



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

PSBA/Notice-040

June 29, 2021

NOTICE FOR MEMBERS

COMMENTS ON A CONCEPT PAPER ON ALLOWING SECURITIES BROKER TO ESTABLISH CUSTOMER FACILITATION/HELP CENTERS AND MARKET BROKERAGE BUSINESS/PRODUCTS THROUGH SALES FORCE AND DISTRIBUTION CHANNELS OF THEIR ASSOCIATED/ HOLDING COMPANIES

This refers to the notification PSX/N-807 dated June 29, 2021, whereby, the Exchange has invited the comments on a concept paper on allowing securities broker to establish customer facilitation /help centers and market brokerage business/products through sales force and distribution channels of their associated/holding companies.

In this regard, the members are requested to kindly submit the comments, if any, with the Association Office through email at psamail024@gmail.com latest by **July 07, 2021**, so that a consolidated response is submitted with the authorities for their consideration.

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BILAL FAROOQ ZARDI

Secretary General

Copy to:

1. All Members
2. PSBA Website



PAKISTAN STOCK EXCHANGE LIMITED
Stock Exchange Building, Stock Exchange Road, Karachi-74000
UAN: 111-001-122 Fax: 32437560
URL: www.psx.com.pk Email: info@psx.com.pk

PSX/N-807

NOTICE

June 29, 2021

INVITATION OF COMMENTS

CONCEPT PAPER ON ALLOWING SECURITIES BROKER TO ESTABLISH CUSTOMER FACILITATION/HELP CENTERS AND MARKET BROKERAGE BUSINESS/PRODUCTS THROUGH SALES FORCE AND DISTRIBUTION CHANNELS OF THEIR ASSOCIATED/ HOLDING COMPANIES

We are pleased to inform that as part of its efforts to enhance customer base and capital market outreach, Pakistan Stock Exchange Limited (PSX) is exploring the idea of allowing securities brokers to open customer facilitation/ help centers and utilize the sales force and distribution channels of their associated/holding companies for marketing their business/products across the country.

In this regard, PSX has developed a concept paper which outlines the objectives and expected benefits of the aforementioned initiatives and certain controls measures to be adopted by securities brokers when engaged in these activities.

It is pertinent to mention that PSX has been receiving requests from some of the securities brokers to allow them to perform these activities in pursuit of their goal to bring in new customers, addressing queries and grievances, if any, of existing customers swiftly, open more office/centers with ease and low cost compared to branch offices and strengthen business relationships with existing and prospective customers. PSX took into consideration all the appropriate and valuable suggestions while drafting the concept paper.

INVITATION OF PUBLIC COMMENTS:

The securities brokers are invited to share their feedback and suggestions on the concept paper, attached herewith as **Annexure A**, through any of the following modes latest by **July 09, 2021**:

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.

AJEET KUMAR
Chief Regulatory Officer

Cc:

1. The 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. All Heads of Departments, PSX
7. PSX Website

CONCEPT PAPER

ANNEXURE A

June 29, 2021

ALLOWING SECURITIES
BROKER TO ESTABLISH
CUSTOMER FACILITATION/
HELP CENTERS AND MARKET
BROKERAGE BUSINESS/
PRODUCTS THROUGH SALES
FORCE AND DISTRIBUTION
CHANNELS OF THEIR
ASSOCIATED/ HOLDING
COMPANIES



Contents

EXECUTIVE SUMMARY:	2
PART A [ESTABLISHMENT OF FACILITATION CENTERS]	3
1. PURPOSE OF ALLOWING ESTABLISHMENT OF CUSTOMER FACILITATION/ HELP CENTERS (FACILITATION CENTERS) BY SECURITIES BROKERS:	3
1.1 BENEFITS OF FACILITATION CENTERS:	3
1.2 COMPARISON OF REQUIRMENTS AND ACTIVITIES BETWEEN BRANCH OFFICES AND FACILITATION CENTERS:	3
1.3 CONTROL MEASURES:	4
PART B [ALLOWING SECURITIES BROKER TO MARKET THEIR BUSINESS/PRODUCTS THROUGH SALES FORCE AND DISTRIBUTION CHANNELS OF THEIR ASSOCIATED/ HOLDING COMPANIES]	7
2. MARKETING OF BROKERAGE BUSINESS/ PRODUCTS THROUGH SALES FORCE AND DISTRIBUTION CHANNELS OF ASSOCIATED/ HOLDING COMPANY	7
2.1 LIMITATIONS:	7
2.2 CONTROL MEASURES:	8



EXECUTIVE SUMMARY:

Currently, the Securities Brokers are required to open the branch offices and have it registered under PSX Regulations, which involve time, cost and compliance with eligibility requirements for appointment of branch head/manager and operations of branch.

