

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

*Islamabad, 25<sup>th</sup> September, 2020*

**NOTIFICATION**

**S. R. O. 915 (I)/2020.**- In exercise of powers conferred by section 512 read with section 457 of the Companies Act, 2017 (XIX of 2017) and the Futures Market Act, 2016 (XIV of 2016), the Securities and Exchange Commission of Pakistan is pleased to make the following amendments to the Collateral Management Companies Regulations, 2019, the same having been previously published in official gazette vide S.R.O No. 347(I)/2020 dated April 28, 2020 and also placed on the website of the Commission namely:-

In the aforesaid Regulations, -

- (1) In regulation 2, sub-regulation (1), clause (d), the definition of "Collateral Management Company" shall be substituted by the following, namely, -

*"(d) "Collateral management Company" or "CMC" means a kind of Agriculture Promotion Company as defined in Section 457(5) of the Act and registered with the Commission under these Regulations;"*

- (2) In regulation 2, sub-regulation (1), clause (g), the definition of "Depositor of Produce" shall be substituted by the following, namely, -

*"(g) Depositor of Produce means a person who delivers Produce to the Warehouse Operator for storage or transfer of ownership and such term shall, as the context may require, include the legal heirs, assignees, and any other successor-in-interest of such a person;"*

- (3) In regulation 2, sub-regulation (1), clause (h), the definition of "Electronic Warehouse Receipt" shall be substituted by the following, namely, -

*"(h) "Electronic Warehouse Receipt" or "EWR" means a system generated warehouse receipt issued by accredited Warehouse Operator and shall also be deemed, where applicable, as a proof of storage of Produce;"*

- (4) In regulation 2, sub-regulation (1), clause (j), the definition of "Eligible Pledgee" shall be omitted;

- (5) In regulation 2, sub-regulation (1), clause (k) and (l) shall be renumbered as clause (j) and (k) respectively;

- (6) In regulation 2, sub-regulation (1), clause (n), the definition of "Physical Warehouse Receipt" shall be substituted by new definition of "Goods Receiving Note" and shall be renumbered as (l), namely, -

*“(l) “Goods Receiving Note” or “GRN” means a non-transferrable and non-assignable note issued by a Warehouse Operator, evidencing the receipt of Produce from a Depositor;”*

- (7) In regulation 2, sub-regulation (1), the following new clause (m), shall be inserted after clause (l), namely, -

*“(m) “Holder” means a person to whom a Warehouse Receipt has been assigned, sold, pledged or otherwise transferred by the Depositor of Produce or any subsequent Holder.”*

- (8) In regulation 2, sub-regulation (1), existing clause (m) shall renumbered as clause (n);

- (9) In regulation 2, sub-regulation (1), clause (p), the definition of “Standard Operating Procedures” shall be substituted by the following the new definition, namely, -

*“(p) “Standard Operating Procedures” means Procedures made by CMC under Regulation 11;”*

- (10) In regulation 2, sub-regulation (1), clause (q), the word “person” at the end, shall be substituted with the word “Depositor of Produce”.

- (11) In regulation 2, sub-regulation (1), clause (r), the definition of “Warehousing Guidelines” shall be substituted by the following the new definition, namely, -

*“(r) “Warehousing Guidelines” means the guidelines issued by the CMC under Regulation 11;”*

- (12) In regulation 6, sub-regulation (1), the following new clause (c), shall be inserted after clause (b), namely, -

*“(c) comply with the Listed Companies (Code of Corporate Governance) Regulations, 2019 at all times”*

- (13) In regulation 6, sub-regulation (1), clause (c), (d), (e), (f), (g), (h), (i), (j), (k) and (l) shall be renumbered as (d), (e), (f), (g), (h), (i), (j), (k), (l) and (m) respectively.

- (14) In regulation 6, sub-regulation (1), existing clause (m) shall be omitted.

