



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-082

September 26, 2022

NOTICE FOR MEMBERS

PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX) REGULATIONS IN RELATION TO PROVIDING EASE IN REPORTING AND COMPLIANCE OBLIGATIONS OF SECURITIES BROKERS

This refers to the notification Ref. No. PSX/N-941 dated September 23, 2022 (<https://dps.psx.com.pk/download/attachment/192680-1.pdf>), whereby, the PSX has invited the comments on proposed amendments to Pakistan Stock Exchange Limited (PSX) Regulations in relation to providing ease in reporting and compliance obligations of securities brokers.

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 **September 30, 2022**, so that a consolidated response is submitted with the authorities for their consideration.

_____sd

BILAL FAROOQ ZARDI

Secretary General

Copy to:

1. PSBA Website

INVITATION OF PUBLIC COMMENTS

PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX) REGULATIONS IN RELATION TO PROVIDING EASE IN REPORTING AND COMPLIANCE OBLIGATIONS OF SECURITIES BROKERS

This is to inform the public that the PSX, in exercise of power conferred upon it u/s 7 of the Securities Act, 2015, is proposing amendments to its Regulations in relation to providing ease in reporting and compliance obligations of securities brokers by making the following changes:

| SR.# | EXISTING REQUIREMENT | PROPOSED CHANGES |
|------|---|---|
| 1 | <p>Submission of pattern of shareholding of the company:</p> <p>As per PSX Regulation 4.8.2, every TRE Certificate Holder is required to submit pattern of shareholding of the company, Holding Company, if any, and Associated Company if it is declared as its Sponsoring Company in the format specified by the Exchange at the end of each quarter.</p> | <p>There is no stipulated timeline for submission of pattern of shareholding by TRE Certificate Holders. In this regard, PSX is proposing the following changes:</p> <p>(a) Change the reporting frequency from quarterly to half yearly basis; and (b) Require submission of pattern of shareholding within one month of end of each half year.</p> |
| 2 | <p>Requirement of transmission of securities positions as per CDS record to clients by broker, as part of quarterly account statement:</p> <p>As per PSX Regulation 4.21 (c), securities broker is required to provide within 15 working days of end of each quarter an account statement to each of its clients which includes securities positions as per CDS record.</p> | <p>Considering that broker is separately required under CDC Regulations to send securities positions as per CDS record to each of its customers every quarter, the requirement of PSX Regulation 4.21 (c) for brokers to send the similar securities statement to their customers is proposed to be deleted.</p> |
| 3 | <p>Requirement to get the tariff scheduled signed by the securities broker and the client:</p> <p>As per PSX Regulation 4.24.1, securities broker at the time of opening of account is required to provide to its clients a tariff schedule together with CRF or Sahulat Form, which must contain the following information: (a) Commission rate and any other charges;</p> | <p>Considering that the PSX has already allowed opening of online account through various means, it is considered appropriate that the requirement to obtain sign of customer on tariff schedule while opening account may be made flexible by replacing it with the requirement to seek consent of the customer.</p> <p>Through amendment in PSX Regulation 4.24.2, the brokers would have choice to either get wet signature, electronic signature, written consent, acknowledgement etc. from the customers as per</p> |

| SR.# | EXISTING REQUIREMENT | PROPOSED CHANGES |
|------|--|---|
| | <p>(b) Applicable regulatory levies i.e. trade fee of the Exchange, CDC, NCCPL and SECP etc.;</p> <p>(c) Applicable statutory levies i.e. taxes and duties of federal and provincial government.</p> <p>Additionally, as per PSX Regulation 4.24.2, such tariff schedule is required to be signed by both the securities broker and its clients.</p> | <p>their own convenience and arrangements made with customers.</p> |
| 4 | <p>Submission of annual and half-yearly financial statements:</p> <p>PSX Regulations 4.26 (a) & (b) require securities brokers to submit hard copies of their annual financial statements and half-yearly financial statements to PSX.</p> | <p>Considering that the THIMS enable electronic filing of annual and half-yearly financial statements, the submission of hard copy is a duplication and therefore is proposed to be removed from PSX Regulations.</p> |
| 5 | <p>Confirmation that the Office(s) or Branch Office(s) of the securities broker is/ are in compliance with the applicable regulations:</p> <p>As per PSX Regulation 22.6.8 (e), the Compliance Officer of the securities broker is required to confirm to PSX on a bi-annual basis that the Office(s) or Branch Office(s) of the securities broker is/are in compliance with the applicable regulations of SECP and PSX.</p> <p>Furthermore, this clause also required the Compliance Officer to report any non-compliance(s) with the applicable regulations of SECP and PSX to the securities broker, PSX and SECP.</p> | <p>Taking into account that a securities broker is already required under this regulation to report any regulatory non-compliance(s) to PSX and SECP, it is proposed that the broker may not be required to report the compliant status to PSX on bi-annual basis. Therefore, the regular six-monthly reporting of compliance status to PSX is proposed to be removed from PSX Regulation 22.6.8 (e).</p> <p>Additionally, the reporting of non-compliance under this clause is proposed to be made only in the following cases of material violation/ non-compliance:</p> <ul style="list-style-type: none"> (i) Misuse or unauthorized use of customers' assets or segregation of customers' funds; (ii) Where it has been found that an unauthorized person was involved in dealing with customers on commission basis for trading through the Broker; (iii) Failure to comply with any clause of the undertaking furnished with the Exchange on the form attached as Annexure-B to Chapter 22 of PSX Regulations; and (iv) Any other violation/ non-compliance as may be deemed material by the Compliance Officer. |