In order to facilitate Securities Brokers as part of providing ease of doing business, this Concept Paper is prepared to explore the idea of allowing Securities Brokers (i) to open **Customer Facilitation/Help Centers** (“**Facilitation Centers**”) and (ii) market their business and products through sales force and distribution channels of their associated/holding companies.

The Concept Paper is divided into two parts: **Part A** relates to allowing brokers to establish Customer Facilitation and **Part B** relates to allowing brokers to market their business/products through sales force and distribution channels of their associated/holding companies.

This Concept Paper covers various areas as summarized below:

1. The Facilitation Centers will allow the Securities Brokers to market their products, attract new customers and educate & facilitate their existing customers in their local language. This will also help their customers who are in remote areas to physically visit the designated place of the Securities Broker near to their locations.
2. The Facilitation Centers offer multiple benefits in terms of cost saving, easier market outreach, swift redressal of customer grievances etc. Such benefits are discussed in detail in this Concept Paper.
3. The Facilitation Centers shall be allowed to operate with limited specified activities as compared to Branch Offices and details of the same are outlined in this Concept Paper.
4. The Facilitation Centers shall be subject to certain control measures with an aim to protect the rights and interests of investors, the details of which are provided in this Concept Paper.
5. The Securities Brokers shall also be allowed to utilize the sales force and distribution channels of their associated/holding companies.
6. Engaging sales force and using sales offices of associated/holding companies by brokers shall be subject to the same control measures that are envisaged for the Facilitation Centers.
7. There are certain limitations in terms of regulatory and mandatory certification requirements, which are highlighted in this Concept Paper.

PSX is circulating this Concept Paper for soliciting market feedback and suggestions. The appropriate feedback will be incorporated while moving forward into implementation of these proposed initiatives including development of relevant regulatory framework.



PART A [ESTABLISHMENT OF FACILITATION CENTERS]

1. PURPOSE OF ALLOWING ESTABLISHMENT OF CUSTOMER FACILITATION/ HELP CENTERS (FACILITATION CENTERS) BY SECURITIES BROKERS:

PSX has been receiving requests from some of the Securities Brokers for allowing establishment of Facilitation Centers at different locations of the country, in addition to opening of new branch offices. Securities Brokers intend to establish such Facilitation Centers as they are cost effective compared to opening of branch offices and it will help them penetrate into remote areas of the country, resulting in increase in number of customers and expansion of capital market. Establishment of Facilitation Center will also help Securities Brokers in addressing queries and grievances of customers and providing guidance/information to prospective customers.

1.1 BENEFITS OF FACILITATION CENTERS:

Allowing Facilitation Centers shall offer following benefits:

- i. Creating awareness about the securities business amongst residents of remote areas.
- ii. Developing and maintaining business relationship with customers.
- iii. Attracting more investment by increasing customer base particularly from remote areas.
- iv. Creating ease of entry and complying with lower requirements as against opening and maintaining new branch offices.
- v. Guiding and facilitating customers in account opening process and conducting KYC verification checks in the form of allowing biometric at these centers.
- vi. Serving as a quick and easy medium of communication for customers in registering and resolution of their disputes and complaints.

1.2 COMPARISON OF REQUIRMENTS AND ACTIVITIES BETWEEN BRANCH OFFICES AND FACILITATION CENTERS:

S.NO.	REQUIREMENTS/ACTIVITIES	BRANCH OFFICE	FACILITATION CENTER
i.	APPOINTMENT OF BRANCH HEAD	YES	NO
ii.	DISPLAY OF NAME OF SECURITIES BROKER	YES	YES
iii.	MAINTENANCE OF PROPER BOOKS OF ACCOUNTS, RECORDS ETC. OF THEIR CUSTOMERS	YES	NO
iv.	INSTALLATION OF TRADING TERMINALS	YES	NO
v.	FACILITATING TRADING ACTIVITIES	YES	NO
vi.	INVESTMENT RECOMMENDATIONS/ SECURITIES ADVISORY	YES	NO
vii.	PAYMENTS TO/ FROM CUSTOMERS	YES	NO
viii.	DEPLOYMENT OF TRADERS / SYSTEM OPERATORS	YES	NO
ix.	INSTALLATION OF TRADING SOFTWARES	YES	NO



