

# 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.

Tel: 021-32401278, E-mail: secretariat@psba.pk, Web: www.psba.pk, Fax: 021-32401279

**Bilal Farooq Zardi**  
Secretary General

Ref: PSBA/S0321-02

March 22, 2021

**MR. SHAUZAB ALI**  
Commissioner – SMD  
Securities and Exchange Commission of Pakistan  
Islamabad.

**MR. FARRUKH KHAN**  
Managing Director  
Pakistan Stock Exchange Ltd  
Karachi.

Subject: **DIFFICULTIES IN COMPLIANCE OF REGULATIONS**

Dear Sir,

Concerning the subject captioned above, we wish to draw your kind attention to the requirements of Regulation 28 (2) of Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) together with rule 7.2.2 of PSX Rule Book (the Rule Book) regarding the manner of trades of Securities Brokers' Proprietary Business. Whereby, the Securities Brokers are directed to prevent trading ahead of outstanding orders of its customers. The relevant regulations are reproduced below:

**(The Regulations)**

**28. Proprietary Trading**

**(2) A securities broker shall formulate procedures and controls for execution of proprietary trades in terms of secrecy and preventing trading ahead of outstanding orders of customers, and shall identify the persons who are authorized to operate the proprietary trading account.**

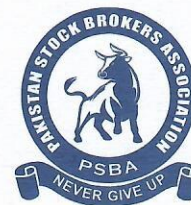
**(The Rule Book)**

**7.2.2. MANNER OF TRADES OF SECURITIES BROKERS' BUSINESS:**

**(a) A Securities Broker, or an Associated Person who has an "At Best" Order from a customer to buy or sell a security shall not, while such order remains unexecuted, engage in Proprietary Trading in such security or in any account in which, such Securities Broker or an Associated Person, directly or indirectly, has an interest.**

**Provided, if a Securities Broker, or an Associated Person who has "At Best" Order to buy or sell a security prior to an order from a customer, the former shall have priority over the "At Best" Order of that customer subject to disclosure of such order by the Securities Broker, or an Associated Person to its customer.**

**(b) A Securities Broker, who has a Limit Order from a customer to buy or sell a security shall not while such order remains unexecuted, engage in Proprietary Trading involving the purchase or sell of that security at the limit price or a better price than the limit price specified by the customer for himself or for any account in which he, such Broker directly or indirectly, has an interest**



You may please appreciate that in the current era of technology how can we debar a Securities Broker or its Associate to buy or sell securities whose customer, directly or indirectly, is interested in buying/selling of the same securities, being on different rooms, places and locations through different trading terminals or thru an online system for trading, provided by PSX and/or Securities Broker thereof.

The above requirements of the Regulations seem to be outdated or might be overlooked while updating the Regulations for trading as we believe that these were introduced when brokers were sole proprietors and used to operate thru a small office.

While trading with thousands of clients and with many doing thru online there will always be a possibility that both, clients and proprietary account, trades in the same security, same day, at the same time, being on different locations.

Even, knowing about the clients' trade, again there is no practicality in the implementation of the said Regulation, for instance, if one client places a buy order of 500 OGDC shares at the lower lock, and the other one places a sell order at upper lock then thereafter the prop and its associates are unable to trade in that scrip for the whole day. Please appreciate that we should not restrict prop and its associates to trade in the same scrip, specially, when there is no material impact?

We understand that to avoid misuse of clients' transactions, this requirement is in place but where the clients are executing their orders from different terminals and locations and/or there is no material impact, it is practically not possible to adhere to the compliance of the above-discussed regulations. All broker employees and their associates don't know what the client is doing. The regulations only deal with Best and Limit Orders whereas there are many other types of Orders as well.

Moreover, the requirement of designated trading terminal and system operator(s) for proprietary trades is also outdated, hence, these trades should also be allowed to be executed through any available electronic/online system, to ensure smooth trading from anywhere in the world.

In light of the above, we request your authorities to kindly revisit the relevant Regulations to make suitable amendments to address the above concerns considering the current business practices.

Looking forward to your immediate response in this regard.

Cc: MR. AJEET KUMAR - Chief Regulatory Officer - PSX.



## PAKISTAN STOCK EXCHANGE LIMITED

Stock Exchange Building, Stock Exchange Road, Karachi - 74000, Pakistan.

UAN: 111-001-122 Fax: 32410825

Website: www.psx.com.pk Email: info@psx.com.pk

Ref. No. PSX GEN-649

April 7, 2021

**Mr. Bilal Farooq Zardi**  
Secretary General,  
Pakistan Stock Brokers Association,  
Mezzanine Floor, Trading Hall,  
Stock Exchange Building,  
Stock Exchange Road,  
Off I. I. Chundrigar Road,  
Karachi.

**Subject: DIFFICULTIES IN COMPLIANCE OF REGULATIONS**

Dear Mr. Bilal,

This is with reference to your letter no. PSBA/S0321-02 dated March 22, 2021 in relation to the subject matter.

We would like to inform you that we have noted the concerns highlighted in the letter. PSX is reviewing the relevant regulations in light of international practices and local market conditions. Any resulting amendments in PSX Regulations will be brought before the market for consultation as required under the Securities Act, 2015.

Yours truly,

**AJEET KUMAR**  
Chief Regulatory Officer

**Cc:**

1. The Commissioner, SMD, SECP
2. The Chief Executive Officer, PSX