



## PAKISTAN STOCK BROKERS ASSOCIATION

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

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PSBA/Notice-162

July 04, 2024

### NOTICE FOR MEMBERS

#### SEEKING STAKEHOLDER CONSULTATION ON MANDATORY CERTIFICATION AND CONTINUING PROFESSIONAL EDUCATION (CPE) REQUIREMENTS IN FINANCIAL SERVICES

Dear Members,

This is in reference to the consultation paper dated July 01, 2024 (attached), whereby the SECP has invited the comments:

In this regard, the members are hereby requested to kindly submit your comments, if any, at [psamail024@gmail.com](mailto:psamail024@gmail.com) latest by **July 12, 2024**, so that a consolidated response can be forwarded to the authorities for their consideration.

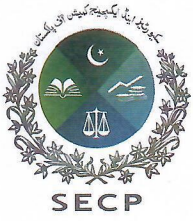
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AKBER ALI

Officer - Secretariat

#### Copy to:

1. PSBA Website



12:58 PM 04/07/24  
**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Chairman Secretariat**  
**Investor Education and Complaints Department**

No. IED/2023/1-29

July 1, 2024

**Bilal Zardi,**  
Chief Executive Officer,  
Pakistan Stock Brokers Association,  
Mezzanine Floor, Trading Hall,  
Stock Exchange Building,  
I.I. Chundrigar Road,  
Karachi.

**Subject: Stakeholder Consultation on Mandatory Certifications and Continuing Professional Education (CPE) Requirements in Financial Services**

Dear Sir,

The Securities and Exchange Commission of Pakistan (SECP) is committed to promoting a professional and competent financial services industry. Professional certifications are vital to ensure individuals in the industry have the necessary knowledge, skills, and ethical conduct to serve clients effectively and maintain market integrity.

In 2009, the SECP introduced a mandatory certification framework for specific functions within the financial services sector. Since then, additional certifications have been mandated for various activities under different SECP regulations.

In line with the international best practices in this area and to have a comprehensive approach for investor protection, maintaining & enhancing market integrity, and ensuring the professional competence of market practitioners, SECP has drafted a consultation paper outlining a framework for certification requirements and CPE for financial services professionals. You are requested to circulate the attached consultation paper among your members to seek their feedback on the proposed framework.

Please share the consolidated feedback with the SECP by July 15, 2024. We appreciate your cooperation and look forward to your valuable feedback.

Regards,

**Osman Syed**  
HOD/Additional Director  
Investor Education & Complaints Department



SECP

SECURITIES AND EXCHANGE  
COMMISSION OF PAKISTAN

# CONSULTATION PAPER

Seeking Stakeholder Consultation on  
Mandatory Certifications and  
Continuing Professional Education (CPE)  
Requirements in Financial Services







## Introduction

The financial services industry is crucial in driving economic activity and ensuring market stability. Professionals in this sector must exhibit high levels of knowledge, skill, and ethical conduct to protect consumers and maintain trust. Unethical mis-selling is a significant risk faced by investors, highlighting the need for stringent professional standards. This paper seeks stakeholder consultation on the implementation of mandatory certifications and Continuing Professional Education (CPE) requirements to enhance professional standards and investor protection in Pakistan's financial services sector.

## International Practices

Mandatory certifications serve as a tool to ensure that financial services professionals meet the necessary standards of competence and ethics. These certifications are often tied to specific activities and require passing standardized exams.

S. No.	Jurisdiction	Details
1	United States 	The Financial Industry Regulatory Authority (FINRA) mandates the Series 7 exam for stockbrokers, ensuring comprehensive knowledge of securities and regulations.
2	Canada 	The Canadian Securities Institute (CSI) offers certifications for financial services professionals, with certain provinces mandating specific CSI certifications for particular activities, such as financial advising or securities dealing.
3	Singapore 	The Monetary Authority of Singapore (MAS) requires licenses for activities like dealing in securities or providing financial advice, ensuring regulatory compliance and professional competence.
4	India 	The Securities and Exchange Board of India (SEBI) mandates certifications through the National Institute of Securities Markets (NISM) under the SEBI (Certification of Associated Persons in Securities Markets) Regulations, 2007. This includes certification exams and CPE programs to maintain and enhance professional standards.

## Mandatory Certification Regime in Pakistan

The Institute of Financial Markets of Pakistan (IFMP), established in 2008, aims to lead various licensing examinations culminating in certifications for different segments of the financial services sector. This initiative seeks to uphold high ethical standards and professional competence among market participants, thereby enhancing investor protection and promoting market integrity.

