



Solicitation of Public Comments

On

Proposed Amendments to PSX Regulations in respect of Various Matters

The Board of Directors of Pakistan Stock Exchange Limited (PSX), in its meetings held on September 23, 2016, approved amendments to PSX Regulations in respect of following matters:

1. Additional requirements for opening/closing of branch offices of brokers [*proposed amendments attached as Annexure A*];
2. Distribution of profit by brokers to clients on their excess cash balances [*proposed amendments attached as Annexure B*];
3. Mandatory provision of clients' contact details of UINs to NCCPL by the brokers [*proposed amendments attached as Annexure C*];
4. Revised methodology for computation of free float shares [*proposed amendments attached as Annexure D*];
5. Proposed amendments relating to IBTS and penetration testing & vulnerability assessment audit reports of brokers [*proposed amendments attached as Annexure E*]; and
6. Amendments to Preamble Section of PSX Regulations pursuant to implementation of Securities Act, 2015 and prescribing a specimen of Risk Disclosure under Securities Brokers (Licensing and Operations) Regulations, 2016. [*proposed amendments relating to preamble section and draft Risk Disclosure document are attached as Annexure F and G respectively*]
7. Amendments to the Uniform Criteria for selection of securities eligible for trading in CSF & DFC markets in line with the changes approved by the SECP for selection of securities eligible for trading in MTS market. The proposed revised Uniform Criteria are attached as **Annexure H**.

Pursuant to Section 7(3) of the Securities Act, 2015, PSX hereby solicits public comments on these proposed amendments, which are attached herewith as per the annexures mentioned above.

All concerned are invited to provide written comments on the proposed amendments either in hard form or through email at comments.rad@psx.com.pk latest by **October 03, 2016**.

SHAFQAT ALI

Chief Regulatory Officer

Distribution: TREC Holders of PSX based at Karachi through Karachi Office
TREC Holders of PSX based at Lahore through Lahore Office
TREC Holders of PSX based at Islamabad through Islamabad Office

Cc:

1. The Executive Director (PRDD), SMD, SECP
2. The Managing Director, PSX
3. The Chief Executive Officer, CDC
4. The Chief Executive Officer, NCCPL
5. The Chief Executive Officer, PMEX
6. All Heads of Department, PSX
7. PSX Notice Board & Website

"ANNEXURE A"

Chapter 22: [BROKERS' OFFICE/BRANCH OFFICE REGULATIONS]

Proposed Amendments relating to Additional Requirements for Opening/Closing of Branch Offices of Brokers

| EXISTING REGULATIONS | PSX PROPOSED REGULATIONS | RATIONALE |
|---|--|---|
| <p>22.1. DEFINITIONS</p> <p>(a) "Broker's Main Office" shall mean an office where a registered individual Broker or the Nominee Director of a Corporate Broker supervises said office himself, provided number of such offices shall not exceed one at a time.</p> <p align="center"><u>New Insertion</u></p> <p>(f) "Certificate" shall mean a Certificate of Registration of the Office/Branch Office issued by the Exchange.</p> | <p>22.1 DEFINITIONS</p> <p>(a) "Broker's Main Office" shall mean an office where a registered individual Broker or the Nominee Director <u>the Chief Executive Officer</u> of a Corporate Brokerage House supervises said office himself/herself, provided number of such offices shall not exceed one at a time.</p> <p><u>(f) "Capital Market Hub" shall mean a city or a region designated as Capital Market Hub by the Commission from time to time.</u></p> <p>(f) <u>(g)</u> "Certificate" shall mean a Certificate of Registration of the Office/Branch Office issued by the Exchange.</p> | <p>After the Demutualization of PSX, no individual broker exists and the concept of Nominee Director is no longer applicable. Therefore, the consequential changes are proposed in this chapter.</p> <p>To ensure that only specified regions are considered as Capital Market Hub.</p> |
| <p>22.2 PROCEDURE FOR OPENING OF OFFICE/BRANCH OFFICE:</p> <p>A Broker may open his/its Office(s)/Branch Office(s) within and outside the premises of the Exchange for conducting business and trading of securities in accordance with these Regulations as well as the law applicable in this behalf subject to prior approval of the Exchange in writing and completion of the following formalities:</p> <p>a) An application on the prescribed form (Annexure-A); b) An undertaking on prescribed form (Annexure-B);</p> | <p>22.2 PROCEDURE FOR OPENING OF OFFICE/BRANCH OFFICE:</p> <p>A Broker may open his/its Office(s)/Branch Office(s) within and outside the premises of the Exchange for conducting business and trading of securities in accordance with these Regulations as well as the law applicable in this behalf subject to prior approval of the Exchange in writing and completion of the following formalities:</p> <p><u>(a)</u> An application on the prescribed form (Annexure-A); <u>(b)</u> An undertaking on prescribed form (Annexure-B); <u>(c) Business prospects for opening the branch;</u> <u>(d) List of products/services to be offered at the new branch;</u> <u>(e) System of supervision and controls employed at the new branch;</u> <u>(f) Name, number and location of branches of other Brokers in the near vicinity;</u></p> | <p>Consequential change made by RAD.</p> |

