



SECP

SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN

CONSULTATION PAPER

REVIEW OF RESEARCH ANALYST REGULATIONS



Rationale for circulating Consultation Paper

This consultation paper is published for eliciting feedback/suggestions on potential areas of improvement in the Research Analyst Regulations, 2015 (Research Analyst Regulations). The Securities and Exchange Commission of Pakistan (SECP/Commission) has undertaken a comprehensive review of the Research Analyst Regulations to cater to the needs of this rapidly evolving sector. This is an effort to benchmark the Research Analyst Regulations with international best practices, remove any interpretational ambiguities, and promote objectivity in research reports/public appearances to instil investor confidence.

The consultation paper is prepared to provide an overview of the research analyst sector and lay out potential areas for improvements to seek comments from the stakeholders. The suggested improvements can be categorized into the following areas:

1. Registration Requirement
2. Change in definition of Research Report
3. Definition of Research Services
4. Maintenance of Records
5. Extending the Blackout Period
6. Designate PSX as the front-line regulator of research analysts
7. Code of Communication
8. Research Platform for Research Analysts

Introduction to Research Analyst

Research analysts play a pivotal role in translating market information for investors by providing analysis of stocks through research reports and public appearances. Analysts can be broadly categorized into three categories:

- Analysts working for securities brokers who are typically referred to as “sell-side” analysts. They publish research reports to recommend which securities to buy, sell or hold based on expectation of the future price performance of the security.
- Analysts who are employed by institutional investors (mutual funds, insurance companies, etc.) to provide research. These analysts are known as “buy-side” analysts.
- Analysts who sell their research on subscription or customized basis and consider themselves “independent” analysts.

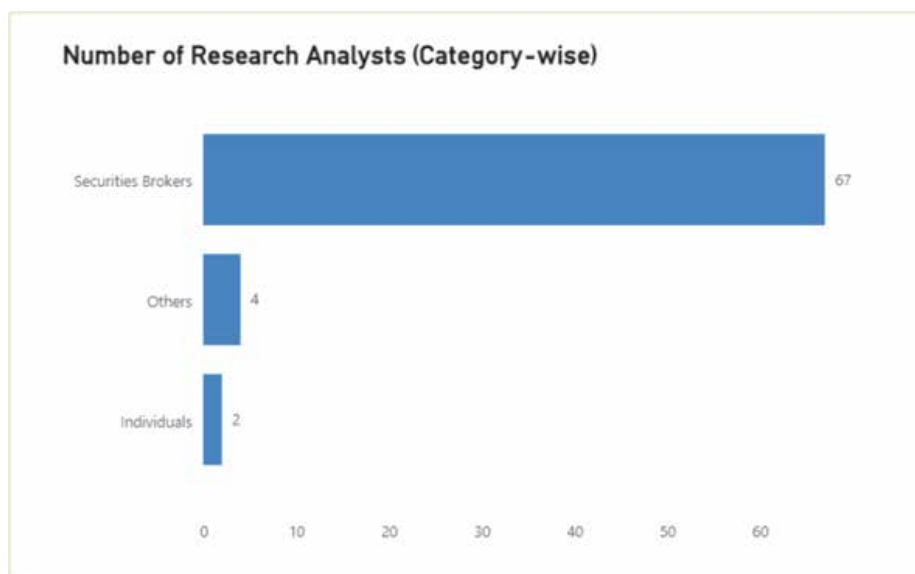
The Research Analyst Regulations, 2015 have been framed to primarily regulate the sell-side analysts, in order to address inherent conflict of interest and ensure transparency. Further, independent research analysts are also regulated under the same regulations.

Regulatory Requirements for Research Analysts

As per Research Analyst Regulations, 2015, there is no requirement for registration/licensing for Research Analysts, Independent Research Analysts, Research Entities and White-Labeling Service Providers. The research analyst / entity must only inform the Commission before commencement of its business for the purposes of record.

