

Government of Pakistan
Securities and Exchange Commission of Pakistan

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Islamabad, the 8th April, 2024

NOTIFICATION

S.R.O. **570** (I)/2024.- In exercise of the powers conferred by sub-section (4) of section 169 of the Securities Act, 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 SRO 427(I)/2024 dated 22nd March 2024 and were 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,

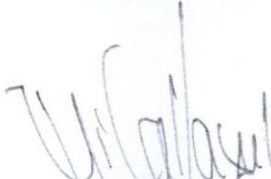
- (1) In regulation 4, in clause (d), for the semi-colon at the end, a colon shall be substituted and thereafter the following proviso shall be inserted, namely: -

“Provided that the Commission may allow the establishment of a wholly owned subsidiary to provide Shariah-compliant brokerage services subject to the following terms and conditions, -

- (i) It shall obtain a certificate of Shariah-compliant company in terms of sub-section (1) of Section 451 of the Companies Act, 2017 read with the Shariah Governance Regulations, 2023, and adhere to the Guidelines for Offering Islamic Financial Services issued by the Commission;
- (ii) Proprietary trading shall only be allowed to any one of the parent or the subsidiary company;
- (iii) The subsidiary company shall appoint a dedicated compliance officer;
- (iv) The parent and subsidiary shall implement appropriate controls to prevent any sharing of information between the parent and subsidiary company, which can compromise customer interest or result in unfair trade practices;
- (v) There shall be full disclosure of the relationship between the parent company and its subsidiary to the clients;
- (vi) There shall be a policy in place to identify and address any conflict of interest arising due to parent and subsidiary relationship;
- (vii) A person cannot be an employee of both parent and subsidiary company simultaneously.
- (viii) The subsidiary shall be a Trading-only or Online Only broker;
- (ix) Establishment of a Trading and Self-Clearing category subsidiary for offering Shariah-compliant brokerage services may be allowed only if there is a plan to merge both companies to transit towards Shariah-compliant Broker within a period of not more than three years; and

- (x) Any other conditions as the Commission may deem fit.”.
- (2) In regulation 4, in clause (g), for the semi-colon at the end, a colon shall be substituted and thereafter the following proviso shall be inserted, namely: -
- “Provided that in case a securities broker establishes a wholly owned subsidiary for offering Shariah-compliant brokerage services, the Director/employee of the parent company may hold the position of director in that subsidiary.”
- (3) In regulation 16, after sub-regulation (13) the following new sub-regulations (14) and (15) shall be inserted, namely: -
- “(14) The Securities Broker may offer completely Shariah-compliant brokerage services subject to the condition that it shall obtain a certificate of Shariah-compliant company in terms of sub-section (1) of Section 451 of the Companies Act, 2017 read with the Shariah Governance Regulations, 2023, and adhere to the Guidelines for Offering Islamic Financial Services issued by the Commission.”
- (15) The Securities Broker may establish a window to provide Shariah-compliant services subject to compliance with the Guidelines for Offering Islamic Financial Services issued by the SECP and approval of Shariah-compliant brokerage services model from SECP.”

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


(Bilal Rasul)
Secretary to the Commission