- c) Annual payment of Registration/Renewal fee per office/per branch as prescribed by the Exchange from time to time;
- d) Documents evidencing the ownership of the Office or Branch Office and/or Agreement with landlord of the office, if that office is not owned by the Broker;
- e) Name of Manager along with residential address, CNIC, his bio-data, two latest photographs, and his specimen signature and in case of Office/Branch Office other than Broker's Main Office the Certificate of Registration as Agent;
- f) Specimen signature(s) of the persons authorized to deal with clients;
- g) Branch-wise list of employees, along with their CNIC and residential addresses and the same information shall be provided to the Exchange on quarterly basis;
- h) Office(s) or Branch Office(s) must only be operated under the name of the Broker who has opened and maintains such Office(s)/Branch Office(s);
- i) List of authorized signatories to the bank accounts if maintained separately by that Office/Branch Office and the same information shall be provided to the Exchange on quarterly basis;
- j) The Broker shall submit the details of all Trading Systems terminals operational at all the Office(s)/Branch Office(s);

- (g) Annual payment of Registration/Renewal fee per office/per branch as prescribed by the Exchange from time to time;
- (h) Documents evidencing the ownership of the Office or Branch Office and/or Agreement with landlord of the office, if that office is not owned by the Broker;
- (i) Name of Manager along with residential address, CNIC, his bio-data, two latest photographs, and his specimen signature and in case of Office/Branch Office other than Broker's Main Office the Certificate of Registration as Agent;
- ~~e. Specimen signature(s) of the persons authorized to deal with clients;~~
- (j) Branch-wise list of employees, along with their CNIC and residential addresses and the same information shall be provided updated on UIN database of the NCCPL before opening of such branch to the Exchange on quarterly basis;
- ~~f. h) Office(s) or Branch Office(s) must only be operated under the name of the Broker who has opened and maintains such Office(s)/Branch Office(s);~~
- ~~g. i) List of authorized signatories to the bank accounts if maintained separately by that Office/Branch Office and the same information shall be provided to the Exchange on quarterly basis;~~
- (k) The Broker shall submit the details of ~~all~~ proposed Trading Systems terminals to be made operational at ~~all the new~~ Office(s)/Branch Office(s) including the number of trading workstations connected through Fix Gateway, IBTS and KiTS;

This information is of no use to PSX.

Already covered in sub-clause 22.5.1.

This information neither is obtained from the Head Office nor is of any importance from investor protection point of view.

The information relating to KATS Terminals are already available with the I.T department, therefore we suggest that the terminals proposed to be installed at the new branch should be reported only. Further, in case of using Fix Gateway, IBTS and KiTS, the broker should submit the details of their front-office trading

- k) All the dealings at the office(s)/Branch Office(s)/Shop(s) shall be subject to these Regulations;
- l) The Broker shall be fully responsible for all the dealings, acts of agents/employees in accordance with these Regulations, Securities and Exchange Ordinance, 1969 and Securities and Exchange Rules, 1971 and shall be liable thereof;
- m) Status of Office(s)/Branch Office(s) including their closure or change of Manager shall be notified in writing to the Exchange within 24 hours. The Exchange will ensure monthly update of details of Office(s)/Branch Office(s) on its website;
- n) A board at a conspicuous place at the reception/front office will be displayed at all times containing the names of persons duly authenticated by the Broker, who are authorized to deal with the customers;
- o) No person shall be employed at an Office or a Branch Office if he has been convicted of any misdemeanor by the Exchanges, Commission and/or any other competent authority;
- p) The standard text provided by the Exchange after due approval of the Commission, disclosing the remedy and process how to approach the Exchange in case of non-resolution of complaints must be displayed at all times at a conspicuous location at the reception/front office of the Office(s)/Branch Office(s).

New Insertion

- ~~k) All the dealings at the office(s)/Branch Office(s)/Shop(s) shall be subject to these Regulations;~~
- ~~l) The Broker shall be fully responsible for all the dealings, acts of agents/employees in accordance with these Regulations, Securities and Exchange Ordinance, 1969 and Securities and Exchange Rules, 1971 and shall be liable thereof;~~
- ~~m) Status of Office(s)/Branch Office(s) including their closure or change of Manager shall be notified in writing to the Exchange within 24 hours. The Exchange will ensure monthly update of details of Office(s)/Branch Office(s) on its website;~~
- ~~n) A board at a conspicuous place at the reception/front office will be displayed at all times containing the names of persons duly authenticated by the Broker, who are authorized to deal with the customers;~~
- ~~o) No person shall be employed at an Office or a Branch Office if he has been convicted of any misdemeanor by the Exchanges, Commission and/or any other competent authority;~~
- ~~p) The standard text provided by the Exchange after due approval of the Commission, disclosing the remedy and process how to approach the Exchange in case of non-resolution of complaints must be displayed at all times at a conspicuous location at the reception/front office of the Office(s)/Branch Office(s).~~

Provided that no Broker shall open an Office/Branch Office in the Capital Market Hub without prior approval of the Commission. The Broker shall submit an application through the Exchange for opening of a branch in the Capital Market Hub for onward submission to the Commission for approval, which shall be accompanied with the aforementioned information/documents along with recommendations of the Exchange.

Provided further that the Broker shall complete and submit above information with the Exchange at least 15 days prior to proposed date of opening of its Office/Branch Office.

terminal with the Exchange.

Covered in sub-clause 22.5.9.(a).

Covered in sub-clause 22.5.9.(b).

Covered in sub-clause 22.5.9.(c).

Covered under 22.5.3. (c).

Covered under 22.5.8. (a).

Covered under 22.5.3. (d).

As suggested by SECP.

