

**Government of Pakistan**  
**Securities and Exchange Commission of Pakistan**

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Islamabad, 1<sup>st</sup> November, 2019

**NOTIFICATION**

**S. R. O. 1304 (I)/2019.**- In exercise of the powers conferred by sub-section (1) of section 169 of the Securities Act, 2015 (III of 2015), the Securities and Exchange Commission of Pakistan hereby makes the following amendments to the Central Depositories (Licensing and Operations) Regulations, 2016, the same having been previously published in the official Gazette vide S.R.O No. 1117(I)/2019 dated September 19, 2019, and also placed on its website as required under sub-section (4) of section 169 of the Securities Act, 2015, namely:-

In the aforesaid Regulations, -

- (1) In clause (d) of sub-regulation (1) of regulation 5, the phrase *“including any outsourcing arrangements as allowed under these regulations”* shall be inserted after the terms *“enforcement mechanism for CDS elements”*.
- (2) In clause (a) of sub-regulation (3) of regulation 11, the phrase *“, unless otherwise outsourced to the extent permitted under these regulations”* shall be inserted after the terms *“regulatory functions of the central depository”*.
- (3) In clause (d) of sub-regulation (3) of regulation 11, the phrase *“, unless otherwise outsourced to the extent permitted under these regulations,”* shall be inserted after the terms *“regulatory framework, policies and procedures”* and before the terms *“and take enforcement action(s) under”*.
- (4) In clause (e) of sub-regulation (3) of regulation 11, the phrase *“, unless otherwise outsourced to the extent permitted under these regulations”* shall be inserted after the terms *“required to be conducted by a central depository”*.
- (5) After regulation 11, the following new regulation 11A shall be inserted, namely:-

*“11A. Outsourcing of compliance functions.- (1) A central depository may enter into an arrangement with a securities exchange, with the prior approval of the Commission, for outsourcing its compliance function with respect to its CDS elements which are TRE certificate holders in the following manner:*

*(a) the central depository shall enter into a service level agreement with the securities exchange for outsourcing the compliance function after obtaining approval of its board of directors with respect to shifting of employees and defining the role, responsibilities, duties, obligations of securities exchange, scope of services,*

*remuneration of shifting compliance function, indemnification to the central depository and any other important matter;*

*(b) upon signing the service level agreement and from the effective date provided in the agreement, the securities exchange shall, on the behalf of central depository, supervise or conduct any investigation, inspection or enquiry, in accordance with the service level agreement and the regulations of the securities exchange and central depository, required to be conducted by a central depository in respect of CDS elements which are TRE certificate holders;*

*(c) the central depository shall maintain liaison with the chief regulatory officer of the securities exchange and jointly develop procedures for enabling the securities exchange in performing functions relating to monitoring compliance through inspections, investigation or enquiry in respect of CDS elements which are TRE certificate holders and for regular updating with respect to changes in the regulations.*

*(2) The central depository shall be fully liable and accountable for the compliance functions that are being outsourced to the same extent as if the functions were performed in-house."*

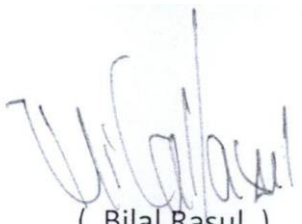
(6) In sub-regulation (6) of regulation 12, the phrase "and compliance functions" shall be deleted.

(7) In regulation 12, after sub-regulation (6), following new sub-regulation (7) shall be inserted, namely:-

*"(7) The central depository may outsource its compliance function subject to compliance with the conditions specified in regulation 11A."*

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[No. SMD/SE/2(275)/2016]

  
( Bilal Rasul )  
Secretary to the Commission