Overview of Research Analyst Sector

As per the latest data, 73 research analysts are notified by SECP. Out of these 67 are securities brokers, the detailed breakdown is as follows:



International Research

Various jurisdictions have implemented distinct regulatory regimes for addressing the conflict of interest and improving research integrity of research analysts. This section summarizes these regulatory regimes for India, Thailand, Australia, Malaysia, USA and Singapore. In addition to this, Research Objectivity Standards issued by CFA Institute have also been reviewed for conducting a comprehensive review. The findings have been summarized in the following table:

Country	Regulation by Stock Exchange/ Regulator/Association	Body Corporate/ Individual	Licensing/Reg Requirement	Restrictions & Prohibitions	Disclosures	Regulatory Compliances
Pakistan	Regulator	Body Corporate & Individual	No	_*	_*	_*
India	Stock Exchange & Regulator	Body Corporate & Individual	Yes	Stringent	Stringent	Stringent
Thailand	Industry Associations & Regulator	Body Corporate	Yes	Stringent	Comparable	Stringent
Australia	Industry Associations & Regulator	Body Corporate	Yes	Comparable	Stringent	Stringent
Malaysia	Regulator	Body Corporate	Yes	Lenient	Comparable	Stringent
USA	Regulators	Body Corporate & Individuals related to Body Corporate	Yes	Stringent	Stringent	Stringent
Singapore	Stock Exchange & Regulator	Body Corporate	Yes	Lenient	Stringent	Stringent
CFA	-	-	-	Recommends	Recommends	Recommends

*All the other countries have been evaluated in comparison to Pakistan’s regulatory framework.

Potential Areas for improvement

1. Registration Requirement

Currently, the research analyst/entity must only inform the Commission before commencement of its business for the purposes of record. However, in line with international best practices a certificate of registration should be issued to the applicants based on an application filed with the Commission.

Rationale

The current requirement to intimate the Commission before commencement of business has not yielded the desired results. Issuance of a certificate of registration is essential to establish a regulatory relationship with the regulatees, which seems to be the missing link in our ecosystem. Due to weaknesses in this relationship, non-compliances by research entities have been observed in terms of the disclosures and certification requirements.

Countries with similar regulatory regime: India, Thailand, Australia, Malaysia, USA, Singapore

2. Change in definition of Research Report

The current definition of research report in the Research Analyst Regulations is as follows:

“Research Report” includes a written communication, in any form, which includes:
 (a)....
 (b)...”

This definition may be amended to include any written, electronic or any other modes of communication. The regulations should explicitly lay out that if there is a recommendation of buy/hold/sell or projection of a target price, then it falls under the activities performed by a research analyst. By amending this definition, it can be ensured that there is no overlap between research and activities performed by influencers.

Rationale

With the rise of social media influencers, it is essential to ensure that any communication which falls under the ambit of a research report or investment advice adheres to the checks and balances provided in the Regulations. This will ensure transparency, address any potential conflict of interest and protect investors from research/advice which is without proper due diligence. This will also allow influencers to refrain from indulging in a regulated activity without having proper license to do so.

Countries with similar regulatory regime: USA, India, Singapore, Malaysia, Australia

3. Definition of Research Services

Interactions with research analysts revealed that novel research products like model portfolio are being shared with the clients in exchange for a fee. Hence, a broad research services definition can be added in the regulations to cover the services of similar nature or characteristics.

Rationale

This remains an unregulated area under the current regulations.

Countries with similar regulatory regime: India

4. Maintenance of Records

It is essential that the research analyst must maintain a list of clients, their UINs, nature of services, research fee, terms and conditions signed with client, details of listed securities covered, and similar data/information. The communication between the client and research analyst must also be documented or recorded for ensuring good conduct of research analyst.

Rationale

This will allow the regulator to effectively monitor adherence to the regulations, resolving disputes, and preventing misconduct. Proper documentation also safeguards investor interests by ensuring dissemination of accurate and reliable information.

Countries with similar regulatory regime: India

5. Extending the Blackout Period

Research entities or their personnels should not deal or trade or take counter position for any securities that the research analyst recommends or follows within 15 days before and 5 days after the publication of a research report on the subject company.