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| <p>22.5. OBLIGATIONS OF A BROKER OPENING OFFICE/BRANCH:</p> <p>22.5.3. DISPLAY OF REGISTRATION CERTIFICATE OF OFFICE/BRANCH OFFICE:</p> <p>(a) The Broker shall ensure display of the Registration Certificate of Office/Branch Office prominently at the Office(s)/Branch Office(s).</p> <p>(b) A Certificate of Registration of Manager as Agent with the Commission except in case of Broker's Main Office.</p> <p style="text-align: center;">New Insertion</p> | <p>22.5. OBLIGATIONS OF A BROKER WITH RESPECT TO OPENING OFFICE/BRANCH OFFICE:</p> <p>22.5.3. DISPLAY OF <u>INFORMATION REGISTRATION CERTIFICATE OF AT OFFICE/BRANCH OFFICE:</u></p> <p>The Broker shall ensure display at all times of the following information at a conspicuous location at the reception/front office of the Office(s) / Branch Office(s) prominently at the Office(s)/Branch Office(s):</p> <p>(a) Registration Certificate of Office/Branch Office</p> <p>(b) Certificate of Registration of Manager as Agent with the Commission except in case of Broker's Main Office.</p> <p>(c) <u>A board containing the names of persons duly authenticated by the Broker, who are authorized to deal with the customers;</u></p> <p>(d) <u>The standard text provided by the Exchange after due approval of the Commission, disclosing the remedy and process how to approach the Exchange in case of non-resolution of complaints.</u></p> <p>(e) <u>standees about the products the Broker is selling and the procedures of how investments can be made therein as per the specimen attached as Annexure D. Such information shall be displayed in Urdu language in a clear and concise manner with the logo of "JamaPunji" on it covering the following contents:</u></p> <p>a. <u>Who is Stock Broker</u></p> <p>b. <u>Procedure for investment in stock market;</u></p> <p>c. <u>Procedure for opening an account with CDC</u></p> | <p>Shifted from sub-clause 22.2.(n)</p> <p>Shifted from sub-clause 22.2.(p)</p> <p>As suggested by SECP.</p> |
| <p>22.5.5. PUBLICATION:</p> <p>A Broker shall in case of closure of his/its Branch Office or at the time of change of his/its Manager, whatever the case maybe, publish a public notice in two (English and Urdu) newspapers having wide circulation in the province(s) where registered office and Branch Office(s) is situated.</p> | <p>22.5.5. PUBLICATION:</p> <p>The Broker shall in case of closure of his/its Branch Office or at the time of change of his/its Manager, whatever the case maybe, publish a public notice in two (English and Urdu) newspapers having wide circulation in the province(s) where registered office and Branch Office(s) is situated.</p> | <p>The text relating to closure of branch has been Shifted to clause 22.8 (b).</p> |

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| <p>22.5.6 INSPECTION OF RECORDS:</p> <p>The Exchange may ask for any information or documents and/or appoint one or more of its employees to undertake inspection of the books of accounts, other records and documents of the Office(s)/Branch Office(s) maintained either at the Head Office or any other Office/Branch Office and the Broker shall ensure to provide such information/documents and assistance which may be required</p> | <p>22.5.6 INSPECTION OF RECORDS:</p> <p>The Exchange may ask for any information or documents and/or appoint one or more of its employees to undertake inspection of the books of accounts, other records and documents of the Office(s)/Branch Office(s) maintained either at the Head Office or any other Office/Branch Office and the Broker shall ensure to provide such information/documents and assistance which may be required.</p> <p><u>22.5.8 STAFF, SECURITY ARRANGEMENTS AND CUSTOMER SUPPORT:</u></p> <p><u>The Broker shall ensure the following with respect to their Office(s) / Branch Office(s):</u></p> <ul style="list-style-type: none"> (a) <u>It shall employ any person who has not been convicted of any misdemeanor by the Exchanges, Commission and/or any other competent authority;</u> (b) <u>Properly trained staff/human resource</u> (c) <u>Security arrangements for the safety for staff and documents</u> (d) <u>Proper customer support for filling up of applications and completion of documentation</u> (e) <u>Drop box facility for collection of complaints</u> (f) <u>Product information relating to various products/services being offered by the Broker at the Office / Branch Office through printed brochures for the information of potential/existing clients.</u> | <p>Shifted as clause 22.9 below.</p> <p>This clause is shifted from 22.2 (o) of existing regulations.</p> <p>Rest are as suggested by SECP.</p> |
| | <p><u>22.5.9. OTHER OBLIGATIONS:</u></p> <p><u>The Broker shall ensure the following:</u></p> <ul style="list-style-type: none"> (a) All the dealings at the office(s)/Branch Office(s)/Shop(s) shall be subject to these Regulations. (b) The Broker shall be fully responsible for all the dealings at the office(s)/Branch Office(s)/Shop(s), acts of agents/employees in accordance with these Regulations, <u>Securities Act, 2015</u>, Securities and Exchange Ordinance, 1969 and Securities and Exchange Rules, 1971 and shall be liable thereof; (c) Status of Office(s)/Branch Office(s) including their closure or change of | <p>Shifted from sub-clause 22.2. (k)</p> <p>Shifted from sub-clause 22.2. (l)</p> <p>Shifted from sub-clause 22.2. (m)</p> |

