PAKISTAN
STOCK EXCHANGE
LIMITED

Rule Book

Of

Pakistan Stock Exchange Limited (PSX)

1st Edition

Updated on July 10, 2018

REGULATORY AMENDMENTS

1. Approval of Rule Book of KSE by SECP on April 10, 2014 and Gazette Notified on June 18, 2014

2. Amendments approved by SECP on June 10, 2014 and Gazette Notified on August 13, 2014:

a) New para (x) in sub-clause 3.2 of Appendix-2 "Issue/Offer of Shares through Book Building" to Chapter 5 has been inserted.
b) Clause 9 of Appendix-2 "Issue/Offer of Shares through Book Building" to Chapter 5 has been amended.
c) New para (d) in sub-clause 11.1.2. of KSE Regulations has been inserted.
d) Sub-clause 11.1.8. of KSE Regulations has been amended.

3. Amendments approved by SECP on July 11, 2014 and Gazette Notified on August 27, 2014:

a) New para in sub-clause 5.19.4.(c). of Chapter 5 has been inserted.
b) Sub-clauses 6.1.(k)., 6.1.(l)., 6.1.(m)., 6.11.(b)., 6.11.(e)., and 6.11.(h). of KSE Regulations have been amended.

4. Amendments approved by SECP on December 04, 2014 and Gazette Notified on December 24, 2014:

a) Sub-clause 19.8.5. of KSE Regulations has been amended.
b) Schedule-IX to Chapter 19 has been amended.
c) Sub-clause 21.3.3.(b)(i) of KSE Regulations has been amended.

5. Amendments approved by SECP on December 10, 2014 and Gazette Notified on January 14, 2015:

a) Para (f) in sub-clause 19.5.8. of KSE Regulations has been deleted.
b) Sub-clause 19.5.9. of KSE Regulations has been amended.
c) Schedule-III to Chapter 19 has been amended.
d) Sub-clause 21.2.4. of KSE Regulations has been deleted.
e) Clause 21.7. of KSE Regulations has been amended

6. New Chapter approved by SECP on January 29, 2015 and Gazette Notified on February 25, 2015:

The Regulations Governing Listing and Trading of Equity Securities of Small and Medium Enterprises (SMEs) have been approved by SECP as Chapter 5A of KSE Regulations.

7. Minor Amendments approved by SECP on February 6, 2015 and Gazette Notified on March 25, 2015:

a) Typographical errors/duplications have been removed from the KSE Regulations.
b) Insertion of "Government Debt Securities (GDS) Market Regulations" as Chapter 6 of KSE regulations has been approved by SECP.

8. Amendments approved by SECP on February 6, 2015 and Gazette Notified on March 18, 2015:

a) Sub-clause 4.19.1. of KSE Regulations has been amended.
b) Sub-clause 6.1 of Schedule-A "Scope of Audit" to Chapter 23 has been amended.

9. Amendments approved by SECP on February 13, 2015 and Gazette Notified on April 1, 2015:

a) Clause 8.15. of KSE Regulations has been amended.
b) Sub-clause 8.17.5. of KSE Regulations has been amended.

10. Amendments approved by SECP on February 18, 2015 and Gazette Notified on April 15, 2015:

New clauses 3.10 and 3.11 of KSE Regulations have been inserted.

11. Amendments to Code of Corporate Governance approved by SECP on February 23, 2015 and Gazette Notified on April 15, 2015 :

a) Sub-clause 5.6.1.(d) of KSE Regulations has been amended.
b) Sub-clause 5.19.15. of KSE Regulations has been amended.

12. Amendments approved by SECP on April 13, 2015 and Gazette Notified on May 20, 2015:

a) Clause 4.19. of KSE Regulations has been amended.
b) Clauses 6 and 11 of Schedule-A "Scope of Audit" to Chapter 23 have been amended.

13. Amendment approved by SECP on April 14, 2015 and Gazette Notified on June 24, 2015:

Sub-clause 19.10.4. of KSE Regulations has been amended.

14. New Chapter and consequential amendments approved by SECP on May 18, 2015 and Gazette Notified on July 22, 2015:

a) Sub-clause (xlvia) in clause 2.4. of KSE Regulations has been inserted.
b) The sub-clause 5.1.1.(m) of clause 5.1. has been deleted.
c) Listing of Debt Securities Regulations as Chapter 5B of KSE Regulations has been inserted.