- (15) In regulation 6, sub-regulation (1), clause (n), the words “in accordance with the undertakings made by the accredited Warehouses as provided in the Standard Operating Procedures;” shall be inserted in the end.

- (16) In regulation 6, sub-regulation (1), the following new clause (o), shall be inserted after clause (n), namely, -

*“(o) develop, implement, and administer an Electronic Warehouse Receipts System enabling Warehouse Operators to issue Electronic Warehouse Receipts which are assignable and transferable in a manner consistent with applicable laws concerning documents of title and electronic documents;”*

- (17) In regulation 6, sub-regulation (1), the following new clause (p), shall be inserted after clause (o), namely, -

*“(p) specify the qualifications, code of conduct and practical training for Warehouse Operators, inspectors and Warehouse specialized staff and the same may be specified in the Standard Operating Procedures prepared by the CMC;”*

- (18) In regulation 6, sub-regulation (1), the following new clause (q), shall be inserted after clause (p), namely, -

*“(q) promote professional organizations connected with warehousing and related logistical businesses;”*

- (19) In regulation 6, sub-regulation (1), the following new clause (r), shall be inserted after clause (q), namely, -

*“(r) determine the rate of, and levy, of fees and other charges assessed to Warehouses by the CMC for carrying out the provisions of this Act;”*

- (20) In regulation 6, sub-regulation (1), the following new clause (s), shall be inserted after clause (r), namely, -

*“(s) call for information from, undertaking inspection of, conducting inquiries and investigation including audit of Warehouses;”*

- (21) In regulation 6, sub-regulation (1), the following new clause (t), shall be inserted after clause (s), namely, -

*(t) “specify minimum levels of insurance coverage, and the compulsory terms which must be provided for in policies of insurance by a Warehouse Operator;”*

- (22) In regulation 6, sub-regulation (1), the following new clause (u), shall be inserted after clause (t), namely, -

*“(u) maintain records and documents, both in physical and electronic form, in respect of accredited Warehouses;”*

- (23) In regulation 6, sub-regulation (1), the following new clause (v), shall be inserted after clause (u), namely, -

*“(v) provide stock audit, evaluation, and verification services;”*

- (24) In regulation 6, sub-regulation (1), the following new clause (w), shall be inserted after clause (v), namely, -

*“(w) provide warehousing, i.e. provision of quality storage and preservation services for a range of agricultural commodities,  
Provided that a CMC shall not own a warehouse without prior written approval of the Commission, subject to such terms and conditions as it may deem fit;”*

- (25) In regulation 6, sub-regulation (1), the following new clause (x), shall be inserted after clause (w), namely, -

*“(x) carry out and perform such other functions as are conferred or imposed on it by the Commission, or any applicable law”*

- (26) In regulation 6, the following new sub-regulation (2) shall be inserted after sub-regulation (1), namely, -

*“6(2) A CMC shall be liable for the duties set out above.  
Provided that the CMC shall ensure that it performs its duties as provided in these Regulations, Standard Operating Procedures, Warehousing Guidelines or provided in any agreement by the CMC in pursuance of its business with any party.”*

- (27) The following new Regulation 6A shall be inserted after the Regulation 6, namely, -

**“6A. Collateral Management Company’s Power to Inspect. – (1) The CMC shall inspect, and examine accredited Warehouses and Warehouse Operators for compliance with the applicable laws, these Regulations and the Standard Operating Procedures, pursuant to undertakings given by accredited Warehouses and Operators given as a condition of accreditation.**

*(2) For purposes of implementing sub-regulation (1) above, the CMC may call for information from, undertake inspection of (itself or through a third-party inspector answerable to it), conduct an inquiry, or audit, any and all Warehouses accredited by it, as well as their Warehouse Operators.*

- (28) In regulation 7, sub-regulation (3), clause (a), shall be substituted by the following, namely, -

*“(a) ensure that the relevant Warehouse records are kept at such a place and maintained in such a manner that it is easily accessible, and secure;”*

- (29) In regulation 9, the words **“9. Permitted disclosures. - The CMC can disclose any information or documents—”** shall be substituted by the words **“9. Permitted disclosures. - (1) The CMC may disclose any information or documents—”**.