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| | <p>Manager shall be notified in writing to the Exchange within 24 hours. The Exchange will ensure monthly update of details of Office(s)/Branch Office(s) on its website;</p> <p>(d) <u>The location where online trading terminals through IBTS, KiTS or any other online trading service platform(s) are provided to the individuals for trading on behalf of other individuals/clients shall be considered as Office(s) or Branch Office(s) of the Broker and subject to all requirements of this Chapter.</u></p> | <p>To provide legal coverage to the online trading terminals being used by the individuals for trading on behalf of other group of clients.</p> |
| <p>22.8. SUSPENSION OR CLOSURE OF OFFICE(S)/BRANCH OFFICE(S) BY THE BROKERS:</p> <p>A Broker may suspend trading facility at the Office(s)/Branch Office(s) with a notice in writing to the Exchange. However, it will be ensured that the Office(s)/Branch Office(s) remain open for a period of at least one month thereafter for disposal of pending matters.</p> | <p>22.8. SUSPENSION OR <u>SHIFTING</u> / CLOSURE OF OFFICE(S)/BRANCH OFFICE(S) BY THE BROKERS:</p> <p>(a) <u>The Broker may temporarily suspend trading facility at the Office(s)/Branch Office(s) with a notice in writing to the Exchange. However, the Broker will be ensured that the Office(s)/Branch Office(s) remain open for a period of at least one month thereafter for disposal of pending matters.</u></p> <p>(b) <u>In case of closure of any Office/Brach Office, the Broker shall:</u></p> <ol style="list-style-type: none"> a. <u>give 90 days prior notice to the Exchange for closure of any of its Office/Branch Office along with the specific reasons thereof.</u> b. <u>visibly display notice for closure of its Office/Branch Office at the respective location at least 30 days prior to closure of such Office/ Branch Office.</u> c. <u>publish its public notice at least 30 days prior to closure of Office/Branch Office in two (English and Urdu) newspapers having wide circulation in the provinces (s) where Head Office/Main Office and Branch office (s) is situated.</u> d. <u>submit a copy of the published public notices to the Commission within two days of their publication.</u> | <p>As suggested by SECP.</p> |

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| | <p>e. <u>Inform its clients in writing about future correspondence address/mechanism and transfer their relevant record to their Head Office or nearest Office/Branch Office as deemed appropriate.</u></p> <p>f. <u>submit a final statement at least 15 days prior to the closure of Office / Branch Office to the Exchange.</u></p> <p>(c) <u>The Broker may relocate its existing Office / Branch Office within near vicinity of 15 KM provided the Broker shall:</u></p> <p>a. <u>report the same to the Exchange 15 days prior to shifting.</u></p> <p>b. <u>inform its clients in writing about new address.</u></p> <p>c. <u>visibly display the information for shifting of branch shall be at the respective Office/Branch Office at least 15 days prior to its relocation.</u></p> | |
| <p>22.5.6. INSPECTION OF RECORDS:</p> <p><u>New Insertion</u></p> <p>The Exchange may ask for any information or documents and/or appoint one or more of its employees to undertake inspection of the books of accounts, other records and documents of the Office(s)/Branch Office(s) maintained either at the Head Office or any other Office/Branch Office and the Broker shall ensure to provide such information/documents and assistance which may be required</p> <p><u>New Insertion</u></p> | <p>22.9. INSPECTION OF RECORDS AT <u>OFFICE(S) / RANCH OFFICE (S)</u>:</p> <p>(a) <u>The Exchange shall conduct periodic visit/inspection of the Office(s)/Branch Offices and submit a report to the Commission on an annual basis as per Annexure-E.</u></p> <p>(b) The Exchange may ask for any information or documents and/or appoint one or more of its employees to undertake inspection of the books of accounts, other records and documents of the Office(s)/Branch Office(s) maintained either at the Head Office or any other Office/Branch Office and the Broker shall ensure to provide such information/documents and assistance which may be required</p> <p>(c) <u>The Exchange shall ensure that an appropriate investors' grievance redressal system/mechanism is in place at all Office(s) / Branch Office(s) for prompt and effective resolution of investors' complaints.</u></p> | <p>As suggested by SECP.</p> <p>As suggested by SECP.</p> |

Annexure-E

| Detail of all Branches of TREC Holders as on _____ | | | | | | |
|--|---|--|--|---|---|---|
| <u>Name of TREC Holder</u> | <u>Branches at the start of year along with address</u> | <u>Branches opened by TREC holder during the year along with address</u> | <u>Branches Closed by TREC holder during the year along with address</u> | <u>No. of branches at the end of year</u> | <u>Name of city where branches opened</u> | <u>Name of city where branches closed</u> |

1.

| Detail of Branches in Capital Market Hubs | | | | |
|---|--------------------------------------|---|--|---|
| <u>Name of TREC Holder</u> | <u>Branches at the start of year</u> | <u>Branches opened by TREC holder during the year</u> | <u>Branches Closed during the year</u> | <u>No. of branches at the end of year</u> |

2.

| Detail of Branches opened by TREC holders During the year _____ | | | | | |
|---|---------------------------|--|--|---------------------------------------|--|
| <u>Name of TREC Holder</u> | <u>Location of Branch</u> | <u>Name of Agent/Manager appointed</u> | <u>No. of employees posted in the branch</u> | <u>No. of terminals at the branch</u> | <u>Detail of TREC holders having branch in same vicinity</u> |
| | | | | | <u>Name of TREC holders</u> <u>No. of branches</u> |

3.

| Detail of Branches closed by TREC holders during the year _____ | | | | | |
|---|---------------------------|--|----------------------------------|---|--|
| <u>Name of TREC Holder</u> | <u>Location of Branch</u> | <u>Date of notice given by TREC holder for closure of branch</u> | <u>Date of Closure of branch</u> | <u>Duration for which branch remain operative</u> | |

