

Government of Pakistan

Securities and Exchange Commission of Pakistan

NOTIFICATION

Islamabad, the 21st April, 2017

S. R. O. No. 274 (I)/2017. - In exercise of powers conferred by sub-section (1) of section 169 of the Securities Act, 2015 and sub-section (1) of section 114 of the Futures Market Act, 2016, read with sections 68, 69, 75, 79, 80, 82, 84 and 151 of the Securities Act, 2015, and sections 51, 52, 58, 63, 64, 66, 68 and 95 of the Futures Market Act, 2016, the Securities and Exchange Commission of Pakistan hereby makes the following regulations, the same being previously published in the official Gazette vide S.R.O. 1039(I)/2016 dated November 9, 2016 and 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:

CHAPTER I

PRELIMINARY

1. Short title and commencement.- (1) These regulations shall be called the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.

(2) They shall come into force at once.

2. Definitions.- (1) In these regulations, unless there is anything repugnant in the subject or context, –

(a) “advertisement” means dissemination or conveyance of information, or an invitation or solicitation, in respect of the services that the securities adviser/futures adviser is licensed to carry on, by any means or in any form, including by means of,—

- i. publication in a newspaper, magazine, journal or other periodical;
- ii. display of posters, notices, billboards, hoardings etc.;
- iii. circulars, handbills, brochures, pamphlets, books or other documents;
- iv. letters addressed to individuals or bodies;
- v. photographs or cinematograph films;
- vi. sound broadcasting, television, the Internet or other media; or
- vii. tele-marketing and SMS marketing.

(b) “Asset Management Company” or “AMC” means an NBFC licensed by the Commission to provide asset management services;

- (c) “Futures Act” means the Futures Market Act, 2016;
- (d) “Ordinance” means the Companies Ordinance, 1984 (XLVII of 1984);
- (e) “NBFC” means a non-banking finance company which includes company licensed by the Commission to carry out any one or more forms of business as specified in clause (a) of section 282A of the Ordinance;
- (f) “Securities Act” means the Securities Act, 2015 (III of 2015);
- ¹[(g) “Companies Act” means the Companies Act, 2017 (XIX of 2017);
- (h) “Securities Broker” for the purposes of these regulations means a broker licensed to undertake securities broker activity under the Securities Act, 2015 and permitted to undertake futures broker activity for futures contract based on securities and financial instruments in terms of section 46 read with section 47 of the Futures Act;
- (i) “Futures Contract” shall have the same meaning as defined in Futures Act;
- (j) “Futures Adviser” means a person, who-
 - (a) gives investment advice on whether, which, the time at which or the terms or conditions of which, futures contracts are to be entered into; or
 - (b) issues analysis or reports, for the purposes of facilitating the recipients of the analysis or reports to make decisions on whether, which, the time at which, or the terms or conditions on which, futures contracts are to be entered into,
 but does not include-
 - (A) a person who gives such advice or issues such analysis or reports, including
 - (i) in a newspaper, magazine, book or other publication which is made generally available to the public, and which does not have as its principal or only object the provision of advice or the issue of analysis or reports, concerning securities; or
 - (ii) in television broadcast or radio broadcast for reception by the public, whether on subscription or otherwise; and
 - (B) any other person excluded to such extent as may be notified by the Commission; and
- (k) “Securities Adviser” means a person, who-

¹ Inserted Vide SRO 253 (I)/2018 dated February 21, 2018

- (a) gives investment advice on whether, which, the time at which or the terms or conditions on which, securities may be bought, sold, exchanged or subscribed for;
- (b) issues analyses or reports, for the purposes of facilitating the recipients of the analyses or reports to make decisions on whether or the time at which or the terms or conditions on which, specific securities may be bought, sold, exchanged or subscribed for; or
- (c) advises on the management of a portfolio of securities for another person-
 - (i) without holding property of the other person; and
 - (ii) on terms that preclude him from doing so,

but does not include-

- (I) a bank;
- (II) a person who gives such advice or issues such analyses or reports-
 - (A) in a newspaper, magazine, book or other publication which is made generally available to the public, and which does not have as its principal or only object the provision of advice or the issue of analyses or reports, concerning securities; or
 - (B) in television broadcast or radio broadcast for reception by the public, whether on subscription or otherwise; and
- (III) any other person excluded to the such extent as may be notified by the Commission.]

(2) Words and expressions used but not defined in these regulations shall have the same meaning as assigned to them in the Futures Act, the Securities Act, the Ordinance, the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Central Depositories Act, 1997 (XIX of 1997), and any rules or regulations made thereunder.

CHAPTER II

LICENSING REQUIREMENTS FOR SECURITIES AND FUTURES ADVISERS

²[**3. Prohibition.**— No person shall act as or perform the functions of a securities adviser

² Substituted for the text “**3. Prohibition.**— No person shall act as or perform the functions of a securities adviser or futures adviser

or futures adviser unless such person is licensed with the Commission as a securities adviser or futures adviser under the Securities Act or Futures Act and these regulations and a person performing distribution of Collective Investment Schemes (CIS) and/or Voluntary Pension Fund (VPF) units of multiple AMCs by entering into contracts with such AMCs shall also be required to obtain license as a securities adviser under these regulations, in order to perform functions of a distributor:

³[omitted]

Provided further that in terms of section 2 (liii) (III) of the Securities Act, an NBFC duly

unless such person is licensed with the Commission as a securities adviser or futures adviser under the Securities Act or Futures Act and these regulations:

Provided that a person performing distribution of Collective Investment Schemes (CIS) and/or Voluntary Pension Fund (VPF) units of multiple AMCs by entering into contracts with such AMCs will be required to obtain licence as a securities adviser under these regulations, in order to perform functions of a distributor, and all licensing conditions applicable to a securities adviser shall be applicable to such distributor.

Provided further that it will be mandatory for a securities broker or a futures broker licensed with the Commission to obtain licence as a securities adviser or a futures adviser under these regulations.

Provided further that in terms of section 65(3) of the Securities Act, a licence for a securities adviser may be granted to a bank or a subsidiary of a bank.

Provided further that in terms of section 48(5) of the Futures Act, a license for futures adviser shall only be granted to a subsidiary of a bank.

Provided further that any person who is performing the functions of a securities adviser or is engaged in the business of distribution of CIS and/or VPF units of multiple AMCs under contract, immediately before coming into force of these regulations, shall be required to obtain a licence under these regulations as a securities adviser within a period of six months from the date of coming into force of these regulations.

Provided further that any person who is performing the functions of a futures adviser, immediately before coming into force of these regulations, shall be required to obtain a licence under these regulations as a futures adviser within a period of six months from the date of coming into force of these regulations or within a period of six months from the date of commencement of Part IV of the Futures Act, whichever comes later.

Provided further that an NBFC holding the licence for Investment Advisory Services shall be exempt from the requirement of obtaining licence as a securities adviser or futures adviser subject to the following terms and conditions:

- (a) it meets all the regulatory requirements required under the law governing its business as an NBFC;
 - (b) its relevant employees shall have the requisite qualification and/or experience and certification as specified in Annexure A;
 - (c) while acting as a securities adviser or futures adviser, the NBFC shall remain compliant with all the requirements of these regulations;
 - (d) it shall maintain membership of an association of securities advisers and/or futures advisers, as the case may be, or any other association or self-regulatory organization, which is approved by the Commission for the purpose, and abides by the code of conduct specified by such association at all times;
 - (e) within one month of the end of calendar year, the NBFC engaged in the business of securities adviser or futures adviser shall submit an affidavit to the Commission that it is compliant with all the requirements of these regulations; and
 - (f) the NBFC shall be subject to disciplinary action under the Securities Act, Futures Act and these regulations including the revocation of permission to act as a securities adviser or futures adviser if it is found to be in non-compliance with the requirements of the Securities Act, Futures Act and these regulations, as applicable, or if it fails to submit the affidavit within the specified time.”
- Vide SRO 253 (I)/2018 dated February 21, 2018

³ Deleted the text “Provided that a securities broker duly licensed by the Commission and providing custodial services as integral part of brokerage business model, shall not be eligible to obtain license for securities adviser or futures adviser:

Provided further that in terms of section 2 (liii) (III) of the Securities Act and section 2 (23) (B) of the Futures Act, a securities broker duly licensed by the Commission to undertake securities broker activity may provide securities and future advisory to its brokerage customers being incidental to the conduct of his business as a securities broker without receiving any separate compensation thereof and may distribute CIS and/or VPF units of multiple AMCs by entering into contracts with such AMCs subject to:

