



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-164

July 09, 2024

NOTICE FOR MEMBERS

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

Dear Members,

This is in reference to the notification Ref. No. PSX/N-642 dated July 09, 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 **July 12, 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 IN RELATION TO VARIOUS MATTERS

Pakistan Stock Exchange Limited (PSX) is pleased to inform that the amendments are being proposed to PSX Regulations in relation to introduction of the following developmental measures:

- (A) Transition to T+1 settlement cycle.
- (B) Introduction of consequential regulatory provisions in relation to offering of shariah-compliant brokerage services.

The details of the matters are given below:

(A) TRANSITION TO T+1 SETTLEMENT CYCLE:

BACKGROUND:

The technological developments have played an instrumental role in shaping the landscape of capital markets. One of the noticeable advancement is the shortening of settlement cycle. Various Asian, American and European stock exchanges have recently shortened or planned to shorten their settlement cycles. Keeping in view the global trend and significant benefits associated with it, NCCPL also notified roadmap on proposed transition from T+2 to T+1 settlement cycle and held consultative sessions with the relevant market participants.

PROPOSED AMENDMENTS TO PSX REGULATIONS:

The existing settlement cycles of various markets/products of PSX are as below:

Sr.#	Market/Product	Existing Settlement Cycle	Transition to T+1 Required
1	Ready Market	T+2	Yes
2	ETF	T+2	Yes
3	DFC	T+2	Yes
4	SIFC	T+1	Not required
5	CSF	T+1	Not required
6	GDS	T+1	Not required

Note: The settlement cycles of DFC, SIFC and CSF are specified in their respective contract specifications, which are notified by PSX on its website and upon opening of such Contract. Therefore, they do not require any changes in the PSX Regulations while the respective contract specifications will be updated accordingly post implementation of T+1 settlement cycle across the board with the approval of SECP.

Keeping in view the above, the proposed amendments to PSX Regulations in relation to implementation of T+1 settlement are attached herewith as **Annexure A**.

(B) INTRODUCTION OF CONSEQUENTIAL REGULATORY PROVISIONS IN RELATION TO OFFERING OF SHARIAH-COMPLIANT BROKERAGE SERVICES:

BACKGROUND:

The SECP vide S.R.O 570(I)/2024 notified amendments in the Securities Brokers (Licensing and Operations) Regulations, 2016 (**SBLOR**) relating to provision of Shariah compliant brokerage services with an aim to facilitate the growth of Shariah-compliant financial services in the regulated sectors.

PROPOSED AMENDMENTS TO PSX REGULATIONS:

Consequently, PSX is proposing certain amendments to PSX Regulations to provide coverage to the Shariah compliant brokerage business, which are attached herewith as **Annexure B**.

INVITATION OF PUBLIC COMMENTS:

In terms of Section 7(3) of the Securities Act, 2015, all concerned are invited to provide written comments on the proposed amendments to PSX Regulations in relation to the above matters. The comments can be submitted by **July 16, 2024** through such modes and in such manner as prescribed in the 'Guidelines for Submission of Comments' which are attached herewith as **Exhibit A**.



AJEET KUMAR

Chief Regulatory Officer

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 President and Chief Executive Officer, PICG
9. The Secretary General, PSBA

“ANNEXURE A”

PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO TRANSITION TO T+1 SETTLEMENT CYCLE