4.

| Detail of Branches shifted by the TREC holders during the year _____ | | | | | |
|--|---|-------------------------------|--|---|----------------------------|
| <u>Name of TREC Holder</u> | <u>Location of Branch prior to shifting</u> | <u>New location of branch</u> | <u>Name of Agent/Manager prior to shifting</u> | <u>Name of Agent/Manager after shifting</u> | <u>Reason for shifting</u> |

End of Proposed Amendments

"ANNEXURE B"

Proposed Amendments relating to Distribution of Profit by Brokers to Clients on their Excess Cash Balances

| Existing Regulations | PSX Proposed Regulations | Rationale |
|---|---|---|
| <p align="center">Chapter 4: TRADING RIGHTS ENTITLEMENT (TRE) CERTIFICATE</p> <p>4.19. SEGREGATION OF CLIENTS' ASSETS BY THE BROKERS:</p> <p>4.19.1 The Brokers shall ensure that the assets belonging to their clients are kept separated from the assets of the Broker. For this purpose, the Broker:</p> <p>(a) shall maintain separate bank account(s), with word "clients" in the title, which will include all funds of their clients along with record/breakdown of clients' balances. The Broker may keep clients' unutilized funds in a profit-bearing bank account and in such case, shall pass on profit earned on these funds to the clients out of the total profit accrued on such funds, as mutually agreed in writing between the Broker and his clients;</p> | <p align="center">Chapter 4: TRADING RIGHTS ENTITLEMENT (TRE) CERTIFICATE</p> <p>4.19. SEGREGATION OF CLIENTS' ASSETS BY THE BROKERS:</p> <p>4.19.1 The Brokers shall ensure that the assets belonging to their clients are kept separated from the assets of the Broker. For this purpose, the Broker:</p> <p>(a) shall maintain separate bank account(s), with word "clients" in the title, which will include all funds of their clients along with record/breakdown of clients' balances <u>in its back office.</u></p> <p><u>Provided that</u> the Broker may keep clients' unutilized funds in a profit-bearing bank account <u>under intimation to the clients.</u></p> <p><u>Provided further that the Broker and in-such-case,</u> shall pass on profit earned on these funds, <u>fully or partially</u> out of the total profit accrued on such funds, to the <u>concerned</u> clients <u>if they desire so based on mutually agreed written terms and conditions as mutually agreed in writing between the Broker and his clients.</u></p> | <p>To add clarity</p> <p>It is proposed that the profit may be shared only when clients demand the same from the brokers.</p> |
| <p align="center">Chapter 23 SYSTEM AUDIT [REGULATORY COMPLIANCE] REGULATIONS</p> <p align="center">SCOPE OF AUDIT</p> <p>6. Segregation of Clients' Assets</p> <p>Review compliance with the following as required in chapter 4 of these Regulations:</p> <p>6.1 The Brokers shall ensure that the assets belonging to their clients are kept separated from the assets of the Brokers. For this purpose, the Brokers:</p> <p>(a) shall maintain necessary records and books of accounts to distinguish clients' funds and securities from Broker's funds</p> | <p align="center">Chapter 23 SYSTEM AUDIT [REGULATORY COMPLIANCE] REGULATIONS</p> <p align="center">SCOPE OF AUDIT</p> <p>6. Segregation of Clients' Assets</p> <p>Review compliance with the following as required in chapter 4 of these Regulations:</p> <p>6.1 The Brokers shall ensure that the assets belonging to their clients are kept separated from the assets of the Brokers. For this purpose, the Brokers:</p> <p>(a) shall maintain necessary records and books of accounts to distinguish clients' funds and securities from Broker's funds</p> | <p>Consequential change in scope of system audit.</p> |

and securities including maintenance of a separate bank account(s), with word "clients" in the title, which will include all the funds of their clients along with record/breakdown of clients' balances and mutual agreement in writing between client and Broker for payment of profits to the clients out of the total profit accrued on unutilized funds of such clients in case such funds are deposited in a profit-bearing bank account by the Broker.

and securities including maintenance of a separate bank account(s), with word "clients" in the title, which will include all the funds of their clients along with record/breakdown of clients' balances in its back office and mutual agreement in writing between client and Broker for payment of profits to the clients out of the total profit accrued on unutilized funds of such clients in case ~~such funds are deposited in a profit-bearing bank account by the Broker~~ the clients have required in writing to receive profit on their excess funds.

*****End of Proposed Amendments*****

“ANNEXURE C”

Chapter 3 [PAKISTAN STOCK EXCHANGE LIMITED]

Proposed consequential amendments relating to mandatory provision of clients' contact details of UINs to NCCPL by the Brokers