- (a) maintaining membership of an association of securities advisers and/or futures advisers, as the case may be, or any other association or self-regulatory organization, which is approved by the Commission for the purpose, and abides by the code of conduct specified by such association at all times;
- (b) compliance with the regulatory requirements applicable on distribution of CISs and/or VPFs units of multiple AMCs; and
- (c) compliance with the regulatory requirements of Chapter III, Chapter IV and clause 24 of Chapter V of these Regulations:

Provided further that in terms of section 2 (23) (B) of the Futures Act, a futures broker duly licensed by the Commission to undertake future’s broker activity for futures contract based on commodities and/or financial instruments may provide futures advisory to the extent of futures contract based on commodities and/or financial instruments to its customers being incidental to the conduct of his business as a futures broker without receiving any separate compensation thereof:” vide SRO 75(I)/2020 dated February 3, 2020

licensed by the Commission for Investment Advisory Services under Part-VIIIA of the Companies Ordinance, 1984 (XLII of 1984) may undertake securities advisory and future advisory subject to:

- (a) maintaining membership of an association of securities advisers and/or futures advisers, as the case may be, or any other association or self-regulatory organization, which is approved by the Commission for the purpose, and abides by the code of conduct specified by such association at all times;
- (b) compliance with the regulatory requirements applicable on distribution of CISs and/or VPFs units of multiple AMCs; and
- (c) compliance with the regulatory requirements of Chapter III, Chapter IV and clause 24 of Chapter V of these Regulations.

Provided further that a banking company shall be eligible for applying securities adviser license to the extent of distribution of units of CIS and/or VPS of multiple AMCs only:

Provided further that any other person performing the functions of a securities adviser or future adviser or is engaged in the distribution of CIS and/or VPF units of multiple AMCs immediately before coming into force of these regulations, shall be required to obtain a license under these regulations as a securities adviser or future adviser not later than June 30, 2018.]

⁴**4. Licensing conditions for securities adviser and futures adviser.-** (1) A person may apply to the Commission for securities adviser and/or future adviser license under these Regulations if such person is:

- (a) A company registered under the Companies Act for the purpose of providing advisory including distribution of CIS and/or VPF units of multiple AMCs by entering into contracts with such AMCs; or
- (b) A banking company eligible for obtaining securities adviser license for distribution of units of CIS and/or VPS; or
- (c) Such other company as may be notified by the Commission ⁵]; or

⁴ Substituted for the text “**4. Licensing conditions for securities adviser and futures adviser.-** A person may apply to the Commission for licence as a securities adviser and/or futures adviser, subject to fulfillment of the following conditions:

- a) It has a place of business in Pakistan;
- b) In the case of a company, its memorandum and articles of association allow it to apply for grant of licence under the Act;
- c) The applicant, or in the case of a company, it, its sponsors, directors and senior management officers shall fulfill the fit and proper criteria specified in Annexure A;
- d) In the case of a company, the sponsors shall collectively hold not less than fifty one percent shares and not less than twenty five percent shares in the case of a listed company. The sponsor’s portion of share capital shall not be sold or transferred, nor any arrangement of transfer of control of the securities adviser or futures adviser shall be affected without the prior written approval of the Commission;
- e) The applicant, or in the case of a company, its relevant employees shall have the requisite qualification and/or experience and certification as specified in Annexure A;
- f) It meets the financial resource requirements as specified in these regulations, where applicable; and
- g) It maintains membership of an association of securities advisers and/or futures advisers, as the case may be, or any other association or self-regulatory organization, which is approved by the Commission for the purpose, and abides by the code of conduct specified by such association at all times.” Vide SRO 253 (I)/2018 dated February 21, 2018

⁵ Substituted for the colon (:) vide SRO 49(I)/2021 dated January 15, 2021

- (d) An individual having relevant mandatory certifications from the Institute of Financial Markets as specified by the Commission and meeting fit and proper criteria given at Annexure A.]

Provided that any person already licensed by the Commission under these regulations who are not in compliance with the licensing conditions shall be required to comply with these conditions latest by June 30, 2018, failing which their licence shall not be renewed.

(2) A person referred in sub-regulation (1) may apply to the Commission for license as a securities adviser and/or futures adviser, subject to fulfillment of the following conditions:

- (a) it has a place of business in Pakistan;
- (b) its memorandum and articles of association allow it to apply for grant of licence under the Act;
- (c) it, its sponsors, directors and senior management officers shall fulfill the fit and proper criteria specified in Annexure A;
- (d) the sponsors shall collectively hold not less than fifty one percent shares and not less than twenty five percent shares in the case of a listed company. The change in sponsors shall not be affected without the prior written approval of the Commission;
- (e) the relevant employees of the company shall have the requisite qualification and/or experience and certification as specified in Annexure A;
- (f) it meets the financial resource requirements as specified in these regulations, where applicable; and
- (g) it maintains membership of an association of securities advisers and/or futures advisers, as the case may be, or any other association or self-regulatory organization, which is approved by the Commission for the purpose, and abides by the code of conduct specified by such association at all times:

Provided that in case of a banking company, the conditions referred in sub-regulation (2) above shall not be applicable except clause (e) and (g).]

⁶[Provided further, that in case of an individual, the conditions referred in sub-regulation (2) above, shall not be applicable except clause (a), (f) and (g).]

5. Application and procedure for grant of licence.- (1) Subject to regulation 4, an application for licence as a securities adviser or futures adviser shall be made to the Commission in Form A along with the documents specified in Annexure B and receipt evidencing payment of non-refundable fee of such amount as specified in Schedule I.

⁷[Provided that an applicant which is eligible for Trading Only or Trading and Self-Clearing or Trading and Clearing category of license as a securities broker under the Securities

⁶ Inserted vide SRO 49(I)/2021 dated January 15, 2021

⁷ Inserted vide SRO 75(I)/2020 dated February 3, 2020

Brokers (Licensing and Operations) Regulations, 2016 and has opted to apply for license as a securities adviser or futures adviser as part of application for license of a securities broker or application for conversion to any category of securities brokers shall not be required to submit a separate application for license under these regulations.]

(2) The application for licence under these regulations may be made for a securities adviser and/ or a futures adviser.

(3) The Commission, while considering the application for a licence, may require the applicant to furnish such further information or clarification as it deems appropriate.

(4) The applicant shall, if so required, appear before the Commission for a representation through a person duly authorized for this purpose in writing by the board of directors of the applicant.

(5) Any subsequent change in the information provided to the Commission at the time of filing of application under sub-regulation (1) shall be intimated to the Commission within seven working days from the date of such change.

6. Financial Resources Requirement,- A person applying for a license under these regulations shall maintain a minimum net worth of Rs. 1 million/- at all times in case of a company⁸[and Rs. 500,000 in case of an individual].

For the purpose of these regulations the net worth of a company shall be calculated as total assets less total liabilities, less surplus created on revaluation of fixed assets. Provided that the Commission may issue clarification in respect of treatment of any item of assets and/or liabilities for the purpose of calculating the net worth.

7. Grant of licence,- (1) The Commission, while considering the application for granting a licence, shall inter-alia take into account the following matters,-

- (a) that the applicant meets the requirements of the Securities Act or the Futures Act as the case may be, these regulations and any direction given by the Commission;
- (b) that the applicant has the necessary infrastructure, expertise, financial resources, policies, procedures, systems and controls, where necessary, to effectively and efficiently discharge its responsibilities as a securities adviser and/or futures adviser;
- (c) that the applicant satisfies the Commission that the reasons for an earlier refusal for grant or renewal of licence, if any, as a securities adviser or futures adviser are no longer applicable;
- (d) involvement of the applicant, its sponsors, directors or senior management officers, as the case may be, in an offence involving fraud or breach of trust; and
- (e) history of past regulatory compliance and any pending penal action against the applicant, its sponsors, directors or senior management officers, as the case may be,

⁸ Inserted vide SRO 49(I)/2021 dated January 15, 2021

for an offence under the Securities Act or the Futures Act as the case may be, or the Ordinance.

(2) The Commission, upon being satisfied after conducting such inquiries and obtaining such further information as it deems appropriate that,-

- (a) the applicant is eligible for a licence;
- (b) the applicant is in compliance with the provisions of the Securities Act or the Futures Act as the case may be, these regulations and any directives, guidelines, and codes issued thereunder; and
- (c) it is in the interest of the capital market and public interest;

may grant a licence to the applicant in Form B for a period of one year under the provisions of the Securities Act or Futures Act as applicable.