Rationale

A blackout period is a fixed period usually specified by the regulator in which the entities/analysts are prohibited from trading in specific securities. The existing Regulations have mandated to put in place written policies and control procedures to impose a blackout period for Research Analysts and their close relatives in the securities of the subject company, within 7 days before and 5 days after the publication of the research report. It is imposed to ensure that the conflict of interest of the research analysts do not interfere with the objectivity of the research report. Additionally, it aims to minimize the chance of a research analyst acting against their existing recommendation.

Countries/Institutions with similar regulatory regime: USA, India, CFA Institute

6. Designate PSX as the front-line regulator of research analysts

A two-tiered regulatory structure is recommended for research analysts holding securities brokers license, where PSX serves as the frontline regulator and SECP acts as the apex regulator. It will help to ensure that effective regulation and thorough supervision is put in place for the research analysts.

Rationale

Currently, the PSX rulebook mandates securities brokers to comply with the requirements as specified in the Research Analyst Regulations, 2015. The Joint Inspection framework assesses the compliance of securities brokers with the Research Analyst Regulations, 2015. In order to ensure an effective supervision and enforcement regime, it is imperative that role of PSX as a frontline regulator may be enhanced.

IOSCO Principle 23 was rated as Not Implemented in 2015 but upgraded to Broadly Implemented in 2018 following the promulgation of Research Analyst Regulations, 2015. IOSCO noted in 2015 that, “....Any rating of Fully Implemented would in addition

require effective implementation and enforcement of the regime to be in place.” Hence, it is important to improve the implementation and enforcement of the Research Analyst Regulations, 2015.

Countries with similar regulatory regime: India, Thailand, Australia, USA, Singapore

7. Code of Communication

It is recommended that a Code of Communication is issued for improving the quality of mandated disclosures for research analysts. The inclusion of relevant data and analysis that forms the basis of the research products can also be mandated through this code. A template for disclosures of terms and conditions and rights of the clients is also proposed to be added to the Code of Communication.

Rationale

This code of communication can ensure investor protection against deceptive communication of the research analysts. It will mandate research analysts to conduct all communication in an unambiguous and concise language, which contains accurate, true and complete information. It can ensure that Research Analysts include basic information (name, registered office address, SECP registration number, brand name, and certification number of the author, etc.) in their communication with general public. Disclaimers such as extent of use of AI in a research report can also be standardized through this code. It can set forth prohibitions in respect of communication. For instance, it can prohibit the use of statements which exaggerate or are inconsistent with the risk and return profile of a particular scrip.

Countries with similar regulatory regime: India, Malaysia, Singapore

8. Research Platform for Research Analysts

SECP in collaboration with PSX is exploring the possibility of creating a Research Platform that will provide a central facility for sourcing and dissemination of research on listed companies, especially smaller cap companies. The proposed Research Platform has the potential to support broader coverage of research reports and will allow the retail investors to access high quality research reports. Widely accessible research reports will in turn lead to better valuations for listed companies, more liquidity and more growth for the exchange. The details of the Research Platform will need to be deliberated, but based on our sectoral review and analysis of similar arrangements in other jurisdictions, the Research Platform should have the following characteristics:

- (i) There can be three streams through which research reports are featured in the research portal:
 - a. **Issuer-sponsored Research:** Issuer-sponsored research reports will be perceived as less objective than independent research, as it is paid for by the issuer and there is a perception of inherent conflicts of interest. Hence, a mechanism needs to be in place to break the link between the listed company and the research analyst, in order to mitigate the perception of conflicts of interest. For this, a code of conduct can be drafted by the operator that applies to both research analysts and listed companies. As

part of the code, both parties should be required to agree contractually to undertake certain tasks or to refrain from doing certain things.

- b. Operator sponsored Research:** The operator may incentivise research houses to write research reports on the under-covered small cap listed companies. The eligibility criteria of listed companies that qualify for this scheme can be carved out by the operator.
 - c. Student-Authored Research:** Research analysts can engage business students from top universities in Pakistan to contribute professional-quality research reports on stocks that may not be actively covered by research analysts. These reports can be featured on a separate section on the Research Platform website.
- (ii) The Research Platform should also be able to initiate research on companies that are in the process of listing. Ideally, the research reports of IPOs should be available on a similar basis to the company's prospectus. This will also aid in addressing the issue of overvalued IPO transactions, whereby share prices significantly drop immediately after listing.
 - (iii) The research produced through the Research Platform should be freely available. This should help ensure maximum visibility to retail investors.
 - (iv) The Research Platform should have a solid framework to mitigate conflict of interest between listed companies and research analysts.
 - (v) Each research analyst should be appointed to provide minimum levels of research coverage over a particular period (e.g., to produce not less than four reports over a minimum period of one year) and which would comply with certain pre-agreed content requirements. It may also be possible to have different levels of coverage, with different price points, as has been seen in other jurisdictions. The impact of the publication of research on the relevant company's share price could also be monitored.