- (30) In regulation 9, sub-regulation (1), clause (a), the words *“Depositor of Produce or any person holding such EWR”* shall be substituted by the words *“the Depositor of Produce or any Holder or Warehouse Operator”*.
- (31) In regulation 9, sub-regulation (1), clause (b), shall be substituted by the following, namely, -  
  
*“(b) to a Court or other judicial or arbitral forum in the context of legal proceedings; or”*
- (32) In regulation 9, sub-regulation (1), clause (e), shall be substituted by the following, namely, -  
  
*“(e) to auditors, chartered accountants, or legal consultants of the CMC in order to enable them to discharge their duties; or”*
- (33) In regulation 9, sub-regulation (1), the following new clause (g), shall be inserted after clause (f), namely, -  
  
*“(g) to third-parties appointed in accordance with the policy approved under Regulation 8 hereinabove.”*
- (34) In regulation 9, the following new sub-regulation (2), shall be inserted after sub-regulation (1), namely, -  
  
*“(2) Disclosures other than those made in accordance with the foregoing sub-regulation shall be strictly prohibited.”*
- (35) In regulation 10, sub-regulation (1), the words *“the Eligible Pledgees”* shall be substituted by the words *“Holders and any other person to whom a CMC renders service.”*
- (36) In regulation 11, sub-regulation (1), the words *“and such other conditions as may be notified in the Standard Operating Procedures”* shall be inserted at the end.
- (37) In regulation 11, sub-regulation (1), clause (b), shall be substituted by the following, namely,-  
  
*“(b) Warehouse shall be owned or leased, operated and managed by a Warehouse Operator who satisfies the criteria set out in the Standard Operating Procedures and the Warehousing Guidelines and shall manage and operate the Warehouse to the satisfaction of the CMC;”*
- (38) In regulation 11, sub-regulation (1), clause (c), shall be substituted by the following, namely, -

*“(c) The Warehouse Operator must submit registered title documents entitling the proposed Warehouse Operator to ownership and possession of the proposed Warehouse, or the terms and conditions of which, permit the carrying on of the proposed business on the premises. In addition, in the case of a registered indenture of lease or sub-lease, the Warehouse Operator must provide documents evidencing lease such additional waivers, indemnities, and consents from the ultimate owner of the property, as may be stipulated by the CMC pursuant to the Standard Operating Procedures;”*

- (39) In regulation 11, sub-regulation (1), clause (d), the words *“being stored”* shall be substituted by *“proposed to be stored as required by the Standard Operating Procedures and Warehousing Guidelines;”*.
- (40) In regulation 11, sub-regulation (1), clause (e), the words *“as required by the Warehousing Guidelines”* shall be inserted in the end.
- (41) In regulation 11, sub-regulation (1), clause (f), the words *“as required by the Warehousing Guidelines”* shall be inserted in the end.
- (42) In regulation 11, sub-regulation (1), clause (g), the words *“as required by the Warehousing Guidelines”* shall be inserted in the end.
- (43) In regulation 11, sub-regulation (1), clause (h), the words *“as required under the Warehousing Guidelines”* shall be inserted in the end.
- (44) In regulation 11, sub-regulation (1), clause (i), the words *“as required by the Warehousing Guidelines”* shall be inserted in the end.
- (45) In regulation 11, sub-regulation (1), clause (j), shall be substituted by the following, namely, -

*“(j) Warehouse is comprehensively insured in accordance with the minimum terms of coverage for incidents including natural disaster, fire, theft, flood, burglary, fidelity and misappropriation, and special perils covering riots, strikes and terrorism and compulsory terms to be included in any policies or bonds of insurance for coverage of a Warehouse and the stored Produce, as stipulated by the CMC or as may be provided in the Standard Operating Procedures and Warehousing Guidelines;”*

