

Government of Pakistan
Securities and Exchange Commission of Pakistan

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Islamabad, 6th November, 2019

NOTIFICATION

S.R.O. 1333(I)/2019.- In exercise of the powers conferred by section 169 of the Securities Act, 2015 (III of 2015) and section 114 of the Futures Market Act, 2016 (XIV of 2016), the Securities and Exchange Commission of Pakistan hereby makes the following amendments to the Securities Brokers (Licensing and Operations) Regulations, 2016, the same having been previously published in the official Gazette vide S.R.O. No. 1115(I)/2019 dated September 19, 2019 and S.R.O. No. 1162(I)/2019 dated September 25, 2019, and also placed on its website as required under sub-section (4) of section 169 of the Securities Act, 2015 and sub-section (4) of section 114 of the Futures Market Act, 2016, namely:-

In the aforesaid Regulations, -

- (1) In first proviso of sub-regulation (1) of regulation 6, the term "*June 30, 2019*" shall be substituted by the term "*March 31, 2020*".
- (2) In regulation 6, in place of the sub-regulation (3), the following shall be substituted, namely:-

"(3) A securities broker shall file monthly statements of net capital balance and liquid capital with the securities exchange and clearing house computed in a manner specified in Schedule II and III respectively, immediately after coming into force of these regulations, and shall also submit an audited statement of net capital balance as on close of second quarter of its year of accounts and shall also disclose the net capital balance in its annual audited financial statements in accordance with regulation 34."

- (3) In sub-regulation (1) of regulation 16, the following new clause (r) shall be inserted, namely:

"(r) ensure compliance with guidelines for Internal control system and compliance function for securities brokers as specified by the Commission from time to time."

- (4) In regulation 30, in place of the sub-regulation (5), the following shall be substituted, namely:-

"(5) No securities broker shall make a blank sale either for its own account or for the customers' accounts except in the manner and to such extent as provided for within the regulations of the securities exchange."

- (5) In sub-regulation (2) of regulation 34, the following new clause (h) shall be inserted, namely:

“(h) amount of net capital balance and its computation in the manner specified in Schedule II.”

- (6) Sub-regulation (6) of regulation 35 shall be deleted.
- (7) In clause 4.1 of Annexure A, the phrase *“and that of the certificate of commencement of business,”* shall be deleted.
- (8) In Annexure B, Fit and Proper Criteria, the Explanation under sub-clause (iii) of clause (a) under the head Financial Soundness and Integrity, shall be substituted by the following, namely:-

“Explanation: In case of overdue payment to any financial institution, CIB reports from the State Bank of Pakistan shall be examined and if there is any overdue/past due payment to a financial institution, irrespective of amount, in overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where such person is a chief executive, director (other than nominee director), owner or partner or sponsor etc., such person shall not be considered fit and proper person except:

(a) in case where such overdue amount is under litigation and the same is also appearing as amount under litigation in CIB report; or

(b) No overdue payment is appearing in the overdue column in the subsequent latest CIB report; or

(c) such person provides the documentary evidence of having no directorship in companies, firms, sole proprietorship etc., other than brokerage house, showing overdue status in their CIB reports.

In case of overdue amount in CIB report, no rejection shall be made unless the person has been provided an opportunity of making a representation before the Commission.

- (9) In sub-clause (5) of clause (b) under the head Educational or other Qualification or Experience of Annexure B, Fit and Proper Criteria, the phrase *“at least one of the sponsors has”* shall be inserted after the terms *“sound track record and”*.
- (10) In Annexure B, Fit and Proper Criteria, after sub-clause (viii) of clause (d) under the head Integrity, Honesty and Reputation, the following new provision shall be inserted, namely:-

“In case of any ambiguity in determination of fitness and propriety of a person in terms of this criteria, the decision of the Commission shall be final and binding upon the securities broker.”

[No. SMD/SE/2(267)/2016]



(Bilal Rasul)

Secretary to the Commission