

Public feedback received on draft Amendments in the Securities Brokers (Licensing and Operations) Regulations, 2016 notified through S.R.O. 267(I)/2020 dated March 30, 2020

Sr#	Comments received	Remarks/ Rationale
1.	<p>In view of COVID-19, the minimum net worth requirement for Trading & Self-Clearing broker (TSC) should be maintained at the present level of Rs.35 million</p>	<p>Financial resource requirements for TSC brokers have been implemented after several stages of public consultation spanning almost a year. In April 2019 a concept note was shared with the market participants wherein requirement of Rs.250 million was proposed for TSC brokers. Subsequently, a revised concept note was shared with the market participants in November 2019 wherein net worth requirement for TSC broker was reduced to Rs.150 million. Based on consultation, draft amendments in the Regulations were made public for eliciting comments with further reduced requirements of Rs.100 million for TSC brokers. After public consultation, this requirement was further reduced to Rs.75 million. Subsequently, another round of consultation was carried out with the market participants wherein the requirement of Rs.50 million was agreed which will be gradually increased as provided in the Regulations.</p> <p>It may be noted that since TSC brokers would be retaining custody of public money, they should be subject to enhanced licensing requirements which are aimed at providing maximum protection to investors while enabling ease of doing business to the market participants. Enhanced financial resource requirements are therefore essential to protect the interests of investors.</p>
2.	<p>a. It is appropriate to have a time buffer between affording a license to a Professional Clearing Member (PCM) and enforcement of these Regulations, market wide. This will give sufficient time for Trading Only brokers (TO) to prepare for this transition from TSC to TO status;</p> <p>b. The proposed reduction in the networth requirements will increase the number of TSC brokers and reduce the role of PCM/TC brokers.</p> <p>c. Although the proposed removal of requirement to have at-least one independent director on the board of TSC broker may encourage TO brokers to consider switching to TSC category, we believe this requirement should be retained by SECP in regulations after this transitory period (may be after one years' period) which will help protect the interests of</p>	<p>Substantial time has already been granted when the regime would take effect. Once a PCM is available, brokers would have time to transition as already provided in the regulations. However, further flexibility has been added in the regulations in respect of timelines to be followed for conversion into different categories of brokers.</p> <p>Reference may be made to the comments above in respect of financial resource requirements.</p> <p>The amendments relating to governance requirements for TSC brokers have been proposed in line with earlier consultation and agreements with market participants.</p>

	customers as the TSC brokers hold custody of their clients and settle their trades.	
3.	In this era, when people trying best to meet both ends, any proposal of structural reforms should be shelved and may be put again for comments at least after six months of business normalization	The subject regulations have been finalized after extensive consultation process spanning over a year and sufficient transition time has been provided for switching to the new regime.