- (46) In regulation 11, sub-regulation (1), clause (k), the words *“pursuant to the Standard Operating Procedures”* shall be inserted in the end.
- (47) In regulation 11, sub-regulation (1), clause (m), shall be substituted by the following, namely,-

*“(m) Warehouse Operator has submitted an affidavit, and such other indemnities, consents, and waivers, as may be stipulated in the Standard Operating Procedures*

*and which inter alia, stipulate that he is responsible to the Depositor of Produce and any Holder for ensuring maintenance of quantity, weight and quality of Produce that is covered by outstanding Warehouse Receipts as required by the Standard Operating Procedures and Warehousing Guidelines;”*

- (48) In regulation 11, sub-regulation (1), clause (n), shall be substituted by the following, namely,-

*“(n) Warehouse is electronically connected with the CMC and can be connected with the Futures Exchange as required by the Standard Operating Procedures and Warehousing Guidelines and accredited warehouse staff have been trained to input data and otherwise manage the EWR issuance and reporting procedures;”*

- (49) Regulation 11, sub-regulation (3), shall be omitted;

- (50) In Regulation 11, sub-regulation (4) shall be renumbered as sub-regulation (3).

- (51) In Regulation 11, sub-regulation (5) shall be renumbered as (4), shall be substituted by the following, namely,-

*“(4) The CMC shall prepare Standard Operating Procedures and Warehousing Guidelines (which shall include as annexures, templates for the warehouse accreditation agreement, EWR system user agreement, text of EWR and GRN, warehouse storage agreement, and the agreement between the CMC and futures exchange) in accordance with the applicable laws and as much as possible meet the best practices for the accreditation, management and inspection of warehouses and have the same approved by the Commission.*

*Provided that for the purpose of issuance of Standard Operating Procedures and Warehousing Guidelines, the approval of the Commission would only be to the extent of ascertaining consistency across the industry.”*

- (52) In regulation 11, sub-regulation (6) shall be renumbered as (5), and the words *“Provided that the CMC shall appoint third party examiners for inspection of its own Warehouse(s).”* shall be substituted by the words *“Provided that the Warehouses legally or beneficially owned by a CMC shall be inspected by third party examiners appointed by the CMC that has accredited such Warehouse(s) and such arrangement will be notified to and approved in writing by the Commission.”*

- (53) Under regulation 11, sub-regulation (7) and (8) shall be renumbered as sub-regulation (6) and (7) respectively;

- (54) In Regulation 12, sub-regulation (1), shall be substituted by the following, namely,

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**“12. Cancellation of Certificate of Accreditation.-** (1) If the CMC becomes aware of information on the basis of which it is reasonable to conclude that the Warehouse Operator, or the Warehouse itself, have materially breached, or are not in compliance with, the requirements of applicable law, these Regulations, or the Standard Operating Procedures or the Warehousing Guidelines, or the material written undertakings given by the Warehouse Operator to the CMC, the CMC may suspend or cancel the Warehouse’s accreditation through a detailed written order, after giving the Warehouse Operator an opportunity of being heard. Provided that, prior to cancellation of the accreditation, the CMC shall endeavor to ensure, so far as it is able to do so:-

- (a) that it has obtained protective orders from a court of law for purposes of protecting the Produce stored at the Warehouse; and
- (b) after consultation with the Depositor of Produce or Holder of outstanding Warehouse Receipts, that the Produce stored in the relevant warehouse has either been transferred to another accredited Warehouse, or released to the Depositor of Produce or the current Holder of outstanding Warehouse Receipt(s).”