Provided that while deciding to grant licence under these regulations, the Commission may seek additional information from other Government agencies and regulatory bodies including obtaining credit information bureau (CIB) reports and may also conduct a pre-licence assessment or a visit of the premises of the applicant, where deemed necessary, to verify the genuineness of information submitted.

(3) Nothing in these regulations shall affect the power of the Commission to suspend or cancel the licence of a securities adviser or futures adviser under the Securities Act or the Futures Act, as applicable, if any or all of the of the events as mentioned therein have occurred or the securities adviser or futures adviser fails to comply with any of the requirements of these regulations.

⁹[**8. Renewal of license,-** (1) Subject to the provisions of the Securities Act or the Futures Act as the case may be, and these regulations, a securities adviser or futures adviser shall, one month prior to the date of expiry of its license, apply to the Commission, for renewal of its license, in Form C along with an undertaking stating that it is in compliance with all regulatory requirements and evidence of payment of non-refundable renewal fee of such amount as specified in Schedule I.

Provided that a securities broker which holds a Trading Only or Trading and Self-Clearing or Trading and Clearing category of license as a securities broker under the Securities Brokers (Licensing and Operations) Regulations, 2016 and has opted to apply for renewal of license as a securities adviser or futures adviser as part of application for renewal of license of a securities broker shall not be required to submit a separate application for renewal of licence under these regulations.]

(2) The Commission upon being satisfied that the applicant continues to meet the requirements for licensing, is in compliance with the provisions of the Act, rules, regulations made thereunder and any directives, guidelines and codes issued thereunder, and it is in the interest of

⁹ Substituted for the text “**8. Renewal of license,-** (1) Subject to the provisions of the Securities Act or the Futures Act as the case may be, and these regulations, a securities adviser or futures adviser shall, one month prior to the date of expiry of its licence, apply to the Commission, for renewal of its licence, in Form C along with all the documents as specified in Annexure C and evidence of payment of non-refundable renewal fee of such amount as specified in Schedule I.” vide SRO 75(1)/2020 dated February 3, 2020

the capital market, shall renew the licence of the securities adviser or futures adviser for one year, and issue a certificate of renewal of licence to the applicant in Form D.

(3) Where the application for renewal of licence is made within the provided time but has not been decided by the Commission, the licence of the securities adviser or futures adviser shall continue to be valid until the application for renewal is decided by the Commission.

(4) While renewing the licence of a securities adviser or futures adviser, the Commission may, in addition to the criteria laid down for grant of a licence, also take into account history of regulatory compliance of the securities adviser or futures adviser, particularly with reference to customer complaints.

9. Procedure where licence is not granted or renewed,- (1) The Commission, after giving a reasonable opportunity of being heard to the applicant, may refuse to grant or renew a licence if in the opinion of the Commission such applicant does not fulfill the requirements specified in the Securities Act or the Futures Act as the case may be, and these regulations, and where the Commission, after taking into account the facts, is of the view that it is not in the public interest or in the interest of the capital market to grant or renew a licence.

(2) The applicant, if aggrieved by the decision of the Commission under sub-regulation (1), may, within a period of thirty days from the date of receipt of such refusal, prefer an appeal to the appellate bench of the Commission under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997.

(3) A securities adviser or futures adviser whose application for renewal of licence is refused shall immediately inform all its existing customers and settle all dues of the customers within fifteen days of the date of receipt of the decision of the Commission or such extended time as may be allowed by the Commission for cogent reasons.

(4) The Commission may publish its decision of refusal to grant renewal of licence to the securities adviser or futures adviser in a newspaper of wide circulation in Pakistan.

10. Cancellation of licence.- (1) A securities adviser or futures adviser may apply to the Commission for cancellation of its licence along-with a confirmation that such securities adviser or futures adviser has informed all its existing customers and settled all dues and pending claims of the customers, if any.

(2) The Commission may, after being satisfied that the process of settlement of customer claims if any, has been completed, cancel the licence of such securities adviser or futures adviser.

Provided that the Commission may impose such conditions as it deems appropriate at the time of such cancellation of licence.

(3) The Commission may cancel the licence granted to a securities adviser or futures adviser in accordance with the provisions of the Act and/or where:

- (a) it is a TRE certificate holder of a securities exchange or a futures exchange and such TRE certificate is cancelled by the securities exchange or futures exchange as a disciplinary measure; or

- (b) it is declared insolvent by a Court; or
- (c) it fails to apply for renewal of licence within the specified time; or
- (d) its licence is suspended by the Commission and such suspension has not been revoked till the time of expiry of licence issued to it.

(4) A securities adviser or futures adviser whose licence is cancelled under sub-regulation (3) shall inform all its existing customers, settle all dues of the customers within fifteen days and shall remain responsible for all its obligations in respect of dealings and business conducted up to the date on which it has been working as a securities adviser or futures adviser.

Chapter III

CONDUCT OF A SECURITIES ADVISER OR FUTURES ADVISER

11. Invitations and Advertisements.- (1) A securities adviser or futures adviser shall ensure that.-

- a) it does not make unsubstantiated claims, in order to induce customers, about qualifications of its professional staff or its capabilities to render certain services or its achievements concerning services rendered to other customers;
- b) it does not get involved in unfair competitive practices, nor shall solicit business from customers on the basis of any undue benefit;
- c) it does not publish, circulate or distribute any advertisement or any information which is false, misleading or deceptive;
- d) any advertisement is written in clear language and is not such which may prejudice interest of any person or customers in general;
- e) it does not make any exaggerated statements regarding its capability to render certain services or its achievements;
- f) it does not willfully make false statements or conceal any material fact in any document, report or paper furnished to the Commission; and
- g) it maintains principle of integrity in seeking business.

(2) A copy of any advertisement shall be provided by the securities adviser or futures adviser to the Commission, within 36 hours of publication of the same or within such time period as specified by the Commission.

12. Agreement with and Disclosures to customers.- (1) A securities adviser or futures adviser shall, before commencement of business with a customer, enter into an agreement in writing with its customer clearly defining the inter se relationship, and setting out their mutual rights and obligations.

(2) The agreement between the securities adviser or futures adviser and the customer shall, inter alia, contain:

- i) Name of the customer and the securities adviser or futures adviser;
- ii) Terms and conditions on which the securities or futures advisory services are offered;
- iii) Affiliations with other licenced persons and intermediaries in the financial sector;
- iv) Conditions, under which agreement may be altered, terminated and implications thereof such as:
 - a) Voluntary/mandatory termination by the securities adviser or futures adviser;
 - b) Voluntary/mandatory termination by the customer; and
 - c) Mandatory termination in case of cancellation of licence of the securities adviser or futures adviser.
- v) Liability of the securities adviser or futures adviser in connection with the recommendations made and liability of the customer, if any; and
- vi) Quantum and manner of fees payable by the customer.

(3) The securities adviser or futures adviser shall provide a copy of the agreement specified at (1) above to the customer and ensure that any change in terms of the agreement shall only be incorporated through addendum to the initial agreement, after obtaining written approval of the customer.

(4) A securities adviser or futures adviser, shall not commence business with a customer as a securities adviser or futures adviser unless it furnishes the customer with a risk disclosure document inter alia containing the nature of services to be provided to customers considering their risk profile and information about basic risks involved in trading in securities or futures contracts, as applicable.

(5) A securities adviser or futures adviser shall, while making an advice, make adequate disclosure to the customer of all material facts relating to the key features of the securities, futures contracts or portfolio of securities, particularly, performance track record.

(6) A securities adviser or futures adviser shall draw the customer's attention to the warnings, disclaimers in documents, advertising materials relating to an investment product which it is recommending to the customer.

Provided that requirements of clause 12 shall not be applicable in case of distributors engaged in distribution of CIS and/or VPF units of AMCs.

13. Conflict of interest.- (1) The securities adviser or futures adviser shall take necessary steps to ensure that the customer's interest is kept at the forefront and protected.

(2) The securities adviser or futures adviser shall take all reasonable steps including the framing of appropriate policies and procedures, where applicable, to minimize conflict of interest

between such securities adviser or futures adviser and its customers including in its capacity as performing any other regulated securities activity.

(3) Subject to the provision of sub-regulation (1), where any conflict of interest arises between the securities adviser or futures adviser and its customer, the securities adviser or futures adviser shall immediately inform the customer through verifiable means and not gain any direct or indirect advantage from the situation and shall act in the best interests of the customer.