A comprehensive review of other jurisdictions denotes that arrangements have been made by the stock exchanges to launch similar initiatives. Jurisdictions that feature such arrangements include Malaysia, Singapore, Australia, Switzerland, Germany and Spain.

Rationale:

This proposal is expected to address a host of problems associated with the research analyst sector including:

1. Low coverage of smaller cap companies
2. Scarce availability of readily accessible research reports for potential retail investors
3. Creating a healthy pipeline of research analysts
4. Promoting Investor Awareness

A prominent feature of research coverage in Pakistan is the difference in coverage of larger cap companies compared to mid and smaller cap companies. Therefore, it is the need of the hour to establish such a Research Platform.

Countries with similar regulatory regime: Malaysia, Singapore, Australia, Switzerland, Germany and Spain

The draft amendments for the aforementioned improvements are attached as Annexure – A.

Format for sharing comments/feedback

Feedback on these proposed areas for improvement along with any other suggestion on the Research Analyst Regulations may be sent via email to Policy, Regulation and Development Department (Securities Market Division) at research.analyst@secp.gov.pk as per the below format:

Name			
Name of the related Entity			
Sr. No.	Regulation/ Section No.	Views/Proposed Changes	Rationale
Confidentiality			
<p><i>If you wish to keep all or any part of your submissions and your identity confidential, please indicate the same. In all other cases, your provided comments can be made public, except your contact information.</i></p>			

Indicative Timeline

Stage	Date/Timeline	Details
1	27-01-2025	Publication of Consultation Paper
2	Within 15 days of publication of Consultation Paper and placement of notification on SECP website	Public Comments Period
3	Within 30 days of receipt of comments on the Consultation Paper	Consultation on Suggestions
4	Within 30 days of conclusion of consultations	Notification of draft amendments to the Research Analyst Regulations

Comparative statement of existing and proposed amendments in the Research Analyst Regulations, 2015

S. no	Regulation No.	Existing Regulation	Proposed Regulations	Rationale
1.	2(f)	(f) "Research Analyst" means a person, by whatever name called, who is involved in the preparation, writing and/or publication of a Research Report or the substance of a Research Report concerning securities that are listed or to be listed on a securities exchange licensed in Pakistan and includes White-Labeling service providers;	(f) "Research Analyst" means a person, by whatever name called, who is involved in the preparation, writing and/or publication of a Research Report or the substance of a Research Report or makes public appearances or provides research services concerning securities that are listed or to be listed on a securities exchange licensed in Pakistan and includes White-Labeling service providers;	To bring clarity about the services that are offered by a research analyst.
2.	2(h)	(h) "Research Report" includes a written communication, in any form, which includes:	(h) "Research Report" includes a written, electronic or any other means of communication, in any form, which includes:	To explicitly lay out that if there is a recommendation of buy/hold/sell or projection of a target price, then it falls under the activities performed by a research analyst.
3.	2(ha)	New Clause	(ha) "Research Services" include: (a) providing statement of opinion that is intended to influence the recipients to buy/sell/hold specific listed securities; (b) recommending model portfolio for a	A broad research services definition is added in the regulations to cover the services of similar nature or characteristics.

