,000/-																		
5.6.10 (i)	-	KIBOR+1% of defaulted amount																		
5.7.1 (a)	PKR 10,000/-	-																		
5.14	PKR 200,000/-	PKR 10,000/-																		

<p>waive or reduce the applicable fine under this Chapter and/or initiate any one or more disciplinary actions laid down under sub-clause (a) to (e) of this clause.</p> <p>5.21.2. In cases where specific Penalty provisions have not been provided in these Regulations then whoever fails or refuses to comply with, or contravenes any provision of these Regulations, or fails to comply with directions, decisions, notices, guidelines, clarifications and circulars of the Exchange or fails to provide any required information or provides incomplete, false, forged or misleading information to the Exchange as may be required from time to time, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to fine not exceeding five hundred thousand rupees for each default, and, in case of continuing failure, refusal or contravention, to a further fine not exceeding Rs.10,000/- (Rupees ten thousand only) for every day after the first day during which such contravention continues.</p> <p>No such penalty shall be imposed unless an opportunity of being heard has been granted.</p>	<p>5.21.2. In cases where specific Penalty provisions have not been provided in these Regulations then whoever fails or refuses to comply with, or contravenes any provision of these Regulations, or fails to comply with directions, decisions, notices, guidelines, clarifications and circulars of the Exchange or fails to provide any required information or provides incomplete, false, forged or misleading information to the Exchange as may be required from time to time, or knowingly and willfully authorizes or permits such failure, refusal or contravention <u>or where a Listed Company is found to have breached any disclosure requirement(s) during off-site monitoring conducted by the Exchange under clause 5.24 of these Regulations, such Listed Company</u>, shall, be liable to fine not exceeding five hundred thousand rupees for each default, and, in case of continuing failure, refusal or contravention, to a further fine not exceeding Rs.10,000/- (Rupees ten thousand only) for every day after the first day during which such contravention continues.</p> <p>No Change</p>	
<p><u>New Insertion</u></p>	<p><u>5.24. OFF-SITE MONITORING OF LISTED COMPANIES</u></p> <p><u>5.24.1. The Exchange may conduct off-site monitoring of the listed companies in accordance with the scope of review suggested by the Commission.</u></p>	

5.24.2. The scope referred to in sub-clause 5.24.1 shall pertain to the public disclosures required to be made by the Listed Companies under the Companies Act, 2017, regulations made thereunder and specified notices and circulars issued by the Commission.

5.24.3. For the purpose of conducting off-site monitoring, the Exchange shall select Listed Companies based on risk-based criteria under intimation to the Commission.

5.24.4. The Exchange may require in writing a Listed Company, its directors, executives and/or relevant external auditor(s) to produce such documents, information or record (whether in documentary or electronic form) as it may deem necessary in relation to the off-site monitoring and matters incidental thereto.

5.24.5. If a person receives notice from the Exchange under sub-clause 5.24.4, such person shall provide the information or other assistance as the Exchange may reasonably require.

5.24.6. The Exchange shall initiate necessary disciplinary action(s) as per clause 5.21 of these Regulations in case it is established that a disclosure requirement was not complied with. However, where the Exchange considers it appropriate, it may refer any matter or complaint to the Commission for further inquiry, inspection or investigation.

5.24.7. The Exchange, its directors including members of the committees constituted by the Board and employees

	<p><u>(“indemnified persons”) shall not be liable to, and shall be indemnified and saved harmless at all times from and against any loss, claim, liability, damages, costs, charges, expenses (including expenses borne to settle an action or satisfy a judgement or legal and professional fees and out of pocket expenses paid for attending trials,—hearings and meetings whatsoever) sustained or incurred on account of any action including but not limited to enforcement/ disciplinary/ administrative/ executive action done or taken or omitted to be done or taken or decision taken or omitted to be taken in good faith and in the exercise or performance of any function, power or duty conferred to PSX by the Commission under this clause.</u></p>	
<p>5.24. POWER TO OBTAIN DOCUMENTS:</p> <p>The Exchange may, by issuing a notice in writing, require a Listed Company/ management company, trustee, or its directors, officers, employees or advisers to produce any documents/ information (whether in documentary or electronic form) for investigating into a matter of possible breach of any relevant provision of these Regulations.</p>	<p>5.245. POWER TO OBTAIN DOCUMENTS:</p> <p>No Change</p>	<p>Consequential renumbering.</p>

End of Proposed Amendments



“EXHIBIT A”

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.