

Government of Pakistan
Securities and Exchange Commission of Pakistan

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Islamabad, 1st November, 2019

NOTIFICATION

S. R. O. 1305 (I)/2019.- In exercise of the powers conferred by sub-section (1) of section 169 of the Securities Act, 2015 (III of 2015), the Securities and Exchange Commission of Pakistan hereby makes the following amendments to the Clearing Houses (Licensing and Operations) Regulations, 2016, the same having been previously published in the official Gazette vide S.R.O No. 1118(I)/2019 dated September 19, 2019, and also placed on its website as required under sub-section (4) of section 169 of the Securities Act, 2015, namely:-

In the aforesaid Regulations, -

- (1) In sub-regulation (e) of regulation 5, the phrase “, *including any outsourcing arrangement as allowed under these regulations*” shall be inserted after the terms “mechanism for clearing members”.
- (2) In clause (a) of sub-regulation (3) of regulation 11, the phrase “, *unless otherwise outsourced to the extent permitted under these regulations*” shall be inserted after the terms “regulatory functions of the clearing house”.
- (3) In clause (d) of sub-regulation (3) of regulation 11, the phrase “, *unless otherwise outsourced to the extent permitted under these regulations,*” shall be inserted after the terms “regulatory framework, policies and procedures” and before the terms “and take enforcement actions under”.
- (4) In clause (e) of sub-regulation (3) of regulation 11, the phrase “, *unless otherwise outsourced to the extent permitted under these regulations*” shall be inserted after the terms “required to be conducted by a clearing house”.
- (5) After regulation 11, the following new regulation 11A shall be inserted, namely:-

11A. Outsourcing of compliance functions.- (1) A clearing house may enter into an arrangement with a securities exchange, with the prior approval of the Commission, for outsourcing its compliance function with respect to its clearing members which are TRE certificate holders in the following manner:

- a) *the clearing house shall enter into a service level agreement with the securities exchange for outsourcing the compliance function after obtaining approval of its board of directors with respect to shifting of employees and defining the role, responsibilities, duties, obligations of securities exchange, scope*

of services, remuneration of shifting compliance function, indemnification to the clearing house and any other important matter;

b) upon signing the service level agreement and from the effective date provided in the agreement, the securities exchange shall, on the behalf of clearing house, supervise or conduct any investigation, inspection or enquiry, in accordance with the service level agreement and the regulations of the securities exchange and clearing house, required to be conducted by a clearing house in respect of clearing members which are TRE certificate holders;

c) the clearing house shall maintain liaison with the chief regulatory officer of the securities exchange and jointly develop procedures for enabling the securities exchange in performing functions relating to monitoring compliance through inspections and investigation in respect of clearing members which are TRE certificate holders and for regular updating with respect to changes in the regulations.


(2) The clearing house shall be fully liable and accountable for the compliance functions that are being outsourced to the same extent as if the functions were performed in-house."

(6) In sub-regulation 6 of regulation 14, the phrase "*and compliance functions*" shall be deleted.

(7) In regulation 14, after sub-regulation (6), the following new sub-regulation (7) shall be inserted, namely:

"(7) The clearing house may outsource its compliance function subject to compliance with the conditions specified in section regulation 11A."

[No. SMD/SE/2(272)/2016]


(Bilal Rasul)
Secretary to the Commission