| EXISTING REGULATIONS | PROPOSE REGULATIONS | RATIONALE |
|---|--|--|
| <p data-bbox="72 468 665 595">3.9. EXCHANGE'S POWER TO TAKE CONSEQUENTIAL ACTIONS AGAINST A UIN ON ITS NON-COMLIANCE WITH NCCPL REGULATIONS:</p> <p data-bbox="312 629 502 658" style="text-align: center;">New Insertion</p> | <p data-bbox="690 468 1283 595">3.9. EXCHANGE'S POWER TO TAKE CONSEQUENTIAL ACTIONS AGAINST A UIN ON ITS NON-COMLIANCE WITH NCCPL REGULATIONS:</p> <p data-bbox="682 629 1285 757">3.9.3. FAILURE OF A BROKER TO PROVIDE CONTACT DETAILS OR PROVISION OF INVALID CONTACT NUMBER OF A UIN IN UIN REGISTRATION DETAILS OF NCSS:</p> <p data-bbox="769 790 1285 1137">In case NCCPL notifies to the Exchange regarding restriction of a UIN due to failure of a Broker to provide contact details of such UIN to the NCCPL or due to provision of invalid contact number as provided in the NCCPL Regulations, the Exchange shall restrict such UIN from taking new position in any Market. However, squaring-up of open position(s) shall be allowed for such restricted UIN.</p> <p data-bbox="769 1171 1285 1328">However, upon removal of cause of action against such UIN by NCCPL and receipt of notice from NCCPL in this regard, the Exchange shall remove restriction imposed on such UIN.</p> | <p data-bbox="1313 468 1559 757">Consequential amendments due to amendments approved in NCCPL Regulations relating to mandatory provision of contact details of clients.</p> |

End of Proposed Amendments

"ANNEXURE D"

Chapter 2: INTERPRETATION AND DEFINITIONS

Proposed Amendment relating to Revised Methodology for Computation of Free-Float Shares

| EXISTING REGULATIONS | PROPOSE REGULATIONS | RATIONALE |
|---|--|---|
| <p>2.4. GENERAL DEFINITIONS:</p> <p>In these Regulations, unless there is anything repugnant in the subject or context:</p> <p>xl. Free-Float: means the number of ordinary shares readily available for trading through the Exchange which comprises of all outstanding ordinary shares excluding the shares held by the following categories/persons:</p> <p>a) For Book-entry Security:</p> <ul style="list-style-type: none"> (i) Government holdings; (ii) Directors and sponsors; (iii) In physical form; (iv) Associate companies; (v) Employee Share Schemes and not available for trading by employees; (vi) Strategic investors or any other category that are barred from selling at the review date. <p>(b) For physical form Security:</p> <p>Free-Float may be all physical shares excluding those issued to the Government, directors, sponsors, associate companies, employees under Employee Shares Schemes and not available for trading by employees and strategic investors, who are barred from selling at the review date.</p> <p>Free-Float of each Security allowed for trading shall be reviewed every six months and shall be disclosed to the public. However, in case of disinvestment by sponsors or public, Free-Float may be reviewed earlier by the Exchange;</p> | <p>2.4. GENERAL DEFINITIONS:</p> <p>In these Regulations, unless there is anything repugnant in the subject or context:</p> <p>xl. Free-Float: means the number of ordinary shares readily available for trading through the Exchange, which comprises of all total outstanding ordinary shares excluding the such ordinary shares held by the following categories/persons of shareholders as defined in the methodology developed by the Exchange with prior approval of the Commission.</p> <p>a) For Book-entry Security:</p> <ul style="list-style-type: none"> (i) Government holdings; (ii) Directors and sponsors; (iii) In physical form; (iv) Associate companies; (v) Employee Share Schemes and not available for trading by employees; (vi) Strategic investors or any other category that are barred from selling at the review date. <p>(b) For physical form Security:</p> <p>Free-Float may be all physical shares excluding those issued to the Government, directors, sponsors, associate companies, employees under Employee Shares Schemes and not available for trading by employees and strategic investors, who are barred from selling at the review date.</p> <p>Free-Float of each Security allowed for trading shall be reviewed every six months and shall be disclosed to the public. However, in case of disinvestment by sponsors or public, Free-Float may be reviewed earlier by the Exchange;</p> | <p>To generalize the definition and empower PSX to prescribe the methodology for computation of free float from time to time. Further, the said methodology is already part of correspondence manual and shall also be separately notified to the market participants.</p> <p>No trading take place at PSX in physical form. The companies are required to join CDS otherwise they are placed on defaulters' segment hence proposed to be deleted</p> |

End of Proposed Amendments

"ANNEXURE E"

CHAPTER 9: INTERNET TRADING REGULATIONS

Proposed Amendments relating to IBTS and Penetration Testing & Vulnerability Assessment Audit Reports of Brokers

| EXISTING REGULATIONS | PROPOSED REGULATIONS | RATIONALE |
|---|---|---|
| <p>9.12. PERIODIC AUDIT, VULNERABILITY ASSESSMENT AND PENETRATION TESTING:</p> <p>9.12.1. The Broker shall ensure that its IBTS systems, controls and procedures are audited and penetration tested independently, once in every two years, by an audit firm approved by the Exchange.</p> <p>9.12.2. The Broker shall submit report of the auditor to the Exchange within two months of the date of the close of its periodic vulnerability assessment, if not assessed by the Exchange itself.</p> <p align="center">New Insertion</p> <p align="center">New Insertion</p> | <p>9.12. PERIODIC AUDIT, VULNERABILITY ASSESSMENT AND PENETRATION TESTING:</p> <p align="center">No change</p> <p align="center">No change</p> <p><u>9.12.3. If the audit report contains any non-compliance, the Broker shall be liable to rectify such noncompliance and furnish to PSX a compliance report from an auditor within 30 days from the date of submission of audit report.</u></p> <p><u>9.12.4. If the Broker fails to comply with sub-clause 9.12.3, the CRO or any authorized senior management official of RAD may, after providing an opportunity of being heard to the Broker, take appropriate enforcement action including issuance of warning. Provided that the CRO may by order, direct the Broker to pay a fine not exceeding Rs500,000 per instance of the non-compliance.</u></p> | <p>To ensure that the Broker has rectified the non-compliance reported by the auditor to the Exchange.</p> <p>Penal provision is proposed to be inserted to ensure compliance by the brokers.</p> |
| <p>9.13. GENERAL DISCLOSURES:</p> <p>9.13.3. The Exchange shall have system available to ensure on real time basis that all the information as prescribed under these regulations are properly disclosed and updated from time to time by the Broker on its website.</p> | <p>9.13. GENERAL DISCLOSURES:</p> <p>9.13.3. The Exchange shall have system available to ensure on real time basis that all the information as prescribed under these regulations are properly disclosed and updated from time to time by the Broker on its website.</p> | <p>PSX does not have the technical capability to assess the said systems on real time basis.</p> |