(4) A securities adviser or futures adviser shall disclose to the customer any actual or potential conflicts of interest arising from any connection to or association with any issuer of securities, including any material information or facts that might compromise its objectivity or independence in the carrying on of securities or futures advisory services.

(5) A securities adviser or futures adviser shall disclose to its customers, any consideration by way of remuneration or compensation or in any other form whatsoever, received or receivable by it or any of its associates or subsidiaries in respect of the products or securities or futures contracts for which the advice is provided to the customer.

(6) A securities adviser or futures adviser shall, before recommending the services of a securities broker, futures broker or other licensed persons to a customer, disclose any consideration by way of remuneration or compensation or in any other form whatsoever, if any, received or receivable by the securities adviser or futures adviser, if the customer desires to avail the services of such intermediary.

(7) If a securities adviser or futures adviser has any interest or holding any position in the securities, futures contracts or portfolio of securities which are subject matter of advice to a customer, it shall make disclosure of such fact to the customer.

(8) the securities adviser or futures adviser shall ensure that its advisory activities are clearly segregated from all its other activities if the securities adviser or futures adviser is also engaged in activities other than advisory services.

(9) In case of a company, the securities adviser or futures adviser shall ensure segregation, including establishing 'Chinese walls', between its proprietary trading and securities advisory activity.

(10) In case of a company, the securities adviser or futures adviser shall put in place a mechanism and take steps to avoid and eliminate the misalignment of incentives due to conflict of interest between the compensation of senior management officers ¹⁰[and] employees ¹¹[] of the securities adviser or futures adviser and interest of the customers.

(11) In case of a company engaged in other regulated activities, the securities adviser or futures adviser shall ensure that effective and operationally independent compliance functions having appropriately trained and competent staff are in place.

¹⁰ Substituted for coma “,” Vide SRO 253 (I)/2018 dated February 21, 2018

¹¹ Deleted the words “and accredited representatives” Vide SRO 253 (I)/2018 dated February 21, 2018

(12) In case of a company, the securities adviser or futures adviser shall not give advice to customers solely with the objective of generating revenues for its other regulated activities or its associated companies or any intermediary referred by it to the customer.

(13) The securities adviser or futures adviser shall avoid giving advice that results in churning and excessive trading that cannot be directly linked to a profitable trade for the customers.

(14) The securities adviser or futures adviser must take reasonable steps to ensure that neither it nor any of its employees ¹²[], where applicable, offers or gives, or solicits or accepts, any inducement that is likely to conflict with any duties owed to the customers.

(15) In case of any breach of policies by its employees ¹³[], the securities adviser or futures adviser shall promptly investigate, and take appropriate action against the persons responsible.

14. Confidentiality.- (1) The securities adviser or futures adviser must have in place proper systems and controls along with clearly documented policies and procedures reasonably designed, for ensuring confidentiality of information in relation to its business as a securities adviser or futures adviser.

(2) The securities adviser or futures adviser must devise policies and physical apparatus designed to prevent the improper or unintended dissemination of market sensitive information from one regulated activity to another, where applicable.

(3) The securities adviser or futures adviser must establish policies and procedures, reasonable under the circumstances, to ensure that it or individuals making proprietary investment decisions are not trading on the basis of material non-public information obtained during its course of business as a securities adviser or futures adviser, where applicable.

(4) The securities adviser or futures adviser and its employees ¹⁴[] shall not disclose or discuss with any other person other than normal course of business or make improper use of any information of confidential nature of a customer, including trading on the basis of such confidential information.

15. Risk profiling.- A securities adviser or futures adviser shall ensure that,-

(a) it obtains from the customer, such information as is necessary for the purpose of giving investment advice, including the following:-

- (i) age;
- (ii) investment objectives including time for which they wish to stay invested, the purposes of the investment;
- (iii) income details;

¹² Deleted the words “or accredited representatives” Vide SRO 253 (I)/2018 dated February 21, 2018

¹³ Deleted the words “and accredited representatives, as applicable” Vide SRO 253 (I)/2018 dated February 21, 2018

¹⁴ Deleted the words “and accredited representatives” Vide SRO 253 (I)/2018 dated February 21, 2018

- (iv) level of understanding and knowledge;
 - (v) existing investments/assets;
 - (vi) risk appetite/tolerance;
 - (vii) liability/borrowing details.
- (b) it has a process for assessing the risk a customer is willing and able to take, including:
- (i) assessing a customer's capacity for absorbing loss;
 - (ii) identifying whether customer is unwilling or unable to accept the risk of loss of capital;
 - (iii) appropriately interpreting customer responses to questions and not attributing inappropriate weight to certain answers.
- (c) where tools are used for risk profiling, it should be ensured that the tools are fit for the purpose and any limitations are identified and mitigated;
- (d) any questions or description in any questionnaires used to establish the risk a customer is willing and able to take are fair, clear and not misleading, and the questionnaire is not vague or in a complex language that the customer may not understand;
- (e) risk profile of the customer is communicated to the customer after risk assessment is done; and
- (f) information provided by customers and their risk assessment is updated periodically.

Provided that in case of a distributor of CIS and/or VPF units of AMCs, such distributor shall use the risk profiling criteria of that AMC whose CIS and/or VPF units are being distributed.

16. Suitability.- A securities adviser or futures adviser shall ensure that,-

- (a) All investment advice provided to the customer is appropriate to the risk profile of the customer, and that no investment or scheme is recommended to the customer on the basis of extra commission or incentive earned;
- (b) It has a documented process for selecting investments based on customer's risk profile investment objectives, tolerance for risk, time horizon, liquidity needs and financial constraints.
- (c) It understands the nature and risks of products or assets recommended for customers; and
- (d) It has a reasonable basis for believing that a recommendation:

- (i) meets the customer's investment objectives and suits the risk profile of such customer;
- (ii) is such that the customer is able to bear any related investment risks consistent with its investment objectives and risk tolerance; and
- (iii) is such that the customer has the necessary experience and knowledge to understand the risks involved in the transaction.

Chapter IV

OTHER REQUIREMENTS

17. Restriction on keeping custody of customers' assets.- A securities adviser or futures adviser shall not be eligible for keeping custody of customers' assets ¹⁵[].

¹⁶[Provided that the above restriction shall not be applicable in the case of a securities broker which holds a Trading Only or Trading and Self-Clearing or Trading and Clearing category of license as a securities broker under the Securities Brokers (Licensing and Operations) Regulations, 2016.]

18. General responsibility.- (1) A securities adviser or futures adviser shall:

- a) on introduction to a prospective customer, disclose that the securities adviser or futures adviser is licensed with the Commission and prominently display the licence granted by the Commission;
- b) maintain high standards of integrity, promptitude, fairness and act with due skill, care and diligence in conduct of its business;
- c) in case of a securities adviser providing advice in respect of CIS/VPF units of an AMC:
 - i) not involve either directly or indirectly in the mis-selling of CIS/VPF units;
 - ii) only deal in units at the unit price quoted by the respective AMC and which are publicly available;
 - iii) avoid making negative statements about any AMC or CIS/VPF and ensure that comparisons if any, are made with similar and comparable products;
 - iv) provide full and latest information of schemes to customers in the form of offering documents, fund manager reports and brochures;

¹⁵ Deleted the text "unless it is specifically allowed to offer custodial services under the applicable laws" Vide SRO 253 (I)/2018 dated February 21, 2018

¹⁶ Inserted vide SRO 75(I)/2020 dated February 3, 2020

- v) avoid commission-driven malpractices such as encouraging over-transacting and churning of investments to earn higher commissions even if they mean higher transaction costs and tax for customers; and
 - vi) adhere to these regulations and any other regulations, circulars or guidelines issued by the Commission from time to time.
- d) in case of a securities adviser providing advice in respect of CIS/VPF units of an AMC, such securities adviser shall adequately explain to a customer, the nature and characteristics of the fund/scheme and shall make clear all essential attributes of the fund/scheme, including:
- (i) the investment objectives of the fund/scheme;
 - (ii) the investment strategy to achieve the stated objectives;
 - (iii) the risks of investing in that fund/scheme and CIS/VPF units generally;
 - (iv) the unit prices and how these are calculated;
 - (v) the fees, charges and expenses involved; and
 - (vi) the tax implications (if any).
- e) in case if a distributor engaged in distributing CIS and/or VPF units of an AMC is also providing advice on other securities and/or futures contracts, it shall disclose the same to its customers and shall not charge any advisory fee to its customers in respect of investment in such CIS and/or VPF units;
- f) unless it complies with the applicable framework for research analysts, not publish a research report or make a public appearance regarding a security, sector or index;
- g) ensure that any performance reporting/presentation is accompanied by all explanations, qualifications, limitations and other statements that are necessary to prevent such information from misleading customers;
- h) ensure compliance with all legal and regulatory requirements applicable to the conduct of its business activities by it and its staff so as to promote the best interests of customers and the integrity of the market;
- i) have and employ effectively appropriate resources and procedures which are needed for the efficient performance of its business activities;
- j) in case of a company engaged in other regulated activities as well, ensure that it has properly designed internal control policies which are duly approved by its board of directors;
- k) ensure that channels of communications are properly documented and monitored regularly and effectively. This includes logs of e-mails and other inter-office documentation being exchanged;