CONCEPT PAPER

S.NO.	REQUIREMENTS/ACTIVITIES	BRANCH OFFICE	FACILITATION CENTER
x.	AVAILABILITY OF 'INVESTORS GUIDE', ISSUED BY THE EXCHANGE.	YES	YES
xi.	DROP BOX FACILITY FOR RECEIPT OF COMPLAINTS	YES	YES
xii.	AVAILABILITY OF PRINTED BROCHURES RELATING TO MARKET SERVICES, PRODUCTS AND INVESTMENT PROCEDURES	YES	YES
xiii.	FACILITATING CUSTOMERS IN ACCOUNT OPENING PROCEDURE	YES	YES
xiv.	DEPLOYMENT OF PROPERLY TRAINED STAFF FOR GUIDANCE AND CUSTOMER SUPPORT FOR FILLING CRF AND SAHULAT FORM	YES	YES
xv.	BIOMETRIC VERIFICATION/ CUSTOMER VERIFICATION	YES	YES

1.3 CONTROL MEASURES:

The following controls shall be put in place at the Facilitation Centers, which would enable Securities Brokers to effectively monitor and control activities being performed at those centers:

- i. Prior to opening Facilitation Center, the Securities Broker shall furnish to the Exchange the following information:
 - (a) Location/Address of Facilitation Center;
 - (b) List of person(s) to be deployed at the center including their names, CNIC numbers, official contact details, qualification and work experience; and
 - (c) An undertaking on letterhead of the Securities Broker specifying that the center will be used solely as 'Facilitation Center' and no trading activity and securities/futures advisory shall be given at that place. Also, confirming that no system/desktop/terminal will be connected with trading system of PSX including online trading facility obtained from PSX or third party; such as IBTS, Fix Gateway etc., and that the Securities Broker shall remain compliant with all requirements prescribed by PSX in relation to Facilitation Centers at all times.
- ii. The Securities Brokers shall also include, the point referred above in (i)(c), as part of the Undertaking provided at the time of renewal of its registration as Securities Broker with SECP.
- iii. Every person deputed by the Securities Broker at the Facilitation Center must be registered as an 'employee' in UIN Database of NCCPL.
- iv. A list of all Facilitation Centers along with the list of employees/ representatives (*) and their official contact details (at-least mobile number and email addresses) must be displayed at the official website of the Securities Broker.
- v. The employees/representatives must have the visiting cards mentioning their name, designation, official contact details, name of Securities Brokers and the address of Facilitation Center.



CONCEPT PAPER

- vi. The Securities Brokers shall display a board at a prominent place outside their Facilitation Centers containing the name of such Securities Broker and the words “CUSTOMER FACILITATION/ HELP CENTER”.
- vii. A Board/ Standee shall be placed at a conspicuous place at the reception/ front desk of Facilitation Center, clearly mentioning in Urdu or regional language the following:
 - (a) trading and investment advisory activities shall not be performed at Facilitation Centre and can only be performed at Head Office/ Main Office/ Branch Office.
 - (b) payments to/ from customers are not allowed at Facilitation Centre and can only be made at Head Office/ Main Office/ Branch Office through “A/c Payee Only” crossed cheque, bank drafts, pay orders or other banking channels only.
 - (c) CRF and Sahulat Forms along with specimen of Risk Disclosure Document, Investor Awareness Guide can be obtained from Facilitation Center.
- viii. CCTV cameras shall be installed by the Securities Broker for live monitoring of activities of the staff dealing with the customers at Facilitation Centers.
- ix. Putting in place arrangement for having recorded telephone lines and ensuring availability of call recordings, for a prescribed time period, stored in a database with relevant file names; containing the identifiers such as date, time and any other relevant information for future retrieval. The Securities Broker shall also ensure that customers’ orders must not be taken and trade related advices should not be provided in any manner through telephone calls or otherwise at Facilitation Centers.
- x. All written communications made by the staff deputed at the Facilitation Center shall be through official e-mail addresses/letterheads of the Securities Broker.
- xi. Internet access shall be managed and monitored by the IT Department of the Securities Broker to ensure that no trading activity is being performed or investment related advices being given at such Facilitation Center. All hardware and software facilities provided at the Facilitation Center shall be configured and controlled in a centralized IT environment by the Securities Broker, which should include:
 - (a) Prohibition of use of USB and other portable devices
 - (b) Placement of Firewalls
- xii. The Securities Brokers shall be responsible for any omission, act or failure of an employee/ representative acting for or on their behalf within the scope of its office or employment.
- xiii. The Exchange shall have the powers to visit the Facilitation Center. The Exchange shall also have power to initiate audit, inspection or investigation in respect of the activities performed at such Facilitation Center. Such inspection, audit, may be conducted either by the Exchange or the auditor appointed by the Exchange at the cost to be borne by the Securities Broker.