| | | |
|--|---|---|
| <p>9.15. SUSPENSION AND CANCELLATION OF INTERNET TRADING CERTIFICATE:</p> <p>9.15.1. The Exchange shall assess the effectiveness of systems and processes of the Broker providing IBTS in accordance with the procedures devised from time to time and approved by the Board.</p> | <p>9.15. SUSPENSION AND CANCELLATION OF INTERNET TRADING CERTIFICATE:</p> <p>9.15.1. The Exchange, <u>based on IBTS audit report and/or Penetration Testing and Vulnerability Assessment audit report as required to be submitted under clause 9.12,</u> shall assess the effectiveness of systems and processes of the Broker providing IBTS in accordance with the procedures devised from time to time and approved by the Board.</p> | <p>As recommended by I.T department this can be checked through independent IBTS reports.</p> |
|--|---|---|

*****End of Proposed Amendments*****

“ANNEXURE F”

PAKISTAN STOCK EXCHANGE LIMITED

(formerly Karachi Stock Exchange Limited)

NOTIFICATION

Karachi, the day of August, 2016

In exercise of the powers conferred on a securities exchange by Section 5 and 7 of the Securities Act, 2015 (Act III of 2015), Pakistan Stock Exchange Limited (*formerly Karachi Stock Exchange Limited*), being a securities exchange, with the prior approval of the Commission makes following amendments in the Pakistan Stock Exchange Regulations, which amendments shall come into force on the publication of this Notification in the official Gazette of Pakistan:

The existing Preamble appearing in Regulation 1.1 is hereby deleted in its entirety and substituted with the following new Preamble:

“1.1. PREAMBLE:

Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited), in exercise of its powers conferred under Section 5 and 7 of the Securities Act, 2015 (Act III of 2015), and with the prior approval of the Securities and Exchange Commission of Pakistan, hereby makes these Regulations.”

(insert name and designation of authorized signatory)

Pakistan Stock Exchange Limited

“ANNEXURE G”

“DRAFT”

ABC Securities (pvt) limited

TRE Certificate Holder:
Pakistan Stock Exchange Limited

Registered Office:
Room No. xxx-xxx, x floor
Pakistan Stock Exchange Building, Karachi
Ph: 021-xxxxxxx, Fax: 021-xxxxxxx

RISK DISCLOSURE DOCUMENT

This Risk Disclosure document is prescribed by the Pakistan Stock Exchange Limited (PSX) under Clause 13 (1) of the Securities Broker (Licensing and Operations) Regulations 2016, implemented by the Securities and Exchange Commission of Pakistan (SECP).

It is obligatory on the brokers that they shall not commence business with customers unless they provide this risk disclosure document to their customers and obtain a written acknowledgment duly signed and dated by the customers confirming that such customers have understood the nature and contents of the risk disclosure document.

This document contains important information relating to various types of risks associated with trading in securities market. The investors are advised to carefully read this document before opening an account with a broker for trading in the securities market.

Taking into consideration the risks involved, the customers should carefully consider whether such trading is suitable for them in light of their financial goals, conditions and risk appetite. In case a customer suffers negative consequences or losses as a result of trading, he/she shall be solely responsible for the same and PSX shall not be responsible, in any manner whatsoever, for such negative consequences or losses.

The customers must acknowledge and accept that there can be no guaranteed profit or return on their invested capital and under no circumstances a broker can provide customers such guarantee or fixed return on their investment. Further, the customers must understand their rights and obligations as well as the rights and obligations of the brokers specified under the PSX Regulations and the Standardized Account Opening Form, Know Your Client Form, Standardized Sub-Account Opening Form of CDC, and Agreement(s) of Leverage Products (Margin Financing, Margin Trading and Securities Lending & Borrowing), where applicable, and any other applicable Rules, Regulations, Guidelines, Circulars etc. as may be issued by SECP and PSX from time to time.

The customers should be aware of the protections given to money or other property the customers deposit with the brokers for trading purpose, particularly in the event of a default by such broker or the broker's insolvency or bankruptcy. The customer recognizes that in such default/insolvency/bankruptcy scenario, the customer may recover his/her money and/or property to such extent as may be governed by relevant PSX Regulations and/or local laws in force from time to time.

The customers should ensure that they deal with and through the registered Agents/ Traders/ Representatives of the broker.

PSX neither does singly or jointly and expressly nor impliedly guarantee nor make any representation concerning the completeness and adequacy of the information contained in this document as this document discloses the risks and other significant aspects of trading at the minimum level. PSX does not provide or purport to provide any advice and shall not be liable to any person who enters into any business relationship with any broker and/or any third party based on any information contained in this document. Any information contained in this document must not be construed as business advice/investment advice.