In line with this vision, the Securities and Exchange Commission of Pakistan (SECP) issued circulars on October 30, 2009, requiring brokers and Asset Management Companies (AMCs)/Pension Fund Managers (PFMs) to ensure that 20% of their employees obtain certification from the erstwhile Institute of Capital Markets (ICM) by June 30, 2011. New employees were required to attain relevant certifications within one year of employment.

Subsequently, the ICM submitted a Grandfathering Scheme and a two-tier certification structure for professionals in Pakistan's capital markets:

- **Level 1:** Candidates pass the Pakistan Markets and Regulation Program (PMR) and the Fundamentals of Capital Markets Certification Program (FCM).
- **Level 2:** Obtain the ICM Certification for their specific job function.

In 2015, SECP adopted this model to enhance the professional competence of financial services professionals, specifying certain functions/activities/positions within regulated entities that required certified professionals. IFMP developed and launched relevant certifications, further specifying new certifications for various functions within the financial services industry through separate notifications under various legislations, including the Securities Act, Insurance Ordinance, Company Ordinance, and NBFC Regulations.

The IFMP administers certification programs in two categories: mandatory and non-mandatory. The list of its current offerings is provided below:

## Mandatory Certifications

S. No.	Industry	Mandated through	Mandatory Certifications	Mandated Upon
1.	Brokerage	Circular 9 of 2015 in conjunction with Circular 47 of 2015 & Circular 27 of 2021	Fundamentals of Capital Markets (FCM)	CEO/MD, Head of Sales, Head of Compliance
			Pakistan's Market Regulations (PMR)	CEO/MD, Head of Sales, Head of Compliance
			Stock Brokers Certification (SBC)	Sales Supervisors, Sales staff; All those individuals involved in sales
		Circular 11 of 2017	Research Analyst Certification (RAC)	All research staff
		Letter#EIR/IE-373/2015	Commodity Brokers Certification (CBC)	All Sales staff engaged in advisory related to commodities
2.	Exchange, Depository and Clearing Company	Circular 9 of 2015	Fundamentals of Capital Markets (FCM)	Professionals working in Customer relations, Risk Management Clearing & Settlement, Compliance, Trustee & Custodian Services
			Pakistan's Market Regulations (PMR)	Professionals working in Customer relations, Risk Management Clearing & Settlement, Compliance, Trustee & Custodian Services
3.	Exchange, Depository and Clearing Company	Circular 10 of 2015	Fundamentals of Capital Markets (FCM)	All Key Officers including professionals involved in Product development & design, Investment Management, Operations and Settlement, Research, Compliance and Risk Management.
			Pakistan's Market Regulations (PMR)	All Key Officers including professionals involved in Product development & design, Investment Management, Operations and Settlement, Research, Compliance and Risk Management.
		Insurance Rules 2017	Life/Non-Life Insurance Agents Certification (LIAC/ NLIAC)	Insurance Sales Agents
		Insurance Rules 2017	Authorised Surveyor Officer (ASO)	Authorised Surveyor Officer
4.	NBFC (Leasing and Investment Finance Companies)	Circular 11 of 2015	Fundamentals of Capital Markets (FCM)	CEO, CIO, Head of Operations, Head of Sales, Head of Compliance.
			Pakistan's Market Regulations (PMR)	CEO, CIO, Head of Operations, Head of Sales, Head of Compliance.
	NBFC (AMCs, Pension Managers)	Circular 11 of 2015 in conjunction with Circular 48 of 2015 & Circular 18 of 2018	Fundamentals of Capital Markets (FCM)	CEO, CIO, Head of Operations, Head of Sales, Head of Compliance, Sales Supervisors of third parties engaged in sales.
			Pakistan's Market Regulations (PMR)	CEO, CIO, Head of Operations, Head of Sales, Head of Compliance, Sales Supervisors of third parties engaged in sales.
			Mutual Fund Distributors Certification (MFDC)/ Mutual Fund Basic Certification (MFBC)	Head of Sales, Sales Supervisors of third parties engaged in sales, All persons, including those hired by third parties, engaged in sales of collective investment schemes and pension funds.
	NBFC Investment Advisers (Securities and Future Advisers)	Circular 11 of 2015 in conjunction with Circular 48 of 2015 & Circular 14 of 2017	Fundamentals of Capital Markets (FCM)	All the Senior management including CEO, Head of Sales, Head of Operations, Head of Compliance and Head of Advisory Services.
			Pakistan's Market Regulations (PMR)	All the Senior management including CEO, Head of Sales, Head of Operations, Head of Compliance and Head of Advisory Services.
			Financial Advisors Certification (FAC)	All the Senior management including CEO, Head of Sales, Head of Advisory Services; and all those employees members providing Advisory to the clients.
	5.	Modarabas	Circular 12 of 2015 in conjunction with Circular 49 of 2015	Fundamentals of Capital Markets (FCM)
Pakistan's Market Regulations (PMR)				CEO, CIO, Head of Operations, Head of Compliance and Head of Sales.