S. no	Regulation No.	Existing Regulation	Proposed Regulations	Rationale
			<p><u>basket of securities along with relevant weightages for one or more securities therein; and</u></p> <p><u>(c) services of similar nature or characteristics.</u></p>	
4.	2A.	New Clause	<p><u>2A. Prohibition.-- No person/entity shall act as a Research Entity or Independent Research Analyst or White-Labeling Service Provider unless such person is registered as a research analyst by the Commission under these regulations;</u></p> <p><u>Provided that a person/entity notified as a research analyst under these regulations, prior to coming into force of this provision, shall register under these Regulations within a period of one year from the date of coming into force of this provision.</u></p> <p><u>Provided further that individuals employed as Research Analysts by registered Research Entities, Independent Research Analysts or White-Labeling Service Providers shall</u></p>	<p>The issuance of a certificate of registration is essential to establish a regulatory relationship with the regulatees that seems to be the missing link in our ecosystem. Due to weaknesses in this relationship, non-compliances by research entities in terms of the disclosures and certification requirements have been observed. Thus, the registration requirement will extend to the existing notified research entities.</p>

S. no	Regulation No.	Existing Regulation	Proposed Regulations	Rationale
			<p><u>be deemed registered under these regulations.</u></p>	
5.	2B.	New Clause	<p><u>2B. Application and procedure for registration.-</u></p> <p><u>(1) An application for registration as a research analyst shall be made to the Commission as per Annexure-I along with all the documents specified therein and receipt evidencing payment of non-refundable fee of such amount as specified in Schedule I.</u></p> <p><u>(2) The Commission, while considering the application for registration, may require the applicant to furnish such further information or clarification regarding its activities and businesses as it deems appropriate.</u></p> <p><u>(3) Any subsequent change in the information provided to the Commission at the time of filing of application under sub-regulation (1) shall be intimated to the Commission within fourteen working days from the date of such change.</u></p>	<p>In line with international best practices, a certificate of registration should be issued to the applicants based on an application filed with the Commission.</p>

S. no	Regulation No.	Existing Regulation	Proposed Regulations	Rationale
6.	2C.	New Clause	<p><u>2C. Grant of certificate of registration. –</u></p> <p><u>(1) The Commission on being satisfied that the applicant is eligible for registration may grant a certificate of registration to the applicant as per Annexure-II subject to such additional conditions as it may deem fit to impose.</u></p> <p><u>(2) The certificate of registration granted under regulation 2B shall be valid till it is suspended or cancelled by the Commission.</u></p>	Same as above
7.	2D.	New Clause	<p><u>2D. Refusal of registration. –</u></p> <p><u>(1) The Commission may refuse the registration on any grounds as deemed appropriate by the Commission:</u></p> <p><u>Provided that the Commission shall provide an opportunity of hearing before refusal of registration.</u></p>	Same as above
8.	2E.	New Clause	<p><u>2E. Suspension or Cancellation of registration. –</u></p>	Same as above

S. no	Regulation No.	Existing Regulation	Proposed Regulations	Rationale
			<p><u>(1) The Research Entity, Independent Research Analyst or White-Labeling Service Provider may voluntarily request the cancellation of its registration by surrendering its certificate of registration to the Commission.</u></p> <p><u>(2) The Commission may on its own or on receipt of any complaint, after providing an opportunity of hearing may suspend or cancel the registration of a research analyst through an order in writing in case of any reasonable ground as deemed appropriate by the Commission.</u></p> <p><u>(3) The Research Entity, Independent Research Analyst or White-Labeling Service Provider shall be held responsible for the liabilities and obligations arising out of any such act leading to suspension or cancellation of registration.</u></p> <p><u>(4) Where proceedings for suspension</u></p>	

S. no	Regulation No.	Existing Regulation	Proposed Regulations	Rationale
			<u>or cancellation of registration have been initiated, the research analyst shall not be permitted to publish research reports or make public appearance or offer research services.</u>	
9.	4(1)(ii)	<p>4. Establishing Policies and Procedures. -</p> <p>(1) The Independent Research Analyst and Research Entity shall have written internal policies and control procedures governing the following matters:</p> <p>(ii) restricting dealing or trading by itself (in case of an Independent Research Analyst), and Research Analyst and their close relatives, in the securities of the Subject Company, within seven days before and five days after the publication of such Research Report;</p>	<p>4. Establishing Policies and Procedures.-</p> <p>(1) The Independent Research Analyst and Research Entity shall have written internal policies and control procedures governing the following matters:</p> <p>(ii) restricting dealing or trading by itself (in case of an Independent Research Analyst), and Research Analyst and their close relatives, in the securities of the Subject Company, within seven days before and five days after the publication of such Research Report;</p>	<p>A new clause 10(4) is being introduced to include a prohibition on dealing or trading in the securities of the Subject Company. Additionally, the time period for this restriction is being extended.</p>
10.	10(3)	<p>(3) Independent Research Analyst, Research Entity and White-Labeling Service Provider shall inform the Commission before commencement of its business for the purposes of record.</p>	<p>(3) Independent Research Analyst, Research Entity and White-Labeling Service Provider shall inform the Commission before commencement of its business for the purposes of record.</p>	<p>Consequential amendment as Research Analysts are required to be registered with the Commission.</p>