The customers considering whether to trade or authorize someone to trade on his behalf must be aware of and acquainted with the following:-

BASIC RISKS INVOLVED IN TRADING IN SECURITIES MARKET:

Volatility Risks:

The higher volatility refers to scrip's price that could potentially be spread over a wide range of prices. This means that the price of the security can change vividly over a short period in any direction. It is quite possible that the order of customer could not be executed or partially executed due to rapid change in the available prices. It could also be possible that requisite price could not be met for the customer due to rapid change in the prices.

Liquidity Risks:

Liquidity refers to the ability of market participants to buy and/or sell securities expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be a risk of lower liquidity in some securities as compared to active securities. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.

Speculative Trading Risk:

Speculative risk is a category of risk that, when undertaken, results in an uncertain degree of gain or loss. All speculative risks are made as conscious choices and are not just a result of uncontrollable circumstances. Almost all investment activities involve speculative risks, as an investor has no idea whether an investment will be a blazing success or an utter failure. Any investment may be seen as speculative, as most investors will not take on investments that are known to result in losses.

Risk of Wider Spread:

A spread is the difference between the bid and the ask price of a financial security. The spread for the security is influenced by a number of factors like supply or "float" (the total number of shares outstanding that are available to trade), demand or interest in a stock or total trading activity of the stock. For stocks, the spread would be the difference between the strike price and the market value.

Risk Pertaining to the Price Fluctuations due to Corporate Announcement:

Investors typically have an inclination to buy stocks of different companies, but it is hard to make a choice. After finding a company that looks like a good investment candidate and getting to know the business and the financials, investors should make a choice about which type of investment to make. Stock prices are typically driven by financial results, company news and industry fundamentals. They are usually valued on a "multiple" basis. Stock investors generally invest in companies that they feel have superior growth prospects and are undervalued by the market.

Systemic Risk:

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or

confirmation. During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations. Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or on the sell side, or if trading is halted in a security due to any reason.

Leveraged Market Risk:

The risks with these types of transactions are that the other party may default under the agreement. In a leverage market transaction, the financee may be left holding the security and may not be able to sell it at the same price it paid for it, plus return/mark-up, if the market value of the underlying security has dropped.

Government Regulation Risk:

Government policies or regulations are more prevalent in some sectors than in others. Investors that invest in these sectors may be affected due to change in the regulations or policies, which directly or indirectly affect the earnings and/or the cash flows and/or any governmental or court orders restraining payment of capital, principal or income.

UNDERTAKING

I, the customer, hereby acknowledge that I have received this risk disclosure document and have read and understood the nature of all risks and other contents and information provided in the document.

Date: _____

Signature of Broker

Signature of Account Holder

Signature of Joint Account Holder

"ANNEXURE H"

**REVISED UNIFORM CRITERIA FOR SELECTION OF SECURITIES ELIGIBLE FOR TRADING
IN DELIVERABLE FUTURES CONTRACT AND CASH SETTLED FUTURES CONTRACT MARKETS**

| BASIS OF SELECTION | CRITERIA FOR DFC AND CSF MARKETS |
|--|--|
| Maximum Number of Securities | Top 100 book-entry securities will be selected by giving 50% Weight to Average Daily Free Float Market Capitalization and 50% Weight to Average Daily Turnover during the previous six (6) months and same will be filtered based on the following criteria: |
| 1. Impact Cost | Securities that have average daily impact Cost of less than 1% during the previous six months |
| 2. Turnover | Securities that have average daily turnover of 0.25% of total average volume of book-entry eligible securities during the review period. |
| 3. Public Float | Securities that have Free Float of more than 35% of issued capital or 60 million Free Float shares. |
| 4. Trading History | Securities that have been traded at least 90% of the trading days during last six months. |
| 5. Listing History | Securities that have been officially listed at the Exchange earlier than last six months period. |
| 6. Auditors Opinion | Securities of the companies that do not have negative/qualified opinion in Auditor's report on the Company's most recent audited annual Financial Statements which may lead to suspension in trading of shares of such company. |
| 7. Investigation | Securities of the companies against which any investigation/enquiry has been concluded with adverse findings of mismanagement shall not be eligible. |
| 8. Defaulters' Segment | Securities of the companies that have not been quoted on the defaulters' segment of the Exchange during last six months. |
| 9. Interim Review of Securities | Clause No. 1, 2, 4, 6, 7 & 8 of the criteria to be reviewed after each 45 days and any security which does not meet any of these criteria shall be executed from the list after giving notice of at least 60 days to market participants. |
| 10. Final Review for Securities | The list of eligible securities will be revised in the first 15 days of January and July every year based on their data of immediate preceding 6 calendar months. |
| 11. Notice Period | Based on the revised list of securities, any security will be notified for inclusion/exclusion in/form the list of securities eligible for trading under the cash-settled and deliverable futures markets after giving notice of at least 30 days to market participants. |
| 12. Review for Criteria | The Exchange may review and change the eligibility criteria as and when required with prior approval of the Commission and notify the change in it, if any, to the market participants. |
| 13. Operating Profit before tax | <p>Operating Profit before tax as per <u>standalone</u> audited financial statements in any two of the last three years of operations.</p> <p>In case of a company having operating history of less three years, the company must have completed one year of commercial operations and shown operating profits before tax as per its latest <u>standalone</u> audited financial statements throughout operating history.</p> |
| 14. Eligibility of companies with principal activity in investment/trading of securities | Securities of listed asset management companies, mutual funds, brokerage houses and companies whose principal activity includes short-term investment/trading in securities shall not be eligible. |