- l) maintain complete file of each customer and not change any detail provided by the customer in the official documents without prior approval of the customer and keep record of such changes along with necessary documentary evidence;
- m) ensure that the Commission is informed, without undue delay, of serious breaches of these regulations, either directly or through the internal or external auditors where applicable;
- n) put in place a mechanism for proper and timely handling of any customer complaints;
- o) determine the true identity of the prospective customer before extending its services and ensure that Know Your Customer and Customer Due Diligence is being conducted properly to ensure risk profiling and suitability for each customer;

Provided that this condition shall not be applicable in case of distributors engaged in distribution of CIS and/or VPF units of AMCs.

¹⁷[Omitted]

- q) remain in compliance with the licensing requirements at all times and inform the Commission immediately when it is non-compliant with any of the said requirements;
- r) ensure that any written or electronic communication or correspondence with the customers or outside parties clearly bears the licence number indicating the licence and type of advisory licence granted by the Commission;
- s) shall ensure that fees charged to the customers are fair and reasonable; ¹⁸[]
- t) submit any document, report or information as and when required by the Commission;
- ¹⁹[(u) in case of distribution of CIS and/or VPF units maintain copies of contracts with the AMCs; and
- (v) in case of distribution of CIS and/or VPF units not charge any advisory fee to its customers.]

(2) Any dispute between the securities adviser or futures adviser and its customer may be resolved through arbitration or through a mediator authorized or appointed for the purpose by any regulatory authority, as applicable.

Chapter V

ACCOUNTING AND AUDIT

¹⁷ Deleted the text “(p) disclose the names of such persons to its customers who are working as its accredited representatives, where applicable;” Vide SRO 253 (I)/2018 dated February 21, 2018

¹⁸ Deleted the word “and” Vide SRO 253 (I)/2018 dated February 21, 2018

¹⁹ Inserted Vide SRO 253 (I)/2018 dated February 21, 2018

19. General.- These obligations and duties of a securities adviser or futures adviser under these regulations with respect to audit and accounts are in addition to the requirements of the Ordinance, the rules and regulations made thereunder and any directives issued thereunder.

²⁰[Provided that in case of a banking company, the requirements of this chapter shall not be applicable except clause 24.]

20. Maintenance of books of accounts and other records,- (1) In case of a company, a securities adviser or futures adviser shall prepare and maintain all the books of accounts and other records which should:

- (a) disclose with accuracy the financial position of the securities adviser or futures adviser at that time;
- (b) enable the securities adviser or futures adviser to prepare financial statements at any time and which comply with the requirements of law; and
- (c) demonstrate whether the securities adviser or futures adviser is maintaining in its regulated securities activity adequate financial resources to meet its business commitments, where applicable.

(2) In addition to requirements of the Securities Act or Futures Act, and the Ordinance, as applicable, a securities adviser or futures adviser, other than a distributor, shall also properly maintain the following records, namely:-

- a) All written agreements entered into by the securities adviser or futures adviser with any customers;
- b) Know Your Client records of the customer;
- c) Risk profiling and risk assessment of the customer;
- d) Rationale for arriving at investment advice and assessment of its suitability, duly signed and dated;
- e) A register or record containing list of the customers, the date of advice, nature of the advice, the securities or the futures contracts in which advice was rendered and fee, if any charged for such advice; and
- f) Records of trading in securities and futures contracts by the securities adviser or futures adviser, its directors, employees, their spouses and their dependent children, as the case may be.

²¹[]

²⁰ Inserted Vide SRO 253 (I)/2018 dated February 21, 2018

²¹ Deleted the text "A distributor engaged in distribution of CIS and/or VPF units shall maintain copies of contracts with the AMCs." Vide SRO 253 (I)/2018 dated February 21, 2018

(3) Every securities adviser or futures adviser shall ensure that the records referred to in sub-regulation (2) are maintained either in physical or electronic form and preserved in good order for a period of at least ten years.

Provided that where records are required to be duly signed and are maintained in electronic form, such records shall be digitally signed.

(4) Every securities adviser or futures adviser shall ensure that the record is kept at such place and maintained in such a manner that it is easily accessible.

21. Preparation and submission of financial statements.- (1) In case of a company, a securities adviser or futures adviser shall prepare financial statements for each financial year. The financial statements of the securities adviser or futures adviser shall be prepared in compliance with the requirements of the Ordinance including conformity with the accounting standards as directed by the Commission.

(2) In case of a company, a securities adviser or futures adviser shall submit, within four months after the end of each financial year, its annual financial statements to the Commission along with its audit report.

22. Audit and related matters,- In case of company, a securities adviser or futures adviser shall appoint an auditor as required under section 83 of the Securities Act or section 67 of the Futures Act as applicable, from the panel of auditors approved by the Commission to perform functions as specified in the Securities Act or the Futures Act and the Ordinance, as applicable.

23. Appointment of auditor and related matters.- (1) In case of company, a securities adviser or futures adviser shall ensure that the auditor appointed has inter-alia the powers and duties specified under sub-regulation 3 below and:

- (a) those powers and duties are set out in an engagement letter;
- (b) the engagement letter is signed by the securities adviser or futures adviser and the auditor; and
- (c) the securities adviser or futures adviser retains a copy of the engagement letter.

(2) A securities adviser or futures adviser shall, within seven days, give written notice to the Commission of the appointment, removal or resignation of an auditor.

(3) The auditor appointed by a securities adviser or futures adviser shall have the right to, –

- (a) access the accounting and other records of the securities adviser or futures adviser and all other documents relating to its business including the documents the securities adviser or futures adviser is required to maintain under the Act and these regulations; and
- (b) require from the securities adviser or futures adviser such information and explanations as the auditor considers necessary for the performance of duties.

(4) The audit report shall state all the matters as are required to be stated in accordance with the requirements of the Ordinance.

(5) Where an auditor resigns or is removed by the securities adviser or futures adviser, a notice to that effect shall be sent to the Commission containing a statement signed by the auditor to the effect that there are no circumstances connected with his resignation or removal which the auditor considers should be brought to the attention of the Commission.

24. Submission of information and returns.- (1) The Commission may by written notice require a securities adviser or futures adviser to submit to the Commission such periodic returns as it may direct.

(2) In addition to any periodic returns required under sub-regulation (1), the Commission may by written notice require securities adviser or futures adviser, either generally or in a particular case or class of cases, to submit to the Commission such exceptional returns as it may direct.

Annexure A

[see regulation 4(c)]

Fit and Proper Criteria for the securities adviser/futures adviser and where applicable its, Promoters, Directors and Senior Management Officers

Application and Scope

This Fit and Proper Criteria is perpetual in nature and its compliance is mandatory.

All persons subject to Fit and Proper Criteria must submit any change in the submitted information, including financial soundness to the company secretary of securities adviser/futures adviser²² [in case if it is a company,]²³ within three business days and the securities adviser/futures adviser shall within a period of seven business days report the same to the Commission.

In addition to the applicant and the sponsors of the applicant, eligibility of any person acting as director on the board of directors or senior management officers of a securities adviser/futures adviser shall be judged on the basis of following criteria, which, in the case of directors, shall be in addition to meeting requirements of the²⁴ [Companies Act] relating to eligibility of a director.

(a) Financial Soundness and Integrity

- (i) The person should not have been adjudged as an insolvent or he should not have suspended payment of debts or compounded liabilities with its/his creditors.
- (ii) The person should not have been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a financial institution including banking company, a Development Financial Institution or a Non- Banking Financial Company.
- (iii) The person and companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc., have no overdue payment to any customer, financial institution, securities exchange, futures exchange, clearing house, central depository and/or defaulted in payment of any taxes in the individual capacity or as a proprietary concern or any partnership firm or as director in any unlisted and listed company.