- (55) In regulation 12, sub-regulation (2) shall be substituted with the following, namely: -

*“(2) Upon issuing such an order the CMC shall, within five working days thereof, notify the Commission, the Futures Exchange, and any known Holders of its decision to cancel the concerned Warehouse’s accreditation, along with the grounds thereof, and provide a public notice of the same on its website and in at least two daily newspapers which are widely circulated and also read in the area.”*

- (56) The following new Regulation 12A shall be inserted after the Regulation 12, namely: -

**“12A. Instructions to Warehouses by the CMC.-** (1) In the course of proceedings initiated under Regulation 12 hereinabove, or if the CMC becomes aware of information on the basis of which it would be prudent to take steps to protect the interests of Depositors of produce, Holders or other interested third-parties, pursuant to the written undertakings given by the Warehouse Operator at the time of accreditation or subsequently, it may issue instructions to a Warehouse or Warehouse Operator accredited by it for, inter alia, any of the following matters:-

(a) the release of any and all Produce to a Depositor or current Holder, or any other person having a legal interest therein, or instructions to prevent or withhold the release of any Produce, the title to which is under dispute;

(b) the imposition of restrictions on any operational activities of the Warehouse, including its right to issue EWRs, its access to the electronic warehouse receipts system, its right to accept goods for warehousing, etc.;



*(c) the release and transfer of any or all Produce deposited at the Warehouse, to any other location, as may be directed by the CMC;*

*(d) the suspension, cancellation, or imposition of terms, in respect of any one or all of the EWRs issued by the Warehouse;*

*(e) the replacement or replenishment, as the case may be, of any or all defective or deficient Produce stored at the Warehouse;*

*(f) carry out reasonable capital expenditures as may be necessary for maintenance, refurbishment, renovation, or redesign of the Warehouse, as per the CMC's instructions;*

*(g) arranging for additional insurance coverage to be purchased on terms, for a limit, and for the benefit of such persons, as may be stipulated by the CMC; and*

*(h) the carrying out of an audit, at the Warehouse's own expense, through a reputable chartered accountant's firm selected by the CMC.*

*(2). Any instructions issued by the CMC pursuant to sub-regulation (1) above, shall be duly notified to the Commission no later than five working days thereafter.*

*(3). In order to procure the compliance of the Warehouse Operator with instructions issued under the foregoing provisions, the Standard Operating Procedures, the Warehousing Guidelines, undertakings made by the Operator pursuant thereto, other applicable law, or in case it is necessary to take urgent action to protect the interests of Depositors of Produce, Holders, or other interested third-parties, the CMC shall apply to a Court of Law for equitable relief in the form of an injunction or specific performance. Such action shall be without prejudice to any other legal action which may be appropriate to take."*

(57) In regulation 13, sub-regulation (1) shall be substituted with the following, namely:--

*"(1) The standard form Warehouse Storage Agreement between the accredited Warehouse Operators and the Depositor of Produce in the form annexed to the Standard Operating Procedures shall provide that upon the deposit of Produce in a Warehouse by a Depositor, the Warehouse Operator shall issue the EWR, which shall contain full particulars of the Produce, as specified under Regulation 14 along with the name of the Warehouse Operator, and it shall be issued as per the format and containing the terms and conditions specified in the Standard Operating Procedures.*

*For the avoidance of doubt it is hereby clarified that a Warehouse Operator may not issue a receipt to itself as a Depositor of Produce."*

- (58) In regulation 13, sub-regulation (2) shall be substituted with the following, namely:--

*“(2) Holder of EWR will nominate a person, who in the event of his death, shall be authorized to take all necessary action to protect the interests of the legal heirs as a trustee and to facilitate transfer or proceeds of sale of EWR in accordance with the applicable succession law.”*

- (59) The following new Regulation 13A shall be inserted after the Regulation 13, namely, -

*“13A. Goods Receiving Note. – The standard form Warehouse Storage Agreement between the accredited Warehouse Operators and the Depositor of Produce in the form annexed to the Standard Operating Procedures shall further provide that:-*