INVITATION OF PUBLIC COMMENTS:

As required under Section 7(3) of the Securities Act, 2015, all interested parties are invited to provide written comments on the proposed amendments to PSX Regulations in relation to the above changes, which are attached herewith as **Annexure A**.

The comments can be submitted through any of the following modes latest by **October 03, 2022** in the manner as suggested in the 'Guidelines for Submission of Comments', which are attached herewith as **Exhibit A**:

| | |
|-------|--|
| 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. The Chief Executive Officer, IFMP
7. The Secretary General, Pakistan Stock Brokers Association



“ANNEXURE A”

PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO PROVIDING EASE IN REPORTING AND COMPLIANCE OBLIGATIONS OF SECURITIES BROKERS

| EXISTING REGULATIONS | PROPOSED AMENDMENTS | RATIONALE |
|--|---|---|
| <p>4.8. TRANSFER OF SHARES, CHANGE OF LEGAL STATUS, OWNERSHIP:</p> <p>4.8.1. The requirements of Demutualization Regulations shall be applicable for any change in control or change in legal status of a TRE Certificate Holder.</p> <p>4.8.2. Every TRE Certificate Holder shall, at the end of each quarter, submit pattern of shareholding of the company, Holding Company, if any, and Associated Company if it is declared as its Sponsoring Company in the format specified by the Exchange.</p> | <p>4.8. TRANSFER OF SHARES, CHANGE OF LEGAL STATUS, OWNERSHIP:</p> <p align="center">No Change</p> <p>4.8.2. Every TRE Certificate Holder shall, at the end of each quarter, submit pattern of shareholding of the company, Holding Company, if any, and Associated Company if it is declared as its Sponsoring Company <u>within one month of end of each half year</u> in the format specified by the Exchange.</p> | <p>There is no stipulated timeline for submission of pattern of shareholding by TRE Certificate Holders. In this regard, PSX is proposing the following amendments in this clause:</p> <p>(a) Change the reporting frequency from quarterly to half yearly basis; and</p> <p>(b) Require submission of pattern of shareholding within one month of end of each half year.</p> |

| EXISTING REGULATIONS | PROPOSED AMENDMENTS | RATIONALE |
|--|--|--|
| <p>4.21. MANDATORY PROVISION OF QUARTERLY ACCOUNT STATEMENT TO CLIENTS:</p> <p>Every Securities Broker shall provide within 15 working days of end of each quarter a quarterly account statement to each of its clients through acceptable mode of communication as provided under CRF and Sahulat Form. The statement must include, inter alia, the following information for the reporting period:</p> <p>(a) cash ledger statement showing opening and closing cash balances; all receipts and payments of money and settlement-wise money obligation debited or credited to the client account;</p> <p>(b) securities positions as per back office record of the Securities Broker showing status of available and pledged securities and reconciliation for any differences between back office record and CDS record; and securities positions as per CDS record.</p> | <p>4.21. MANDATORY PROVISION OF QUARTERLY ACCOUNT STATEMENT TO CLIENTS:</p> <p>Every Securities Broker shall provide within 15 working days of end of each quarter a quarterly account statement to each of its clients through acceptable mode of communication as provided under CRF and Sahulat Form. The statement must include, inter alia, the following information for the reporting period:</p> <p>(a) cash ledger statement showing opening and closing cash balances; all receipts and payments of money and settlement-wise money obligation debited or credited to the client account; and</p> <p>(b) securities positions as per back office record of the Securities Broker showing status of available and pledged securities and reconciliation for any differences between back office record and CDS record. and</p> <p>(c) securities positions as per CDS record.</p> | <p>Considering that broker is separately required under CDC Regulations to send securities positions as per CDS record to each of its customers every quarter, the requirement of PSX Regulation 4.21 (c) for brokers to send the similar securities statement to their customers is</p> |