15. Amendments approved by SECP on July 15, 2015 and July 24, 2015 and sent for Gazette Notification:

a) New sub-clauses 4.19.6. and 4.19.7. of KSE Regulations have been inserted.
b) New clauses 4.23. and 4.24. of KSE Regulations have been inserted.
c) Sub-clause 5.6.1.(d) of KSE Regulation has been amended.
d) Sub-clause 5.6.2.(a) of KSE Regulation has been amended.
e) Sub-clause 19.3.2. of KSE Regulation has been amended
f) Sub-clause 19.10.7. of clause 19.10. has been deleted.
g) Existing sub-clause 19.10.8 of clause 19.10 has been renumbered as 19.10.7.
h) New sub-clause 1.11 of Schedule-A “Scope of Audit” to Chapter 23 has been inserted.
i) Existing sub-clause 1.11 of Schedule-A “Scope of Audit” to Chapter 23 has been renumbered as 1.12.

16. Amendments approved by SECP on November 02, 2015 and sent for Gazette Notification:

a) Sub-clause 6.6. (c) of KSE Regulations has been amended.
b) Clause 6.12. of KSE Regulations has been amended.
c) Clause 6.13. of KSE Regulations has been amended.

17. Amendments approved by SECP on November 09, 2015 and sent for Gazette Notification:

a) New clause 4.25 of KSE Regulations has been inserted.
b) Sub-clause 19.5.4. of KSE Regulations has been amended.

18. Amendments approved by SECP on December 18, 2015 and January 01, 2016 pursuant to integration of stock exchanges which shall take effect from January 11, 2016 (the effective date of integration of stock exchanges) and sent for Gazette Notification:

a) Consequential changes in the entire KSE Regulations were incorporated pertaining to change in the name of ‘Karachi Stock Exchange Limited (KSE or KSEL)’ to “Pakistan Stock Exchange Limited (PSX)”.
b) Schedule-I ‘Base Minimum Capital to be Maintained by a Broker’ of Chapter 19 of PSX Regulations has been amended.
c) Format of Certificate of Registration of Offices/Branch Offices of TRE Certificate Holders has been amended.

19. Amendments approved by SECP on January 01, 2016 which shall take effect from January 11, 2016 (the effective date of integration of stock exchanges) and sent for Gazette Notification:

a) Sub-Clauses 8.3.2. and 8.3.3. of PSX Regulations have been amended.
b) Sub-Clause 8B.5.3. of PSX Regulations has been amended.

20. Amendments approved by SECP on January 08, 2016 and sent for Gazette Notification:

a) Clause 4.20 of PSX Regulations has been amended.
b) New clause 4.26 of PSX Regulations has been inserted.
c) New sub-clause 5A.1.1. (a) has been inserted and the existing sub-clause 5A.1.1. (a) of PSX Regulations has been renumbered as 5A.1.1. (b).
d) Existing sub-clause 5A.1.1. (b) of PSX Regulations has been deleted.
e) New sub-clause 5A.1.1. (c) has been inserted and the existing sub-clauses 5A.1.1. (c) and 5A.1.1. (d) of PSX Regulations have been renumbered as 5A.1.1. (d) and 5A.1.1. (e) respectively.
f) Existing sub-clause 5A.1.1. (e) of PSX Regulations has been deleted.
g) Sub-clause 5A.1.1. (h) of PSX Regulations has been amended.
h) Sub-clauses 5A.2. (c), 5A.2. (f), 5A.2. (g), 5A.2. (i), 5A.2. (j) and 5A.2. (k) of PSX Regulations have been amended.
i) Sub-clause 5A.3. (b) of PSX Regulations has been amended.
j) Sub-clause 5A.5.2. of PSX Regulations has been amended.
k) Clause 5A.6 of PSX Regulations has been amended.
l) Existing clause 5A.7 of PSX Regulations has been deleted and the existing clauses 5A.8, 5A.9 and 5A.10 of PSX Regulations have been re-numbered as 5A.7, 5A.8 and 5A.9 respectively.
m) Existing clause 5A.11 of PSX Regulations has been amended and renumbered as 5A.10.
n) Existing sub-clause 5A.12.2 of PSX Regulations has been amended and the existing clause 5A.12 of PSX Regulations has been renumbered as 5A.11.

o) Existing sub-clauses 5A.13. (c) and 5A.13. (d) of PSX Regulations have been amended and the existing clause 5A.13 of PSX Regulations has been renumbered as 5A.12.
p) Existing clauses 5A.14, 5A.15 and 5A.16 of PSX Regulations have been re-numbered as 5A.13, 5A.14 and 5A.15 respectively.
q) Existing sub-clauses 5A.17.1 and 5A.17.2 of PSX Regulations have been amended and the existing clause 5A.17 of PSX Regulations has been renumbered as 5A.16.
r) Existing clause 5A.18 of PSX Regulations has been renumbered as 5A.17.
s) Existing sub-clauses 5A.19.1, 5A.19.2 and 5A.19.3 of PSX Regulations have been amended and the existing clause 5A.19 of PSX Regulations has been renumbered as 5A.18.
t) Existing sub-clause 5A.20.3 of PSX Regulations has been amended and the existing clause 5A.20 of PSX Regulations has been renumbered as 5A.19.