*(1). In case it is not possible to issue the EWR for any reason upon the deposit of Produce in the Warehouse, a Goods Receiving Note shall be issued if requested by the Depositor of Produce. As soon as the EWR is able to be issued, the Goods Receiving Note must be surrendered to the Warehouse Operator and in substitution thereof, the EWR shall be issued. If a Warehouse Operator is unable to substitute a Goods Receiving Note with the EWR within two days because of failure of the Depositor of Produce to tender the Goods Receiving Note for cancellation, the Produce must be returned to the Depositor of Produce and the Goods Receiving Note will be cancelled.*

*(2). A Goods Receiving Note, shall contain full particulars of the Produce along with the name of the Warehouse Operator, and the name, CNIC number and address of the Depositor of Produce, and it shall be issued as per the format and containing the terms and conditions specified in the Standard Operating Procedures.*

*(3). A Goods Receiving Note shall contain terms:*

*(a) prohibiting its assignment or transfer in favour of any individual other than the Depositor of Produce who has actually deposited the Produce with the Warehouse; and*

*(b) prohibiting the creation of any charge over the Goods Receiving Note and the Produce which it represents.”*

- (60) In regulation 14, the words “**14. Standardization and issuance of EWR:-** (1) The CMC shall be the repository of the EWR and shall control and maintain the records of such receipt.” shall be substituted with the following words, namely:-

*“14. Standardization and issuance of EWR:- The standard form Warehouse Storage Agreement between the accredited Warehouse Operators and the Depositor of Produce and the terms, conditions and specifications of the EWR System in the form annexed to the Standard Operating Procedures and the*

*undertaking by the Warehouse Operator given upon accreditation shall stipulate as follows:*

*(1). Following issuance of the Warehouse Receipt by the Warehouse Operator and entry into the EWR System, the CMC shall be the repository and custodian of the EWR and shall control and maintain the records of such receipt in its EWR System as provided in the Standard Operating Procedures."*

- (61) In regulation 14, sub-regulation (2) shall be substituted with the following, namely:-

*"(2). The particulars to be contained in the EWR shall include the following at a minimum, -"*

- (62) In regulation 14, sub-regulation (2) clause (d), after the word "name" the words "CNIC number, registration number (in case of company)" shall be inserted.

- (63) In regulation 14, sub-regulation (2), clause (g), the words "or reference to the applicable storage agreement;" shall be inserted in the end.

- (64) In regulation 14, sub-regulation (2) clause (i) and (j), shall be omitted;

- (65) In regulation 14, sub-regulation (2), clause (k) shall be renumbered as clause (i), and shall be substituted by the following, namely,-

*"(i) that the EWR shall be valid till the expiration date as determined by the warehouse operator;"*

- (66) In regulation 14, sub-regulation (2), clause (l) shall be renumbered as clause (j), and the words "EWR holder" shall be substituted by the words "Depositor of Produce or Holder" and the words "the criteria predetermined by the CMC;" shall be substituted by the words "the policy terms required under the Standard Operating Procedures and Warehousing Guidelines;"

- (67) In regulation 14, sub-regulation (2), clause (m) shall be renumbered as clause (k), and the words "the holder thereof, or that the Produce shall be delivered to the order of a named person; and" shall be substituted by the words "the Depositor of Produce or Holder of the Warehouse Receipt, or to the order of such person; and"

- (68) In regulation 14, sub-regulation (2), clause (n) shall be renumbered as clause (l), and the words "required by the CMC." shall be substituted by the words "required under the Standard Operating Procedures applicable to the particular Warehouse and Produce."