Financial sector professionals can also obtain non-mandatory certifications, which include:

1. Risk Management	7. AML/CFT
2. Compliance Officers	8. Islamic Finance
3. Investment Banking and Analysis	9. Fixed Income Securities
4. Capital Budgeting and Corporate Finance	10. Family Takaful
5. Financial Derivatives	11. General Takaful
6. Traders Clearing and Settlement Operations	12. Bancassurance

To date, over 2,800 professionals have been awarded certifications by IFMP. Additionally, over 2,500 professionals from AMCs have passed the requisite exams but have not applied for certifications.

Approximately 750 certified professionals currently pay the annual IFMP membership fee, necessary for maintaining certification in good standing.

### **Concept of Overarching Framework for Mandatory Certification and CPE issued by a single certification body/institute.**

It is proposed that an overarching regulatory structure for regulating professionals in the financial services industry, as envisaged in clause (h) & (ja) of Section 20(4) of the SECP Act, should be formulated. The relevant provisions of the law are as follows:

- (h): Promoting investors' education and training of intermediaries operating in the financial services market.
- (ja): Regulating professionals who provide services within the financial services market.

Currently, mandatory certification requirements exist for various activities across the financial services industry including insurance, securities market, and NBFC sectors. These requirements have been prescribed through various circulars issued under the respective laws, which lacks a unified approach. The proposed overarching regulatory structure will be consolidating these requirements and establishing a single, comprehensive framework governing the training and regulation of financial services professionals, wherein a single certification body/institute authorized by the Commission, will be issuing certification after completing its requirement. The certification body/institute will only a examination/certification institute. The certification institute will be offering self-study certifications. However, it may partner with training institutes or universities with requisite facilities to offer in-person training for a particular certification.

## **Continuing Professional Education (CPE)**

Continuing Professional Education (CPE) refers to the ongoing learning activities that professionals engage in to maintain and enhance their skills, knowledge, and competencies in their respective fields. CPE is essential for ensuring that professionals stay up-to-date with the latest developments, trends, and regulatory changes in their industry. It is particularly important in fields that experience rapid advancements or frequent regulatory updates, such as the financial services sector.

## **Importance of CPE in Financial Services**

In the financial services sector, CPE is critical for several reasons:

1. **Investor Protection:** CPE ensures that financial services professionals are knowledgeable about the latest regulatory requirements and ethical standards, which helps protect investors from unethical practices and mis-selling.
2. **Market Integrity:** By continuously updating their skills and knowledge, financial services professionals contribute to the overall integrity and stability of the financial markets. This fosters investor confidence and supports a robust financial ecosystem.

- 3. Adaptation to Change:** The financial services industry is characterized by rapid changes, including new financial products, technologies, and regulatory requirements. CPE helps professionals stay abreast of these changes and adapt their practices accordingly.
- 4. Professional Competence:** Regularly updating their expertise through CPE ensures that professionals remain competent and effective in their roles, which is crucial for maintaining high standards of service in the financial sector.

In comparable jurisdictions, CPE requirements to retain the certification are as under:

S. No.	Jurisdiction	Authorized Institute	Mandatory CPE hours
1	Malaysia 	Securities Industry Development Corporation (SIDC)	20 CPE hours annually.
2	Hong Kong 	Hong Kong Securities Institute (HKSI)	20 CPE hours annually.
3	India 	National Institute of Securities Markets (NISM)	One-day CPE training or a refresher exam.
4	Singapore 	Institute of Banking and Finance (IBF), Singapore	9 CPE hours annually.

Introducing a comprehensive mandatory certification regime and CPE requirements is crucial for enhancing professional standards and protecting investors in Pakistan's financial services sector. This consultation paper invites stakeholders to provide their insights and feedback on the proposed framework, contributing to a robust and credible financial ecosystem. By aligning with international best practices and addressing existing regulatory gaps, we aim to build a financial services industry characterized by integrity, transparency, and professionalism.

## Way Forward

1. The consultation paper is being issued to seek feedback and comments from the general public.
2. The comments can be emailed to [jamapunji@secp.gov.pk](mailto:jamapunji@secp.gov.pk)
3. As an outcome of public consultation, the Regulations will be drafted and presented to Commission for its consideration.