S. no	Regulation No.	Existing Regulation	Proposed Regulations	Rationale
11.	10(4)	New Clause	10. General Responsibilities.- (4) Independent Research Analysts, Research Entities, White-Labeling Service Providers, or Research Analysts and their close relatives shall not deal in or trade in the securities of the Subject Company, within 15 days before and 5 days after the publication of such Research Report.	Research analysts need to be prohibited from trading before the issuance of the research report to adequately prevent front running. The prohibition of trading after the issuance of the research report is put in place to minimize the chances of trading in a manner contrary to the outstanding recommendation.
12.	10(5)	New Clause	10. General Responsibilities.- (5) Independent Research Analysts, Research Entities, White-Labeling Service Providers and Research Analysts shall adhere to the Code of Communication as per Annexure-III.	In order to safeguard the interests of investors in the securities market, a comprehensive Code of Communication has been introduced. The Code is divided into two sections: <ol style="list-style-type: none"> 1. Information/disclosures for Research Report/Public Appearances/Research Services 2. Disclosure of minimum mandatory terms and conditions to clients
13.	10(6)	New Clause	10. General Responsibilities.- (6) Independent Research Analysts, Research Entities, White-Labeling Service Providers and Research	In order to ensure ongoing compliance of registered research analysts.

S. no	Regulation No.	Existing Regulation	Proposed Regulations	Rationale
			<p><u>Analysts shall remain in compliance with these regulations at all times and inform the Commission immediately when it is non-compliant with any of the provisions of these regulations.</u></p>	
14.	11	<p>11. Maintenance of Records.- (1) The Independent Research Analyst and Research Entity shall maintain the following records: (i) Research Reports prepared; (ii) Written research recommendations provided; (iii) Rationale for arriving at research recommendations; (iv) Record of Public Appearances.</p>	<p>11. Maintenance of Records.- (1) The Independent Research Analyst and Research Entity shall maintain the following records <u>for a period of three years:</u> (i) Research Reports prepared; (ii) Written research recommendations provided; (iii) Rationale for arriving at research recommendations; (iv) Record of Public Appearances; <u>(v) List of clients;</u> <u>(vi) UINs of clients;</u> <u>(vii) Nature of services provided to each client;</u> <u>(viii) Research fee;</u> <u>(ix) Terms and conditions signed with client; and</u> <u>(x) Records of communication with the client/prospective client.</u></p>	<p>This will allow the regulator to effectively monitor adherence to the regulations, resolving disputes, and preventing misconduct. Proper documentation also safeguards investor interests by ensuring dissemination of accurate and reliable information.</p>

NEW INSERTIONS

APPLICATION FOR REGISTRATION AS AN RESEARCH ANALYST [INDIVIDUAL]

The Securities & Exchange Commission of Pakistan.

Dear Sir/Madam,

1. I, hereby apply for registration as a Research Analyst
2. I hereby furnish the following information, -
 - a. Name (in block letters)
 - b. Father's/Husband's name (in block letters)
 - c. CNIC/Passport Number (Attach Copy)
 - d. Contact Details:
 - i. Official Address
 - ii. Residential address
 - iii. Land line number
 - iv. Cell number
 - v. Email
 - e. Academic qualification
 - f. Period of employment/experience in a relevant role as per Section 3(1)(b) (Attach proof)
 - g. Brief summary of type of services offered
 - h. Mandatory Certification by IFMP (attach certificate)
 - i. Details of any other licenses issued by SECP
 - j. Detailed resume
 - k. Details of complaint handling mechanism
3. Original paid bank challan evidencing payment of registration fee as specified in Schedule I of the Regulations is enclosed.