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
Chapter 2: INTERPRETATION AND DEFINITIONS		
<p>2.4. GENERAL DEFINITIONS:</p> <p>Ixxvii. Ready Delivery Contract or Ready Market Contract</p> <p>means a trade in a Security executed between a buyer and a seller in the Ready Delivery Contract Market or Odd Lots Market established under these Regulations and ready for settlement either on T+1 or T+2 Settlement Day as specified by the Exchange and shall not include Derivative Contracts;</p>	<p>2.4. GENERAL DEFINITIONS:</p> <p>Ixxvii. Ready Delivery Contract or Ready Market Contract</p> <p>means a trade in a Security executed between a buyer and a seller in the Ready Delivery Contract Market or Odd Lots Market established under these Regulations and ready for settlement either on T+1 or T+2 Settlement Day cycle as specified by the Exchange and shall not include Derivative Contracts;</p>	
<p>xcii. T+2 or T+1</p> <p>Is an abbreviation that refers to the settlement date of Security trades, where T stands for trade day on which trade takes place. The numbers 1 and 2 denote the number of trading days after the trade day at which the settlement will take place;</p>	<p>xcii. T+2 or T+1</p> <p>Is an abbreviation that refers to the settlement date of Security trades, where T stands for trade day on which trade takes place. The numbers 1 and 2 denotes s the number of trading days after the trade day at which the settlement will take place;</p>	<p>Keeping in view the increase in global trend towards shortening of settlement cycle and significant benefits associated therewith, PSX is proposing amendments in its Regulations in relation to implementation of T+1 settlement cycle.</p>
Chapter 5A: REGULATIONS GOVERNING LISTING AND TRADING OF EQUITY SECURITIES ON GROWTH ENTERPRISE MARKET		
<p>5A.9. TRADING OF SECURITIES ON EXCHANGE, RISK MANAGEMENT AND ALLIED MATTERS:</p> <p>5A.9.4. CLEARING AND SETTLEMENT:</p> <p>Clearing and settlement of the transactions executed at the GEM shall be done under T+2 settlement system through the NCCPL.</p>	<p>5A.9. TRADING OF SECURITIES ON EXCHANGE, RISK MANAGEMENT AND ALLIED MATTERS:</p> <p>5A.9.4. CLEARING AND SETTLEMENT:</p> <p>Clearing and settlement of the transactions executed at the GEM shall be done under T+21 settlement system through the NCCPL.</p>	<p>Same as above.</p>
Chapter 10: READY DELIVERY CONTRACTS MARKET REGULATIONS		
<p>10.5. TRADING AND SETTLEMENT CYCLE:</p>	<p>10.5. TRADING AND SETTLEMENT CYCLE:</p>	

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>10.5.1. FOR BOOK-ENTRY SECURITIES:</p> <p>(a) Ready Delivery Contracts in a Book-entry Securities executed during a trading day shall be settled on T+2 Settlement Cycle through NCCPL unless NCCPL in coordination with the Exchange decides otherwise in accordance with NCCPL Regulations and NCSS Procedures made thereunder.</p> <p>(b) Ready Delivery Contracts in a physical security executed during a trading day shall be settled on T+2 Settlement Cycle through the Clearing House in a manner prescribed by the Exchange.</p> <p>(c) Ready Delivery Contract in a Security will be declared for settlement on T+2 Settlement Cycle on ex-entitlement basis at least two Settlement Days before the Book Closure start date of such Security, if its Books are closed for determining any entitlement for shareholders by the Issuer.</p>	<p>10.5.1. FOR BOOK-ENTRY SECURITIES:</p> <p>(a) Ready Delivery Contracts in a Book-entry Securities executed during a trading day shall be settled on T+2<u>1</u> Ssettlement Cycle through NCCPL unless NCCPL in coordination with the Exchange decides otherwise in accordance with NCCPL Regulations and NCSS Procedures made thereunder.</p> <p>(b) Ready Delivery Contracts in a physical security executed during a trading day shall be settled on T+2<u>1</u> Ssettlement Cycle through the Clearing House in a manner prescribed by the Exchange.</p> <p>(c) Ready Delivery Contract in a Security will be declared for settlement on T+2<u>1</u> Ssettlement Cycle on ex-entitlement basis at least two <u>one</u> Ssettlement Days before the Book Closure start date of such Security, if its Books are closed for determining any entitlement for shareholders by the Issuer.</p>	<p>Same as above.</p>
<p>10.5.2. FOR UNPAID LETTER OF RIGHTS (LoRS):</p> <p>(c) Ready Delivery Contract in the Book-entry form LoRs will be settled through the NCCPL on T+2 Settlement Cycle. However, Physical form LoRs will be settled through the Clearing House of the Exchange on T+2 Settlement Cycle also.</p>	<p>10.5.2. FOR UNPAID LETTER OF RIGHTS (LoRS):</p> <p>(c) Ready Delivery Contract in the Book-entry form LoRs will be settled through the NCCPL on T+2<u>1</u> Ssettlement Cycle. However, Physical form LoRs will be settled through the Clearing House of the Exchange on T+2<u>1</u> Ssettlement Cycle also.</p>	
<p>10.6. DETERMINING EX-PRICE OF SECURITY ON BOOK CLOSURE – 2 SETTLEMENT DAY:</p> <p>If the Books of a Security are closed for determining any entitlement for its shareholders by the Issuer, the Exchange shall determine the ex-price based on the mechanism prescribed by the</p>	<p>10.6. DETERMINING EX-PRICE OF SECURITY ON BOOK CLOSURE –2 SETTLEMENT DAY:</p> <p>If the Books of a Security are closed for determining any entitlement for its shareholders by the Issuer, the Exchange shall determine the ex-price based on the mechanism prescribed by the</p>	<p>Same as above.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>Exchange, as an opening price for the Trading Day falling on two Settlement Day before its Books Closure start date. However, detailed ex-price calculation methodology shall be made available on PSX website.</p>	<p>Exchange, as an opening price for the Trading Day falling on two one Settlement Days before its Books Closure start date. However, detailed ex-price calculation methodology shall be made available on PSX website.</p>	

