

Statutory Notifications (S. R. O.)
GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the 13th December, 2023

S.R.O. 18/19(I)/2023.- In exercise of the powers conferred under section 114 of the Futures Market Act, 2016 (XIV of 2016), the Securities and Exchange Commission of Pakistan is pleased to make the following amendments in the Futures Brokers (Licensing and Operations) Regulations 2018, the same having been previously published vide S.R.O. 1350 (I)/2023 dated 19th September 2023, as required under sub-section (4) of said section 114, namely:-

AMENDMENTS

In the aforesaid Regulations, -

(1) in regulation 2, in sub-regulation (1),-

(a) after clause (d), the following new clause shall be inserted: -

“(da) “Agri-Only futures broker” mean a sub-category of futures broker, which can provide brokerage services only to the extent of futures contracts based on local agricultural commodities including Electronic Warehouse Receipt based futures contracts;”;

(b) After clause (e) the following new clause shall be added, namely: -

“(ea) “Electronic Warehouse Receipt” has the same meaning as defined in Collateral Management Companies Regulations, 2019.”;

(2) in regulation 4, in sub-regulation (1), in clause (c), after the word “company”, a comma shall be inserted and thereafter the expression, “except in case of Agri-Only category” shall be inserted;

(3) after regulation 4, amended as aforesaid, the following new regulation shall be inserted, namely:-

“4A. Requirements applicable to Agri-Only category of futures brokers. – All regulations applicable to a futures broker shall be applicable to the sub-category i.e. Agri-Only futures brokers, except where specifically provided otherwise in the regulations.”;

(4) in regulation 7, for sub-regulation (1), the following shall be substituted, namely :-

“(1) An applicant for a licence as a futures broker shall comply with and ensure ongoing compliance with the following minimum net worth requirements for each category:

Category	Minimum Net worth (Rs. in Million)
Futures Broker	10
Agri-Only Futures Broker	5

”;

- (5) in regulation 9, after sub-regulation (2), the following new sub-regulation shall be inserted, namely :-

“(3) The futures exchange shall scrutinize the application for renewal of licence and the documents submitted by the futures broker and submit the same, one month prior to the date of expiry of the license of futures broker, along with a letter of recommendation stating that it has reviewed the contents of the application and the supporting documents and has found the same to be in conformity with the Act and these regulations:

Provided that while submitting the letter of recommendation to the Commission, the futures exchange shall also consider the futures broker’s outstanding customer complaints and its track record with respect to its compliance with the applicable regulatory requirements.”;

- (6) in regulation 16, in sub-regulation (1), -
(a) in clauses (n) and (p), after the semi colon, the expression “and” shall be deleted;
(b) in clause (r) for the full stop a semi colon shall be substituted and thereafter the following new clause shall be inserted, namely :-

“(s) where it offers internet-based trading facilities, implement adequate measures to ensure that:

- (i) procedures and controls are in place to monitor and test the systems on a regular basis;
- (ii) adequate cyber-security mechanism is in place;
- (iii) operational and technical control systems are in place to manage the risks;
- (iv) all electronic communication is digitally signed, encrypted and secured with a backup stored in soft and secured form; and
- (v) it complies with Information Technology infrastructure standards, certifications or any other requirement or conditions, as may be specified by the Commission and/or the futures exchange.”;

- (7) in Form A, in first para, after the words “to form a Futures Broker Company”, the expression “[Futures Broker/Agri Only Category]” shall be inserted;

- (8) In Schedule 1,

- (i) after row (a), the following new row shall be inserted, namely: -

a1) Application for seeking license to act as Agri-Only futures broker	Rs. 50,000/-
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- (ii) after row (b), the following new row shall be inserted, namely:-

b1) Application for renewal of license of Agri-Only futures broker	Rs. 25,000/-
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- (9) in Form A-I, in paragraph (1), after the words “futures broker” the expression “[Futures Broker/Agri-Only Category]” shall be inserted;

- (10) in Annexure B, in clause (b), in paragraph (3), -

- (a) in sub-clause (a), for the words “post graduate degree”, the expression “16 years of education” shall be substituted and thereafter the proviso shall be substituted with the following new proviso:

“Provided that where the applicant is an Agri-Only futures broker, the minimum qualification requirement shall be 14 years of education; and”

(b) for sub-clause (b), the following shall be substituted, namely :-

“(b) have a minimum experience of five years in a senior management position, in financial services sector/capital market/commodity business, provided that in case of Agri-Only futures broker, the substantiated experience of regular trading /dealing in agricultural commodities markets may also be counted; and”

(11) in Form C, -

- (a) in paragraph No. 1, after the words, “license of futures broker”, the expression “[Futures Broker/Agri-Only Category]” shall be inserted; and
- (b) in paragraph No 4, after the words, “futures broker”, the expression “[/Agri-Only futures broker]” shall be inserted; and

(12) in Annexure C, in the opening paragraph, after the expression, “Corporate Governance Code”, a comma shall be inserted and thereafter the expression “except in the case, where the applicant for Agri-Only category is a single member company, in which case it shall only comply with the minimum requirements as practicable for a single member company” shall be inserted.

[No. SMD/SE/2(287)/2018]



(Bilal Rasul)
Secretary to the Commission