Explanation: In case of overdue payment to any financial institution, CIB reports from the State Bank of Pakistan shall be examined and if there is any overdue/past due payment to a financial institution, irrespective of amount, in overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where such person is a chief executive, director (other than nominee director), owner or partner etc., such person shall not be considered fit and proper person except:

- (a) in case where such overdue amount is under litigation and the same is also appearing as amount under litigation in CIB report; or

²² Inserted vide SRO 49(I)/2021 dated January 15, 2021

²³ Deleted the words “, where applicable,” Vide SRO 253 (I)/2018 dated February 21, 2018

²⁴ Substituted for the words “Companies Ordinance, 1984” Vide SRO 253 (I)/2018 dated February 21, 2018

- (b) No overdue payment is appearing in the overdue column in the subsequent latest CIB report.

In case of overdue amount in CIB report, no rejection shall be made unless the person has been provided an opportunity of making a representation before the Commission.

- (iv) The person should not have been a director and/or chief executive of any company or body corporate which has been declared a defaulter in payment of Government duties/taxes/cess or has misused customers' securities.
- ²⁵[(v) In case the Applicant is an individual then his/her name shall be appearing on Active Tax payer list (ATL) of Federal Board of Revenue.]

(b) Educational or other Qualification or Experience

(1) In case of a securities adviser ²⁶[or where applicable], ²⁷[] its chief executive officer or the head of its advisory business shall:

- a) Be a CFA Charter holder, or be a member of a recognized body of professional accountants, or possess ²⁸[sixteen years of education] in finance, accountancy, business management, commerce, economics, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
- b) have a minimum experience of ²⁹[three] years of trading, dealing or giving investment advice in financial products/securities/funds, asset or portfolio management, or related experience in the capital market or the financial sector; and
- c) have relevant mandatory certifications from the Institute of Financial Markets as specified by the Commission ³⁰[in case of individual, and in case of a company] within one year of the grant of licence under these regulations or such extended time period as may be allowed by the Commission.

(2) In case of a futures adviser ³¹[or where applicable], ³²[] its chief executive officer or the head of its advisory business shall:

- a) Be a CFA Charter holder, or be a member of a recognized body of professional accountants, or possess ³³[sixteen years of education] in finance, accountancy, business management, commerce, economics, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and

²⁵ Inserted vide SRO 49(I)/2021 dated January 15, 2021

²⁶ Inserted vide SRO 49(I)/2021 dated January 15, 2021

²⁷ Deleted the words "the securities adviser, or where applicable," Vide SRO 253 (I)/2018 dated February 21, 2018

²⁸ Substituted for the words "a post-graduate degree" vide SRO 49(I)/2021 dated January 15, 2021

²⁹ Substituted for the word "five" vide SRO 49(I)/2021 dated January 15, 2021

³⁰ Inserted vide SRO 49(I)/2021 dated January 15, 2021

³¹ Inserted vide SRO 49(I)/2021 dated January 15, 2021

³² Deleted the words "the futures adviser, or where applicable," Vide SRO 253 (I)/2018 dated February 21, 2018

³³ Substituted for the words "a post-graduate degree" vide SRO 49(I)/2021 dated January 15, 2021

- b) have a minimum experience of ³⁴[three] years of trading, dealing or giving advice in financial products, securities, commodity futures and/or financial instruments, or related experience in the capital market or the financial sector; and
 - c) have relevant mandatory certifications from the Institute of Financial Markets as specified by the Commission ³⁵[in case of individual, and in case of a company], within one year of grant of licence under these regulations or such extended time as may be allowed by the Commission.
- (3) In case of a distributor of CIS and/or VPF units ³⁶[of multiple AMCs,] ³⁷[such person himself/herself or in case of a company] its chief executive officer, and in case the company is also involved in other regulated securities activities, the head of its CIS/VPF advisory function, by whatever name called, shall:

³⁸[a) at a minimum be a CFA Charter holder, or possess sixteen years of education in finance, accountancy, business management, commerce, economics, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent, along-with an experience of one year;]

³⁹[Omitted]

AND

c) have relevant mandatory certifications from the Institute of Financial Markets as specified by the Commission ⁴⁰[in case of individual, and in case of a company], within one year of grant of license under these regulations or such extended time as may be allowed by the Commission.

⁴¹[Omitted]

Provided further that the other employees of the securities adviser or the futures adviser, shall be required to obtain certifications as may be specified by the Commission from time to time.

³⁴ Substituted for the word “five” vide SRO 49(I)/2021 dated January 15, 2021

³⁵ Inserted vide SRO 49(I)/2021 dated January 15, 2021

³⁶ Substituted for the words “, such person himself/herself, or in the case of a company” Vide SRO 253 (I)/2018 dated February 21, 2018

³⁷ Inserted vide SRO 49(I)/2021 dated January 15, 2021

³⁸ Substituted for the text “a) at a minimum be a CFA Charter holder, or possess a post-graduate degree in finance, accountancy, business management, commerce, economics, capital market, financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent, along-with an experience of one year ; OR” vide SRO 49(I)/2021 dated January 15, 2021

³⁹ Deleted the text “b) in case the person does not possess relevant minimum qualification, have a minimum experience of two years of giving investment advice in financial products/securities/funds/insurance policies, asset or portfolio management, or advisory/distribution of units of CIS/VPF units, or related experience in the capital market or the financial sector;” vide SRO 49(I)/2021 dated January 15, 2021

⁴⁰ Inserted vide SRO 49(I)/2021 dated January 15, 2021

⁴¹ Deleted the text “Provided that for all of the above persons, where a person possesses seven (7) years of experience specified for any category above, the minimum qualification requirement for such category shall be waived.” Vide SRO 49(I)/2021 dated January 15, 2021

- (3) A company desirous of obtaining licence as a securities adviser or futures adviser must conduct appropriate background checks of its employees directly involved in the advisory function and ensure that:
- a. Two satisfactory references are received for each employee;
 - b. They have not been removed from the service for misconduct in the past; and
 - c. No past criminal record of the employee has come to the notice of the company.
- (4) Where applicable, the directors and senior management officers of the securities adviser or futures adviser must be fully conversant with the duties of director or senior management officer, as the case may be, as specified under the statutes, rules and regulations, and memorandum and articles of association.

(c) Competency

- (i) Membership or licence of the person or any company in which he was a director during the last three years has not been suspended/ cancelled by the Commission, any other regulatory authority, any professional body, association or relevant entity i.e. the securities or futures exchange, central depository or clearing house.

Provided that eligibility of a person may be considered on the basis of prior clearance obtained from any such organization that suspended/ cancelled the membership or licence.

- (ii) No proceedings are pending with respect to the applicant's winding up, insolvency or analogous relief.
- (iii) The person should not have been disqualified/ removed from the post of a key executive position of a company by the Commission or any other regulatory authority.

(d) Integrity, Honesty and Reputation

- (i) The person should not have been convicted in any criminal offence or directly involved in any settlement in civil/ criminal proceedings in a court of law, particularly with regard to moral turpitude, investments, financial/business misconduct, fraud/ forgery, breach of trust, financial crime etc. and/ or it has not been concluded by any regulatory authority that he has been associated with any unauthorized financial activity.
- (ii) He is not a party in litigation against the Commission in respect of any criminal offence or a matter relating to non-payment of customer claims or in any other manner prejudicial to the interest of customers and general public.
- (iii) No investigation/enquiry/inspection, conducted under Section 139 of the Securities Act, Section 83 of the Futures Act, Section 29 of the Securities and Exchange Commission of Pakistan Act, 1997, Section 21 of the Securities and Exchange Ordinance, 1969, Section 263 or Section 265 of the Companies Ordinance, 1984, has been concluded against him by the Commission with material adverse findings.

- (iv) The person has not defaulted on settlement of a customer complaint where such complaint has been adjudicated by the Commission.
- (v) An order restraining, prohibiting or debaring the person from dealing in securities in the capital market or from accessing the capital market has not been passed; or penalty of Rs500,000/- or more has not been imposed on it/him/her by the Commission in the last three years, in respect of any laws administered by the Commission.

Provided that a person may be considered eligible in case a period of at least three years from the date of expiry of the period specified in the order for which such person has been restrained/prohibited/debarred has elapsed.