“ANNEXURE B”

PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO THE INTRODUCTION OF CONSEQUENTIAL REGULATORY PROVISIONS IN RELATION TO OFFERING OF SHARIAH-COMPLIANT BROKERAGE SERVICES

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
Chapter 2: INTERPRETATION AND DEFINITIONS		
<p><u>New Insertion</u></p>	<p><u>lxxxvi. Shariah-Compliant Securities Broker</u></p> <p><u>Shariah-Compliant Securities Broker shall mean a Securities Broker registered as Shariah-compliant company under sub-section (1) of Section 451 of the Companies Act, 2017.</u></p>	<p>To refer to the definition of Shariah Complaint Company with the relevant provisions of the Companies Act, 2017.</p>
Chapter 4: TRADING RIGHTS ENTITLEMENT (TRE) CERTIFICATE		
<p>4.4. APPLICATION TO THE EXCHANGE AND ELIGIBILITY CRITERIA FOR OBTAINING TRE CERTIFICATE:</p> <p>4.4.3. The Chief Executive of the applicant company must be a citizen of Pakistan and should not be on the board of any company whose principal activity is investing or trading in securities market;</p> <p><u>New Insertion</u></p>	<p>4.4. APPLICATION TO THE EXCHANGE AND ELIGIBILITY CRITERIA FOR OBTAINING TRE CERTIFICATE:</p> <p>4.4.3. The Chief Executive of the applicant company must be a citizen of Pakistan and should not be on the board of any company whose principal activity is investing or trading in securities market;</p> <p><u>Provided that in case a Securities Broker establishes a wholly owned subsidiary for offering Shariah-compliant brokerage services, the Chief Executive Officer of the Securities Broker may hold the position of nominee director in the wholly owned subsidiary.</u></p>	<p>Consequential amendments are proposed in order to align with the amendments notified by SECP in Securities Brokers</p>
<p><u>New Insertion</u></p>	<p><u>4.31. REQUIREMENTS RELATING TO SHARIAH-COMPLIANT SECURITIES BROKER:</u></p> <p><u>The Shariah-compliant Securities Broker shall be liable to comply with all applicable laws, regulations, and any other requirements, as may be prescribed by the Commission from time to time.</u></p>	<p>(Licensing and Operations) Regulations, 2016 vide S.R.O 570(I)/2024.</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 FILED 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.