Signature _____

Name of the Applicant _____

Office Address _____

Date _____

APPLICATION FOR REGISTRATION AS AN RESEARCH ANALYST [LIMITED LIABILITY PARTNERSHIP/COMPANY]

The Securities & Exchange Commission of Pakistan.
Dear Sir/Madam,

1. We, hereby apply for registration as a Research Analyst
2. We hereby furnish the following information, -
 - a. Name of Firm/Company/Limited liability partnership
 - b. Registration No./CUIN/LLPIN (Attach copy of Registration certificate, in case of Firm)
 - c. Address of main and branch offices (if any)
 - d. Brief summary of type of services offered
 - e. Registered office Address, Place of Business and Contact details:
 - i. Official Address
 - ii. Land line number
 - iii. Cell number
 - iv. Email
 - f. Details of CEO, CFO, Company Secretary and Directors:
 - i. Name
 - ii. Qualification (including certification (if any))
 - iii. Designation
 - iv. CNIC
 - v. Mobile/Landline Number
 - vi. Email
 - vii. Nationality
 - viii. Directorship/Position held in other companies
 - ix. Detailed resume
 - g. Details of Contact Person (Point of Contact for Regulatory Affairs):
 - i. Name
 - ii. Address
 - iii. Email
 - iv. Mobile
 - h. Pattern of shareholding
 - i. Total Number of Employees
 - j. Total Number of Persons associated with publishing research reports, making public appearances or offering research services (along with mandatory certification)
 - k. Details of corporate website
 - l. Details of any existing or potential conflicts of interest
 - m. Details of any other licenses issued by SECP
 - n. Details of complaint handling mechanism

Research Analyst Regulations, 2015

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN LICENSING DEPARTMENT

Registration No.

Islamabad, Dated:

CERTIFICATE OF REGISTRATION AS A RESEARCH ANALYST

The Securities and Exchange Commission of Pakistan, having considered the application for registration as a Research Analyst submitted by Mr./Ms. (Name of the applicant) under sub-regulation (1) of regulation 2A of the Research Analyst Regulations, 2015 (Regulations) and on being satisfied with the said application, hereby grants certificate of registration in the name of _____ (Name of the applicant) in exercise of powers conferred under sub-regulation (1) of regulation 2C of the Regulations.

Approving Authority

Annexure - III**Code of Communication**

Information/disclosures for Research Report/Public Appearances/Research Services

The information/disclosures that the Research Report/Public Appearances/Research Services shall contain, include the following:

- i. Name of the Research Analyst as registered with SECP, registered office address, SECP Research Analyst Registration No., and Logo/brand name/trade name of Research Analyst.
- ii. Information which is accurate, true and complete in unambiguous and concise language.
- iii. Standard warning in legible fonts (minimum 10 font size) which states “Investment in securities market is subject to market risks. Read all the related documents carefully before investing. Registration granted by SECP in no way guarantees performance of the Research Analyst or provides any assurance of returns to investors”. No addition or deletion of words shall be made to/from the standard warning.
- iv. In audio-visual communication with the clients/prospective clients, the standard warning shall be audible in a clear and understandable manner. For example, in standard warning both the visual and the voice over reiteration containing 38 words running for at least 20 seconds may be considered as clear and understandable.
- v. Any service provided by a Research Analyst shall be corroborated by a research report containing the relevant data and analysis forming the basis for the same.

The Research Report/Public Appearances/Research Services shall not contain:

- i. Anything which is prohibited for publication under the Research Analyst Regulations and other applicable regulatory framework.
- ii. Statements which are false, misleading, biased or deceptive, based on assumptions or projections.
- iii. Statements which, directly or by implication or by omission, may mislead the investor.
- iv. Any statement likely to be misunderstood or likely to disguise the significance of the same or any other statement.
- v. Any statement designed to exploit the lack of experience or knowledge of the investors.
- vi. Any statement that is exaggerated or is inconsistent with or unrelated to the nature and risk and return profile of the product.
- vii. Any promise or guarantee of assured or risk free/minimum return to the investors.