| EXISTING REGULATIONS | PROPOSED AMENDMENTS | RATIONALE |
|--|---|--|
| | | proposed to be deleted. |
| <p>4.24. MANDATORY TARIFF STRUCTURE:</p> <p>4.24.1. Every Securities Broker shall provide to its clients a tariff schedule annexed to CRF and Sahulat Form which should contain the information as prescribed under Clause 4.18 (e), (f) and (g) above.</p> <p>4.24.2. The tariff schedule as mentioned above shall be signed by the clients and the Securities Broker.</p> | <p>4.24. MANDATORY TARIFF STRUCTURE:</p> <p style="text-align: center;">No Change</p> <p>4.24.2. The tariff schedule as mentioned above shall be signed consented by the clients and the Securities Broker.</p> | <p>Considering that the PSX has already allowed opening of online account through various means, it is considered appropriate that the requirement to obtain sign of customer on tariff schedule while opening account may be made flexible by replacing it with the requirement to seek consent of the customer. Through amendment in PSX Regulation 4.24.2, the brokers would have choice to either get wet signature, electronic signature, written consent, acknowledgement etc. from the customers as per their own convenience and arrangements made with customers.</p> |

| EXISTING REGULATIONS | PROPOSED AMENDMENTS | RATIONALE |
|--|--|---|
| <p>4.26. MANDATORY SUBMISSION OF FINANCIAL INFORMATION, STATEMENTS, RETURNS AND OTHER INFORMATION:</p> <p>Every Securities Broker shall submit:</p> <p>(a) Hardcopies of its annual financial statements along with audit report to the Exchange within four months after the end of each financial year;</p> <p>(b) Hardcopies of its half-yearly financial statements to the Exchange within 60 days after the end of each half year;</p> <p>(c) Monthly financial information to the Commission through online Financial Information System (FINS) within 10 days from the close of each month, or such other frequency as may be specified by the Exchange with approval of Commission; and</p> <p>Any other information or reports in such form and manner and within such time as may be specified and required by the Commission and/or the Exchange from time to time or as and when the need arises.</p> | <p>4.26. MANDATORY SUBMISSION OF FINANCIAL INFORMATION, STATEMENTS, RETURNS AND OTHER INFORMATION:</p> <p>Every Securities Broker shall submit:</p> <p>(a) Hardcopies of its annual financial statements along with audit report to the Exchange within four months after the end of each financial year;</p> <p>(b) Hardcopies of its half-yearly financial statements to the Exchange within 60 days after the end of each half year;</p> <p style="text-align: center;">No Change</p> <p style="text-align: center;">No Change</p> | <p>Considering that the THIMS enable electronic filing of annual and half-yearly financial statements, the submission of hard copy is a duplication and therefore is proposed to be removed from PSX Regulations.</p> |
| Chapter 22: BROKERS' OFFICE/BRANCH OFFICE REGULATIONS | | |
| <p>22.6. OBLIGATIONS OF A SECURITIES BROKER WITH RESPECT TO OFFICE/BRANCH OFFICE:</p> <p>22.6.8. OTHER OBLIGATIONS:</p> <p>The Securities Broker shall ensure the following:</p> <p>(e) In addition to regular monitoring, the Compliance Officer of the Broker shall confirm to the Exchange on a bi-annual basis that the Office(s) or</p> | <p>22.6. OBLIGATIONS OF A SECURITIES BROKER WITH RESPECT TO OFFICE/BRANCH OFFICE:</p> <p>22.6.8. OTHER OBLIGATIONS:</p> <p>The Securities Broker shall ensure the following:</p> <p>(e) In addition to regular monitoring, the Compliance Officer of the Securities Broker shall confirm to the Exchange on a bi-annual basis that</p> | <p>Taking into account that a securities broker is already required</p> |

| EXISTING REGULATIONS | PROPOSED AMENDMENTS | RATIONALE |
|--|--|---|
| <p>Branch Office(s) of the Broker is/are in compliance with the applicable regulations of Commission and Exchange. In case of any non-compliance, the Compliance Officer shall report the same to the Broker, Exchange and Commission; and</p> | <p>the Office(s) or Branch Office(s) of the Broker is/are in compliance with the applicable regulations of Commission and Exchange. In case of any non-compliance, the Compliance Officer shall report the same to the <u>Securities</u> Broker, Exchange and Commission, and <u>the following material violations:</u></p> <p>(i) <u>Misuse or unauthorized use of customers' assets or segregation of customers' funds;</u></p> <p>(ii) <u>Where it has been found that an unauthorized person was involved in dealing with customers on commission basis for trading through the Broker;</u></p> <p>(iii) <u>Failure to comply with any clause of the undertaking furnished with the Exchange on the form attached as Annexure-B to this Chapter; and</u></p> <p>(iv) <u>Any other violation/ non-compliance as may be deemed material by the Compliance Officer.</u></p> | <p>under this regulation to report any regulatory non-compliance(s) to PSX and SECP, it is proposed that the broker may not be required to report the compliant status to PSX on bi-annual basis. Therefore, the regular six-monthly reporting of compliance status to PSX is proposed to be removed from PSX Regulation 22.6.8 (e).</p> <p>Additionally, the reporting of non-compliance under this clause is proposed to be made only in these following cases of material violation/ non-compliance.</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. 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 | |

3. 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.

4. 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.
5. 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).
6. 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.