21. Amendments approved by SECP on January 22, 2016 and sent for Gazette Notification:

a) Sub-Clause 17.2.10 of PSX Regulations has been amended.
b) Sub-Clause 17.3.1 of PSX Regulations has been amended.
c) Annexure-A to Chapter 17 of PSX Regulations has been amended.
d) Sub-clause 19.5.2(f) of PSX Regulations has been amended.

22. Amendment approved by SECP on March 16, 2016 and sent for Gazette Notification:

Sub-clause 4.4.5 of PSX Regulations has been amended.

23. Amendments approved by SECP on March 18, 2016 and sent for Gazette Notification:

a) Sub-clause (xi.a) in clause 2.4 of PSX Regulations has been inserted.
b) Sub-clauses 5.1.1(a), 5.1.1(b), 5.1.1(c), 5.1.1(d), 5.1.1(n), 5.1.1(w) and 5.1.1(x) of PSX Regulations have been deleted and the existing sub-clauses of 5.1.1 have been renumbered.
c) Sub-clause 5.4.6 of PSX Regulations has been amended.
d) Sub-clauses 5.18.1(a) and 5.18.1(c) of PSX Regulations have been amended.
e) Appendix-2 “Issue/Offer of Shares through Book Building” to Chapter 5 has been deleted.

24. Amendments approved by SECP on April 29, 2016 which shall take effect from May 02, 2016 and sent for Gazette Notification:

a) Sub-clauses (vii.a), (xxxi.a), (xlI.a), (xlii.a), (xlii.b), (xlix.a), (lix.a), (lxxv.a), (lxxix.a) and (lxxxiv.a) have been inserted in Clause 2.4 of PSX Regulations.
b) Sub-clauses 2.4.(xxxix) and 2.4.(lxxviii) of PSX Regulations have been amended.
c) New clause 3.12 of PSX Regulations has been inserted.
d) Sub-clause 4.11(b) of PSX Regulations has been amended.
e) Sub-clause 11.1.7 of PSX Regulations has been deleted and the existing sub-clause 11.1.8 has been re-numbered as 11.1.7.
f) Clauses 11.2. and 11.3 of PSX Regulations have been amended.
g) Annexure-I to Chapter 11 of PSX Regulations has been amended.
h) Sub-clause 13.1.(c) of PSX Regulations has been deleted and the existing sub-clauses of 13.1. have been re-numbered.
i) Clauses 13.6. and 13.7 of PSX Regulations have been amended.
j) Annexure-A to Chapter 13 of PSX Regulations has been amended.
k) Clause 14.3. of PSX Regulations has been amended.
l) Annexure-A to Chapter 14 of PSX Regulations has been amended.
m) Sub-clause15.1.(m) of PSX Regulations has been deleted and the existing sub-clauses of 15.1.have been re-numbered.
n) Clause 15.3 of PSX Regulations has been amended.
o) Annexure-A to Chapter 15 of PSX Regulations has been amended.
p) Sub-clauses 16.3.3 and 16.3.4 of PSX Regulations have been amended.
q) Sub-clause17.1.(j) of PSX Regulations has been deleted.
r) Sub-clauses 17.2.2. and 17.2.10 of PSX Regulations have been amended.
s) Clause 17.3 of PSX Regulations has been amended.
t) Existing clauses 17.4 and 17.5 of PSX Regulations have been deleted.
u) Annexure-A to Chapter 17 of PSX Regulations has been amended.
v) Clause19.1 of PSX Regulations has been deleted.
w) Sub-clauses 19.2.1, 19.2.2 and 19.2.3(b) of PSX Regulations have been deleted and the existing sub-clauses 19.2.3.(a) and 19.2.3(c) have been renumbered as 19.1.(a) and 19.1.(b) respectively .
x) Clause 19.3.of PSX Regulations has been amended and renumbered as 19.2.
y) Existing clause19.4 of PSX Regulations has been deleted.
z) Sub-clauses 19.5.1 to 19.5.9 of PSX Regulations have been deleted.
aa) Existing sub-clause 19.5.10 of PSX Regulations has been amended and renumbered as 19.3.
bb) Existing Clauses 19.6, 19.7, 19.8 and 19.9 of PSX Regulations have been deleted.
cc) Existing sub-clause 19.10.1 of PSX Regulations has been amended and renumbered as 19.4.
dd) Sub-clauses 19.10.2 and 19.10.3 of PSX Regulations have been deleted.

