



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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Bilal Farooq Zardi
Secretary General

Ref: PSBA/S1120-01

November 3, 2020

MR. SHAUZAIB ALI

Commissioner SMD

Securities and Exchange Commission of Pakistan
Islamabad.

Subject: **ELIGIBILITY CRITERIA FOR SPONSORS**

Dear Sir,

With reference to the subject captioned above, attention of your good office is hereby drawn to the requirement of clause (h) of Regulation 4 of Securities Brokers (Licensing and Operations) Regulations, 2016, and clause (k) of Regulation 4(1) of Futures Brokers (Licensing and Operations) Regulations, 2018, which may reproduce as below:

(h) its sponsors have submitted verifiable documents including wealth statements submitted with the tax authorities to demonstrate that its net-worth is not less than twice the amount to be subscribed by him personally;

(k) its sponsors have submitted verifiable documents including wealth statements submitted with the tax authorities to demonstrate that its net-worth is not less than twice the amount to be subscribed by him personally;

It, prima-facie, reflects a barrier to entry for the new entrants whereby the sponsors must have the net-worth twice of their portion to be subscribed. Secondly, in the case of the inheritance where the members intend to depute their responsibilities to their family members but unfortunately they cannot do, due to the serious difficulties being faced in the presence of the above condition as all the upcoming individuals doesn't have twice net-worth of the portion they intend to subscribe.

Therefore, we urge your good self that the said regulatory requirement applicable to the sponsors of the Securities and Futures Brokers need a holistic review considering the practical difficulties as discussed above. Further, in line with the ease of doing business we recommend omission/relaxation of the said regulatory clause on an immediate basis so that the members can easily shift their sponsorship to their family members, and the new entrants have the opportunity to start with the brokerage business conveniently.

Looking forward to a positive response.