



PROPOSAL FOR LISTING OF COMPANIES LICENSED BY SECP



1. What are Licensed Entities?

Licensed Entities are organizations mainly engaged in public interest activities. To engage in such activities, authorization/permission is required from relevant regulatory authorities.

Public interest activities can relate to fund management, insurance, banking, brokerage, telecommunication, investment, electricity supply, utility connections, media etc.

2. Who Regulates Licensed Entities?

Various regulators are responsible for issuing particular categories of licenses to entities engaged in licensed activities. In Pakistan, licensed entities are being regulated by different regulators. Prominent regulators include:

- i. Securities and Exchange Commission of Pakistan (SECP).
- ii. State Bank of Pakistan (SBP).
- iii. National Electric Power Regulatory Authority (NEPRA).
- iv. Oil and Gas Regulatory Authority (OGRA).
- v. Pakistan Electronic Media Regulatory Authority (PEMRA).
- vi. Pakistan Telecommunication Authority (PTA).

3. Which Public Interest Activities are regulated by the SECP?

Multiple public interest activities are regulated by the SECP. A list of activities regulated by the SECP and the number of licenses granted for each activity is tabulated below:

Sr.	Type of Activity	No. of licenses granted
1.	Insurance	50
2.	Securities Broker	194
3.	Futures Broker (PMEX)	80
4.	Underwriter	33
5.	Consultant to the Issue	34
6.	Banker to the Issue	15
7.	Share Registrar and Ballotter	13
8.	Debt Securities Trustee	11
9.	Credit Rating Company	2
10.	Asset Management Services	22
11.	Non-Banking Micro Finance Company	39
12.	Investment Advisory Services	27
13.	Investment Finance Services	37
14.	Pension Fund Scheme Business	16
15.	REIT Management Services	25
16.	Private Equity and Venture Capital Fund Management Services	13

Sr.	Type of Activity	No. of licenses granted
17.	Leasing	4
18.	Housing Finance Company	4
19.	Discounting	1
20.	Securities Advisor	34
21.	Futures Advisor	20
22.	Corporate Restructuring Company	2
23.	Modaraba Management Company	22

**Data as of May 1, 2024*

4. What level of Governance and Transparency Standards should be adopted by the Licensed Entities engaged in Public Interest Activities?

Licensed entities are engaged in activities with overwhelming public interest considerations. It is, therefore, appropriate that these entities follow high standards of transparency and governance.

Certain licensed entities are already following such higher standards:

- i. Asset Management Companies are required to comply with the Code of Corporate Governance for Listed Companies.
- ii. Insurance Companies are required to comply with the Code of Corporate Governance notified under the Insurance Laws, whereas for listed insurance companies, compliance is required either with the Code of Corporate Governance for Listed Companies or the Code of Corporate Governance notified under the Insurance Laws, whichever is more stringent.

5. How can Governance and Transparency Standards be further improved for Licensed Entities?

Public disclosure of financial results and performance of licensed entities can help improve public accountability. Such disclosures can also enable general public and investors to better analyze the performance of these entities prior to investing in such entities.

Listing of these companies can enable their sponsors and employees as well as the general public to benefit from price discovery, liquidity and investability of these entities.

6. Any Local Precedence for Listing of Licensed Entities?

In Pakistan, a few entities engaged in public interest activities are required to list themselves at Pakistan Stock Exchange (PSX). Examples include:

- i. Commercial Banks;
- ii. REIT Schemes;
- iii. Modarabas.

7. Basic Admission Criteria for listing on Main Board of PSX:

Basic admission criteria for listing on the Main Board of PSX is tabulated below:

Type of Company	Public Limited Company
Category	Large Cap Company
Post-Issue Capital Paid-up	Min PKR 200 million with no upper limit.
Profitability Requirements	Profitable track record of two years. In case of non-compliance: (i) Submission of Business plan. (ii) Lock in period requirements. (iii) Risk disclosure in the Offering Document.
Audited Accounts	(i) Audited accounts for 02 preceding years (exemption for green field projects). (ii) Audited accounts must not be older than 8 months.

8. Proposal for Mandatory Listing of Licensed Companies regulated by SECP:

Listing is an important avenue that helps promote transparency and good governance practices, and can significantly improve the visibility and accountability of the listed entity. Owing to the benefits that listing can bring, SECP is considering to introduce requirements for making it mandatory for all licensed companies regulated by the SECP to list on the PSX.

In the first phase, it is envisaged to initiate mandatory listing of all asset management companies (AMCs) and insurance companies, as per following arrangement:

- i. All existing AMCs and insurance companies which meet the listing criteria of Pakistan Stock Exchange (PSX) would be required to get themselves listed on PSX within one year from the close of their respective current financial year.
- ii. All existing AMCs and Insurance Companies that are currently not eligible for listing may plan and devise strategy for ensuring formal listing on the PSX within three years from the close of their respective current financial year.
- iii. Till formal listing on PSX, such company would be required to share its financial statements with PSX for circulation to the general public.
- iv. Newly incorporated and licensed AMCs and insurance companies would be required to list themselves on PSX within five years from the date of obtaining license from SECP.
- v. To ensure a focused and target oriented approach, all existing unlisted AMCs and insurance companies would be required to ensure submission of quarterly reports to the Commission within fifteen (15) days of the close of each quarter regarding progress made with respect to listing on PSX.

Similar approach as above would be introduced for listing of remaining SECP licensed companies in the next phases of the planned initiative.

9. Public Consultation/Way Forward:

Through this consultation paper, feedback is requested from market participants and stakeholders on the proposal given at para 8 for mandatory listing of licensed companies regulated by SECP. Feedback on proposal can be shared by May 31, 2024 at email public.listing@secp.gov.pk