Disclosure of minimum mandatory terms and conditions to clients

Research Analysts shall disclose to the client the terms and conditions of the research services offered including rights and obligations. Research Analysts shall ensure that

neither any research service is rendered, nor any fee is charged until consent is received from the client on the following terms and conditions:

1. **Availing the research services:** By accepting delivery of the research service, the client confirms that he/she/it has elected to subscribe the research service of the Research Analyst at his/her/its sole discretion. Research Analyst confirms that research services shall be rendered in accordance with the applicable provisions of the Research Analyst Regulations.
2. **Obligations on RA:** Research Analyst and client shall be bound by Securities Act, 2015 and all the applicable regulations of SECP, including the Research Analyst Regulations.
3. **Client Information and KYC:** The client shall furnish all such details in full as may be required by the Research Analyst in its standard form with supporting details, if required, as may be made mandatory by SECP from time to time. Research Analyst shall collect, store, upload and check KYC records of the clients.
4. **Standard Terms of Service:** The consent of client shall be taken on the following understanding:

“I/We are subscribing to the research services for our own benefits and consumption, and any reliance placed on the research report provided by research analyst shall be as per our own judgement and assessment of the conclusions contained in the research report. I/We understand that –

- i. Any investment made based on the recommendations in the research report/public appearance/research service are subject to market risk.
- ii. Recommendations in the research report/public appearances/research services do not provide any assurance of returns.
- iii. There is no recourse to claim any losses incurred on the investments made based on the recommendations in the research report/public appearance/research service.”

Declaration of the Research Analyst that:

- i. It is duly registered with SECP as a Research Analyst pursuant to the Research Analyst Regulations and its registration details are: (registration number, registration date);
- ii. It has registration and qualifications required to render the services contemplated under the Research Analyst Regulations, and the same are valid;
- iii. The recommendations provided by RA do not provide any assurance of returns;

Additionally, if Research Analyst is an individual, declaration that:

- i. It is not engaged in any additional professional or business activities, on a full time basis or in an executive capacity, which interfere with/influence or have the potential to interfere with/influence the independence of research report and/or recommendations contained therein.

5. Fees: The client shall duly pay to Research Analyst, the agreed fees for the services that Research Analyst renders to the client.
6. Risk factors: A statement covering the standard risks associated with investment in securities to be added under this clause by the Research Analyst.
7. Conflict of interest: The Research Analyst shall disclose and mitigate any actual or potential conflict of interest. (A statement covering the mandatory disclosures to be added under this clause by the Research Analyst).
8. Termination of service and refund of fees: Disclosure that the Research Analyst may suspend or terminate rendering of research services to client on account of suspension or cancellation of registration of Research Analyst by SECP and shall refund the residual amount to the client. In case of suspension of certificate of registration of the Research Analyst for more than 60 (sixty) days or cancellation of the Research Analyst registration, Research Analyst shall refund the fees (if paid in advance), on a pro rata basis for the period from the effective date of cancellation/suspension to end of the subscription period.
9. Grievance redressal and dispute resolution: Any grievance related to non-receipt of research report or missing pages or inability to download the entire report, shall be escalated promptly by the client to the person/employee designated by Research Analyst, in this behalf (Research Analyst to provide name and e-mail ID of the designated person/employee). The Research Analyst shall be responsible to resolve grievances within 7 (seven) business working days. Research Analyst shall redress grievances of the client in a timely and transparent manner.
10. Additional clauses: All additional voluntary clauses added by the Research Analyst should not be in contravention with Research Analyst regulations.
11. Use of AI: A Research Analyst who uses AI tool for servicing its clients must provide complete disclosure of the extent of use of such tools to its prospective clients, to enable them to take informed decision of continuance or otherwise with the Research Analyst.

Schedule I

Fees
[see Regulations 2B(1)]

Description of fee	Amount of fee (in PKR)
Registration Fee (For Companies/Limited Liability Partnerships)	25,000
Registration Fee (For Individuals)	10,000



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