- (vi) The person should not have provided false or misleading information either to the Commission or to any of the regulatory body, securities exchange, futures exchange, central depository or a clearing house.
- (vii) The person should not have been actively involved in the management of a company whose registration or licence has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to financial irregularities or malpractices.
- (viii) In case of a director, the person must not be ineligible, under the ⁴²[Companies Act, 2017] or any other legislation from acting as a director.
- (ix) The person should not have entered into a plea bargain arrangement with the National Accountability Bureau.

Note:

- In case of any ambiguity in determination of fitness and propriety of a person in terms of this criteria, the decision of the Commission shall be final and binding upon the securities adviser/futures adviser.
- In the case of a bank applying for licence as a securities adviser or futures adviser and in case of an NBFC, the fit and proper criteria will be applicable on the head of advisory business, if different from CEO and on the relevant employees of such bank or NBFC to the extent of requisite qualification, experience and certification requirements.
- Along-with the application for licence for securities adviser/futures adviser:
 - a) the applicant or where applicable its individual sponsors, directors and chief executive shall submit the following duly filled Form and the Affidavit; and
 - b) the authorized person on behalf of the applicant and authorized person on behalf of the sponsors where the sponsor is a company, shall submit the following duly filled Affidavit.

⁴² Substituted for the expression "Companies Ordinance, 1984" vide SRO 49(I)/2021 dated January 15, 2021

Information to be provided by the applicant, or where applicable its individual sponsors, directors and chief executive

____(name of the applicant/sponsor/director/chief executive of the applicant)____

1.	Curriculum Vitae/Resume containing:			
(a)	Name:			
(b)	Father's or Husband Name:			
(c)	C.N.I.C # (attach copy)			
(d)	Latest photograph			
(e)	Nationality:			
(f)	Age:			
(g)	Contact details:			
	i) Residential address:			
	ii) Business address:			
	iii) Tel:			
	iv) Mobile:			
	v) Fax:			
	vi) E-mail:			
(h)	National Tax Number:			
(i)	Present occupation:			
(j)	Qualification(s):			
	i) Academic:			
	ii) Professional:			
(k)	Experience: (Positions held during the last 10 years along with name and address of company/ institution) Information to be provided on the following sample format*:			
	Sr#	Name of Organization	Designation	Period
	1	Company A		DD/MM/YY - DD/MM/YY
	2	Company B		DD/MM/YY - DD/MM/YY

2.	1. Nature of directorship:	
	a) Executive b) Non-executive	
	2. Status of directorship:	
	a) Nominee director b) Elected director	
	Number of shares subscribed or held _____	
	Nominated by (name of shareholder/ nominating entity)	

3.	Names of companies, firms and other organizations of which the person is presently a director, partner, office holder or major shareholder (Information to be provided on the following sample format*)		
Sr. #	Name of Organization	Designation	Period
1	Company A		DD/MM/YY - DD/MM/YY
2	Company B		DD/MM/YY - DD/MM/YY
4.	Names of any persons on the board of the (name of securities adviser/futures adviser) who are related to the applicant.		

Signature _____

*use additional sheets if required

Affidavit to be provided by the applicant, and where applicable, its sponsors, directors and chief executive

(On Stamp Paper of Appropriate Value)

AFFIDAVIT

A. In case of an individual in his/her own capacity:

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ do hereby state on solemn affirmation as under:-

1. That I am eligible for ⁴³[] ⁴⁴[the license of securities advisor, or] the position of director/chief executive.... (OR) being sponsor..... of the (name of securities adviser/futures adviser) according to the fit and proper criteria specified as per the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.

2. That I and the companies, firms, sole proprietorship etc. where I am a chief executive, director (other than nominee director), owner or partner etc. have no overdue payment to any financial institution.

3. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.

4. That I have no objection if the (name of securities adviser/futures adviser where applicable) ... or the SECP requests or obtains information about me from any third party.

5. That I undertake to bring to the attention of the ... (name of securities adviser/futures adviser where applicable) or the SECP.... any matter which may potentially affect my status as securities adviser/ futures adviser (OR) as sponsor/director/chief executive of the securities adviser/futures adviser as per the fit and proper criteria specified in the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.

6. That all the documents provided to (name of securities adviser/futures adviser) OR the SECP....., are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

7. That I will comply with any other condition as may be specified by the Commission.

B. In case of an individual as authorized person on behalf of sponsors:

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____, on behalf of(name of institution)..... being sponsor of the ...(name of securities adviser/futures adviser)..... do hereby state on solemn affirmation as under:-

⁴³ Deleted the words “..... the licence of securities adviser/futures adviser (OR)” Vide SRO 253 (I)/2018 dated February 21, 2018

⁴⁴ Inserted vide SRO 49(I)/2021 dated January 15, 2021

1. That(name of the institution)..... is eligible for being sponsor of the(name of securities adviser/futures adviser)..... according to the fit and proper criteria specified as per the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.

2. That(name of the institution)....., and the companies, firms, sole proprietorship etc. associated with(name of the institution)....., have no overdue payment to any financial institution.

3. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.

4. That(name of the institution)..... has no objection if the ..(name of securities adviser/futures adviser)... or the SECP requests or obtains information about(name of the institution)..... from any third party.

5. That I undertake, on behalf of(name of the institution)..... that(name of the institution)..... will bring to the attention of the ... (name of securities adviser/futures adviser).... any matter which may potentially affect its status as sponsor of the ... (name of securities adviser/futures adviser).... as per the fit and proper criteria specified in the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.

6. That all the documents provided to(name of securities adviser/futures adviser) are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

C. In case of an individual as authorized person on behalf of applicant:

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____, on behalf of(name of the applicant)..... do hereby state on solemn affirmation as under:-

1. That(name of the applicant)..... is eligible for applying for licence as a securities adviser/futures adviser as per the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.

2. That(name of the applicant)....., and the companies, firms, sole proprietorship etc. associated with(name of the applicant)....., have no overdue payment to any financial institution.

3. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.

4. That(name of the applicant)..... has no objection if the securities exchange or the SECP requests or obtains information about(name of the applicant)..... from any third party.

5. That I undertake, on behalf of(name of the applicant)..... that(name of the applicant)..... will bring to the attention of the Commission any matter which may potentially affect its status as a securities adviser/futures adviser as per the licencing conditions and fit and

proper criteria specified in the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.

6. That all the documents provided by(name of applicant)... are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

7. That the applicant will comply with any other condition as may be specified by the Commission.

DEPONENT

The Deponent is identified by me

Signature_____

ADVOCATE
(Name and Seal)

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature_____

OATH COMMISSIONER FOR TAKING AFFIDAVIT

Form A
FORM OF APPLICATION FOR LICENCE AS A SECURITIES ADVISER/FUTURES
ADVISER
[see regulation 5(1)]

To
The Securities and Exchange Commission of Pakistan,
Islamabad.

Dear Sir,

1. I/We, ...(name of applicant or where applicable name of company)...., hereby apply for the licence ofsecurities adviser and/or ...futures adviser (for futures based on securities and/or commodities and/or financial instruments and/or distribution of CIS/VPF units)..... undersection 68 of the Securities Act, 2015 and/or section 51 of the Futures Market Act, 2017.....
2. Certified true copies of all the documents specified in Annexure B of the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017 are enclosed.
3. Original receipt of the bank for the fee of Rs.....being the licensing fee is enclosed.

Yours faithfully,

Signature of the applicant or where applicable applicant's chief executive officer, company secretary or chief financial officer duly authorized by the board of directors of the applicant through a resolution for signing and submission of this application

Annexure B
[see regulation 5(1)]
Information and Documents to be submitted along-with Application for Licence as a
Securities Adviser/Futures Adviser

1. General and business information:

- 1.1. Brief history of the applicant containing at least name of the applicant, mailing and business address, where applicable date and place of its incorporation, date of commencement of business, national tax number, length of experience in advisory business, if any;
- 1.2. Name and present occupation of each sponsor, name and contact details of sponsors, directors, and senior management officers where applicable.