- (69) In Regulation 15, the words "**15. Transferability of EWR.** - The EWR issued by a Warehouse Operator may be traded on Futures Exchange to another person and

*such other person holding EWR, as the case may be, shall be entitled to receive the Produce specified in it. For the purpose of settlement of EWR, the Futures Exchange shall establish connectivity with the electronic warehouse receipt system of CMC and shall fulfill all the parameters, conditions, instructions as specified by the CMC in the Standard Operating Procedures.” shall be substituted with the following, namely:--*

*“15. **Transferability of EWR.** - The standard form Warehouse Storage Agreement between the accredited Warehouse Operators and the Depositor of Produce and the terms, conditions and specifications of the EWR System in the form annexed to the Standard Operating Procedures and the undertaking by the Warehouse Operator given upon accreditation shall stipulate as follows:”*

(70) In regulation 15 a new sub-regulation (1) shall be inserted, namely:-

*“(1). The EWR issued by a Warehouse Operator and the Produce covered thereby may be issued to or transferred by way of security or pledged as the case may be to a creditor as provided in the Financial Institutions (Secured Transactions) Act and Electronic Transactions Ordinance, 2002, or may be sold to a buyer either directly or through a Futures Exchange under the process specified in the Standard Operating Procedures. The Futures Exchange shall establish connectivity with the electronic warehouse receipt system of CMC and shall fulfill all the parameters, conditions, instructions as specified in the Standard Operating Procedures”.*

*“Provided that, the Standard Operating Procedures may provide for any other mechanism for creating a security or pledge as may be acceptable to the Depositor of Produce/Holder and Financial Institution.”*

(71) In regulation 15 a new sub-regulation (2) shall be inserted, namely: -

*“(2). The EWR shall expressly stipulate that all the rights due to the Depositor of Produce, and particularly rights pertaining to delivery of the Produce with which it deals, are equally for the benefit of a legally entitled Holder, including without limitation a creditor holding the EWR by way of security.”*

(72) The Regulation 16, shall be substituted with the following, namely: -

*“16. **Delivery of Produce.** - (1) Upon receipt of authorization through the EWR System, a Warehouse Operator shall deliver the goods referred to in a Warehouse Receipt to the Depositor of Produce or subsequent Holder, or other lawful claimant, subject to payment of all outstanding dues to the Warehouse.*

*(2). Upon delivery of Produce to a Depositor of Produce or a legally entitled Holder, the Electronic Warehouse Receipt issued in respect of such Produce shall, to that extent, stand cancelled, and no further performance in respect thereof shall be due from the Warehouse or its Operator.*

*(3). The obligations of the Warehouse Operator in respect of release and delivery of Produce are set forth in the Standard Operating Procedures and undertakings given by the Warehouse Operator to the CMC at the time of accreditation. These shall be strictly monitored by the accrediting CMC and failure to comply by the Warehouse shall be grounds for cancellation of accreditation.”*

- (73) The Regulation 17 shall be omitted.
- (74) The Regulation 18 shall be renumbered as regulation 17 and in the regulation, sub-regulation (1), clause (g), the word *“including its expiry;”* shall be inserted in the end.
- (75) In the renumbered Regulation 17, sub-regulation (2), the words *“the total value of the relevant Produce”* shall be substituted with the words *“the total indicative value of the relevant Produce (based upon declarations of the Warehouse Operators or Holders)”*.
- (76) In the renumbered Regulation 17, sub-regulation (3), after the word *“the Commission”* the words *“the Futures Exchange and the relevant Financial Institution”* shall be inserted.
- (77) The Regulation 19 shall be renumbered as regulation 18 and in the regulation, sub-regulation (1), shall be substituted with the following, namely: -

***“18. Pledging against EWR in respect of Produce. - (1) The CMC, the EWR System, and the accredited Warehouse Operators under their written undertakings to the CMC shall adopt procedures to assist creditors and financial institutions to perfect a security interest in EWRs as Depositors of Produce or Holders of documents of title under Section 11 and Section 14 of the Financial Institutions (Secured Transactions) Act, 2016.”***

- (78) In the renumbered Regulation 18, sub-regulation (3), shall be substituted with the following, namely: -

*“(3). A Depositor of Produce or a Holder may pledge or create a charge over the EWR, by endorsing or causing the EWR to be issued to a creditor in the manner and mode as prescribed in the Standard Operating Procedures, from time to time.”*