- xiv. In case Securities Broker fails to comply with any of the requirements prescribed by PSX in respect of Facilitation Center, PSX shall have power to take disciplinary action(s) against the Securities Broker and its relevant persons.

** The term '**representative**' is defined under Part B: Market Brokerage Business/Products through Sales Force and Distribution Channels of their Associated/ Holding Companies.*



PART B [ALLOWING SECURITIES BROKER TO MARKET THEIR BUSINESS/PRODUCTS THROUGH SALES FORCE AND DISTRIBUTION CHANNELS OF THEIR ASSOCIATED/ HOLDING COMPANIES]

2. MARKETING OF BROKERAGE BUSINESS/ PRODUCTS THROUGH SALES FORCE AND DISTRIBUTION CHANNELS OF ASSOCIATED/ HOLDING COMPANY

In addition to allowing establishment of Facilitation Center under Part A of this Concept Paper, PSX is also envisaging to allow Securities Brokers to market their brokerage business and products through the sales force and sales offices/distribution channels of their associated/ holding companies.

The associated/ holding companies may include Insurance Companies, Banks, Mutual Funds, etc. The permission to utilize such facility shall allow Securities Broker to expand their business outreach, enhance customers and bring new investment without incurring significant cost on appointing new sales force and establishing new sales offices and/or branch offices.

It may be noted that the employees of associated/ holding companies of the Securities Brokers, to be utilized for the purposes mentioned above, shall fall under the definition of “Representatives” of the Securities Brokers given in Securities Act, 2015, which is reproduced hereunder:

“representative” means an individual, by whatever name called, in the employment of or acting for or by arrangement with, a regulated person, who carries out for that regulated person any such activity (other than work ordinarily performed by accountants, clerks or cashiers), whether or not he is remunerated, and whether his remuneration, if any, is by way of salary, wages, commission or otherwise; and includes any officer of a company who performs for the company any such activity whether or not he is remunerated, and whether his remuneration, if any, is by way of salary, wages, commission or otherwise and includes an agent of a regulated person.

2.1 LIMITATIONS:

Although, PSX Regulations or other applicable Rules and Regulations do not restrict Securities Broker from marketing their products/services through sales force or distribution channel of other companies, the following limitations may act as constraint for Securities Brokers which decide to engage the sales force of their associated/holding companies:

- i. Under Non-Banking Finance Companies & Notified Entities Regulations, 2008 of SECP, any employee of the Asset Management Company, shall not engage in brokerage business and the Asset Management Company shall not undertake brokerage service on stock exchange or in the money market.
- ii. As per Insurance Companies Sound and Prudent Management Regulations, 2012, the chief executive, principal officer or director or key officers of an insurer shall not, inter alia, be a member of stock exchange or director or employee of a brokerage house registered at any stock exchange or a spouse of such persons. In case of key officers (CEO, CFO, CS,



COO, Actuary, CIO, HoIA, other HoDs) the insurers must ensure that the cross functional activities of such personnel should not give rise to conflict of interest.

- iii. The relevant officials of Securities Brokers are required to have a Mandatory Certification currently being offered by the 'Institute of Financial Markets of Pakistan' (IFMP).

2.2 CONTROL MEASURES:

All conditions and the control measures applicable on establishment of Facilitation Centers as described in **Part A** above, shall also be applicable on utilization of sales office or the sales force of associated/ holding companies of the Securities Brokers with following exception:

- i. Registration of sales force as 'employee' in UIN Database of NCCPL shall not be required. In lieu of this, the Securities Brokers shall have to display the list of such representatives; clearly mentioning their names, CNIC numbers, mobile numbers etc. at its official website and will keep such information updated as and when any change occurs.

In addition to the control measures referred in **Part A** of Concept Paper, the Securities Broker must ensure to provide relevant trainings to the sales staff of associated/holding companies before on-boarding them. The Securities Broker may depute qualified/ experienced resource(s) from its offices for a specific period of time to provide training to the Sales Staff so that the staff is equipped with relevant knowledge prior to marketing of its business and products.