(Institutional sponsors shall mention their names and addresses only instead of giving all these particulars of their nominee directors).
- 1.3. Names and addresses of companies, firms and other organizations of which the applicant or where applicable applicant's sponsors, chief executive and directors, as the case may be, are or have been directors, partners or office holders during the last ten years.
- 1.4. Address of the place of business/registered office of the applicant (postal address, postal code and telephone, fax numbers.)
- 1.5. Mailing address of the applicant (postal address, postal code, telephone number, fax numbers and e-mail address of the concerned officer of the applicant.)
- 1.6. Location and quantum of space available for safe custody of record specified in these regulations, where applicable.
- 1.7. Latest wealth statement of the applicant,⁴⁵ [duly submitted with the Federal Board of Revenue], or where applicable promoters, or other comparable document in case of foreign nationals. In case the promoter is a corporate entity then latest audited financial statements should be submitted.
- 1.8. Details of outstanding legal proceedings, if any, initiated against the applicant, or where applicable its sponsors, directors, majority shareholders or senior management officers, by the Commission or any other regulatory authority.
- 1.9. Details of penal actions, if any, taken against the applicant, or where applicable its sponsors, directors, majority shareholders or senior management officers during the last three years by the Commission or any other regulatory authority.
- 1.10. In case any associated company of the applicant is already licenced with the Commission as a licenced entity, the following details shall be provided, namely:-
 - (i) name of such associated company;

⁴⁵ Inserted vide SRO 49(I)/2021 dated January 15, 2021

- (ii) details of warning notices, if any, issued to such associated company by the Commission;
- (iii) details of legal proceedings, if any, initiated against such associated company by the Commission or any other regulatory authority; and
- (iv) penal action, if any, taken against such associated company by the Commission during the last three years.

2. Details of infrastructural facilities, where applicable:

- Computer systems installed including hardware and software
- Available manpower, and
- Office space (mention extent of area in square feet available)

3. Other information:

3.1 Details as per following format of all pending disputes in which the applicant is a party:

- a) Name of the party
- b) Name and place of court/tribunal where dispute is pending
- c) Amount involved
- d) Pending since
- e) Date of last hearing
- f) Decision at last hearing

3.2 List of civil and criminal offenses in which the applicant or where applicable any of its sponsors, directors or senior management officer has remained involved during the last three years.

3.3 Any other information considered relevant to the business of the securities adviser/futures adviser.

3.4 Any significant awards or recognition, collective grievances against the applicant.

4. List of documents to be provided along with application:

4.1 Copy of memorandum and articles of association of the applicant, where applicable, duly certified from the company registration office (CRO) concerned containing copy of the certificate of incorporation and that of the certificate of commencement of business, duly certified from the CRO concerned.

4.2 Copy of Forms 3, 27, 28 and 29 of the applicant duly certified from the CRO concerned where applicable.

- 4.3 Audited accounts for the last three years where applicable.
- 4.4 Copies of documents evidencing compliance with the financial resource requirements specified in the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017, where applicable.
- 4.5 Profile/Fit and Proper related documents of the applicant, and where applicable its sponsors, directors and chief executive/head of advisory business of the applicant, along-with details such as name, qualification, experience and date of appointment, directorship in other companies, names of such other companies and date of appointment as director in such other companies.
- 4.6 Copies of documents evidencing compliance with the qualification, experience and mandatory certification requirements specified by the Commission for the applicant or its relevant employees.
- 4.7 Copies of agreements with Asset Management Company(ies) for distribution service, as applicable.
- 4.8 Any other information/document as required by the Commission.

Schedule I
[see regulation 5(1) and 8(1)]
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SCHEDULE OF FEE*

Description of fee	Amount of fee in PKR
Fee to be paid at the time of applying for licence as a securities adviser or futures adviser	20,000
Fee to be paid at the time of applying for renewal of licence as a securities adviser or futures adviser	10,000

* The above licence/renewal fees will be charged separately in case a person applies/has applied for licence for both securities adviser and futures adviser.

* The above fees shall be deposited into the designated bank account of the Commission, along-with applicable collection charges.

Form B
[see regulation 7(2)]
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
LICENCE TO ACT AS A SECURITIES/FUTURES ADVISER

Licence No. _____

Islamabad, ___(date)_____

1. The Securities and Exchange Commission of Pakistan having considered the application by (Name of the company/applicant).... for the licence of securities adviser and/or futures adviser (for futures based on securities and/or commodities and/or financial instruments and/or distribution of CIS/VPF units)..... under section ...68 of the Securities Act, 2015 and/or section 51 of the Futures Market Act, 2016....., and being satisfied that the said applicant is eligible for a licence under the said category(ies) and that it would be in public interest and in the interest of the capital market so to do, hereby grants licence, in exercise of the powers conferred by section69 of the Securities Act, 2015 and/or section 52 of the Futures Market Act, 2016.... to(name of the company/applicant).... assecurities adviser and/or futures adviser (for futures based on securities and/or commodities and/or financial instruments and/or distribution of CIS/VPF units)... subject to the provisions of theSecurities Act, 2015 and/or Futures Market Act, 2016..... and the rules and regulations made thereunder, as amended from time to time.

2. This licence is valid up to one year from the date of issuance.

Signature of the Officer

Form C
[see regulation 8(1)]
FORM OF APPLICATION FOR RENEWAL OF LICENCE AS SECURITIES/FUTURES
ADVISER

To
The Securities and Exchange Commission of Pakistan,
Islamabad.

Dear Sir,

1. I/We (Name of the applicant) ... having licence number hereby apply for renewal of the licence ofsecurities adviser and/or futures adviser (for futures based on securities and/or commodities and/or financial instruments and/or distribution of CIS/VPF units).... under section 69 of the Securities Act, 2015 and/or section 52 of the Futures Market Act, 2016.....

2. The existing licence is due to expire on

3. Original receipt of the bank for the fee of Rs.....being the renewal fee is enclosed.

⁴⁶[omitted]

⁴⁷[4]. It is requested that the licence be renewed for a period of one year.

Yours faithfully,

Signature of the applicant or where applicable the applicant's chief executive officer, company secretary or chief financial officer duly authorized by the board of directors of the applicant through a resolution for signing and submission of this application.

⁴⁶ Deleted the text "4. Certified true copies of all the documents specified in Annexure C of the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017 are enclosed." Vide SRO 75(I)/2020 dated February 3, 2020

⁴⁷ Substituted for the number "5" vide SRO 75(I)/2020 dated February 3, 2020

⁴⁸ Deleted the text “**Annexure C**
[see regulation 8(1)]

Information to be provided along-with application for renewal of licence as a securities adviser/futures adviser

The following details shall be provided along-with application for renewal by a securities adviser/futures adviser along with the relevant supporting documents for the last one year:

1. Details of the non-compliance by it, if any, with any provision of the applicable laws including the Securities Act/Futures Act as applicable, and rules or regulations made thereunder.
2. Details of the non-compliance by it, if any, with any of the licensing conditions, if any.
3. Details of any penal or disciplinary action initiated or taken against the applicant, or where applicable its sponsors, directors, major shareholders or senior management officers, as the case may be, by any regulatory authority or government agency/department.
4. Details of legal proceedings, if any, initiated against it and penal actions taken against it and penalty imposed by the Commission or any other regulatory authority.
5. Details of changes made, if any, in the object clause of its memorandum of association or other constitutive documents, where applicable.
6. Number and details of customer complaints received, if any and their redressal status.
7. Number and details of arbitration awards announced and implemented, if any.
8. Copy of the last annual audited financial statements, where applicable.
9. Copies of documents evidencing continuous compliance with the requirements of financial resource requirements specified in the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.
10. An undertaking on a stamp paper specifying that the securities adviser/futures adviser, and where applicable its sponsors, directors and employees, as applicable, are in compliance with all the requirements for grant of renewal of licence under the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.
11. Copies of agreement with Asset Management Company(ies) for distribution service, as applicable
12. Any other information and document as may be required by the Commission from time to time.” Vide SRO 75(I)/2020 dated February 3, 2020

Form D
[see regulation 8(2)]
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
CERTIFICATE OF RENEWAL OF LICENCE AS SECURITIES ADVISER/FUTURES
ADVISER

Licence No. _____

Islamabad, ____ (date) _____

1. The Securities and Exchange Commission of Pakistan having considered the application for renewal of licence of asecurities adviser and/or futures adviser (for futures based on securities and/or commodities)..... by(Name of the company/applicant)...., and being satisfied that the saidsecurities adviser and/or futures adviser is eligible for renewal of licence and that it would be in public interest and in the interest of the capital market so to do, hereby grants renewal of licence to(Name of the company/applicant)...., as asecurities adviser and/or futures adviser (for futures based on securities and/or commodities and/or financial instruments and/or distribution of CIS/VPF units)... in exercise of the powers conferred by section69 of the Securities Act, 2015 and/or section 52 of the Futures Market Act, 2016...., for one year subject to the provisions of theSecurities Act, 2015 and/or Futures Market Act, 2016.... and the rules and regulations made thereunder, as amended from time to time.

Signature of the Officer