- (79) In the renumbered Regulation 18, sub-regulation (4), shall be substituted with the following, namely: -

*“(4). The CMC by virtue of its control over the EWR System shall give effect to the charge in favor of the Holder upon the instructions of Warehouse Operator on behalf of Depositor of Produce or such other person in whose favor EWR has been issued, within such time and in such manner as may be prescribed in the Standard Operating Procedures, from time to time.*

*The Holder shall have a priority claim to the EWR and the Produce covered thereby in accordance with Part V of the Financial Institutions (Secured Transactions) Act, 2016 and other applicable laws.*

*The Standard Operating Procedures shall provide that the Warehouse Operator shall not release the Produce from the warehouse without the written instruction of the Holder of the Warehouse Receipt.”*

- (80) In the renumbered Regulation 18, sub-regulation (5), shall be substituted with the following, namely:--

*“(5). The Standard Operating Procedures shall provide that the Holder, upon satisfaction of its debt, shall release its title to the EWR and the Produce covered thereby in the manner and mode as may be prescribed therein;”*

- (81) In the renumbered Regulation 18, sub-regulation (6), shall be substituted with the following, namely:-

*“(6). Once the Holder has released the EWR it will be cancelled and re-issued to the entity named in the release order issued by the Holder. The change in the record of the EWR system shall be binding on every person concerned.”*

- (82) In the renumbered Regulation 18, sub-regulation (7), shall be omitted.

- (83) In the renumbered Regulation 18, sub-regulation (8), shall be omitted.

- (84) The Regulation 20 shall be renumbered as regulation 19.

- (85) The Regulation 21 shall be renumbered as regulation 20 and shall be substituted with the following, namely: -

*“**20. Restriction or Suspension of Business.**- Where a CMC contravenes or fails to comply with any provision of these regulations or is not in compliance with the conditions of registration or any directive issued or order passed by the Commission, or it is in the public interest to do so, the Commission may, after providing a reasonable opportunity of representation to the CMC, take such actions, **suspend** or impose such restrictions including on its business as provided under the Regulations, Standing Operating Procedures or the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) or the Act or the Futures Market Act, 2016.”*

- (86) The Regulation 22 shall be renumbered as regulation 21 and in the regulation the following new sub-regulations (6) shall be inserted after sub-regulation (5), namely: -

*“(6). In case of suspension or cancellation of registration of a CMC, the EWRs issued by Warehouses accredited by that CMC shall continue to bind the*

*Warehouse, the Depositor of Produce, and any third-parties having a legal interest therein.”*

- (87) In the renumbered regulation 21 the following new sub-regulations (7) shall be inserted after sub-regulation (6), namely: -

*“(7). A warehouse accredited by a CMC, whose registration is cancelled or withdrawn, may continue to operate normally, provided that it is able to obtain a certificate of accreditation from a registered CMC within two months or within such period as may be specified by the Commission on a case to case basis and subject to conditions or limitations that it may deem fit;”*

- (88) The Regulation 23 shall be renumbered as regulation 22 and shall be substituted with the following, namely: -

*“23. Dissemination of information of Withdrawal of Registration. - Upon withdrawal of registration of CMC, the Commission shall publish the said information on its website, and in widely circulated English and Urdu newspapers, along with the rationale for the said decision, and the order shall also be placed by the Futures Exchange on its website.”*

- (89) The Regulation 24, shall be omitted.

- (90) The Regulations 25, 26 and 27 shall be renumbered as Regulation 24, 25 and 26 respectively, pursuant to the omission of regulation 24.

- (91) In Schedule I, clause 9, shall be substituted by the following, namely: -

*“(9) Any violations or circumvention of the Fit and Proper Criteria shall be dealt with under the provisions of the Act.”*

- (92) Annexure A to be placed immediately after Schedule I instead of Schedule II.

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[File No. (4) SMD/PMEX/CMS/2017]

  
( Bilal Rasul )  
Secretary to the Commission