ee) Existing sub-clause 19.10.4 of PSX Regulations has been amended and renumbered as 19.5.
ff) Existing sub-clause 19.10.5 of PSX Regulations has been amended and renumbered as 19.6.
gg) Existing sub-clause 19.10.6 of PSX Regulations has been renumbered as 19.7.
hh) Sub-clause 19.10.7 of PSX Regulations has been deleted.
ii) Schedule-I to Chapter 19 of PSX Regulations has been amended.
jj) All existing Schedules numbered II to IX of Chapter 19 of PSX Regulations have been deleted.
kk) Sub-clause 20.1.1. (f) of PSX Regulations has been amended.
ll) Sub-clauses 21.2.1. (a) and 21.2.3. of PSX Regulations have been amended.
mm) Sub-clauses 21.3.1. (a) and 21.3.2 of PSX Regulations have been amended.
nn) Clause 21.3.3 of PSX Regulations has been deleted.
oo) Existing sub-clause 21.3.4 of PSX Regulations has been amended and renumbered as 21.3.3.
pp) Clauses 21.5. and 21.6. of PSX Regulations have been amended.
qq) Clause 21.7 of PSX Regulations has been deleted.
rr) Clause 21.8 of PSX Regulations has been amended and renumbered as 21.7.
ss) Clause 21.9 of PSX Regulations has been deleted and the existing clauses have been renumbered accordingly.

25. Amendments approved by SECP on May 19, 2016 and sent for Gazette Notification:

Clause 5.19.7 of PSX Regulations has been amended.

26. Amendments approved by SECP on June 20, 2016 and sent for Gazette Notification:

a) Clause 4.16 of PSX Regulations has been renumbered as 4.27.
b) Existing clauses 4.17 and 4.18 of PSX Regulations have been renumbered as 4.16 and 4.17 respectively.
c) Existing clause 4.19 has been renumbered as 4.18 and the sub-clause 4.18.6.(b) has been amended.
d) Existing clauses 4.20, 4.21, 4.22, 4.23, 4.24, 4.25 and 4.26 have been renumbered as 4.19, 4.20, 4.21, 4.22, 4.23, 4.24 and 4.25 respectively.
e) New clause 4.26 of PSX Regulations has been inserted.
f) Sub-clause 18.1.1 of PSX Regulations has been amended.
g) Sub-clause 18.1.2 of PSX Regulations has been amended.

27. Amendments approved by SECP on June 23, 2016 and sent for Gazette Notification:

a) Sub-clause 4.13 of PSX Regulations has been amended.
b) Sub-clause 11.4 of Schedule-A “Scope of Audit” to Chapter 23 has been deleted.
c) Existing sub-clauses11.5, 11.6, 11.7 and 11.8 of Schedule-A “Scope of Audit” to Chapter 23 have been re-numbered as 11.4, 11.5, 11.6 and 11.7 respectively.

28. Amendments approved by SECP on July 25, 2016 and sent for Gazette Notification:

a) Sub-clauses 10.4.1. (b) and 10.4.1(c) of PSX Regulations have been amended.
b) Sub-clause 10.5.1. (c) of PSX Regulations has been deleted.
c) Existing sub-clause 10.5.1. (d) of PSX Regulations has been substituted and re-numbered as 10.5.1.(c).
d) Clause 10.6. of PSX Regulations has been amended.

29. Amendments approved by SECP on September 07, 2016 and sent for Gazette Notification:

a) New sub-clause 5.19.23 of PSX Regulations has been inserted.
b) Existing sub-clause 5.19.23 of PSX Regulations has been renumbered as 5.19.24.
c) New sub-clause 23 in Appendix-B ‘Statement of Compliance with the Code of Corporate Governance’ to Chapter 5 of PSX Regulations has been inserted.
d) Existing sub-clause 23 of Appendix-B to Chapter 5 of PSX Regulations has been re-numbered as 24.

30. Amendments approved by SECP on November 30, 2016 and sent for Gazette Notification:

New Sub-clause 3.9.3 of PSX Regulations has been inserted.

31. Amendments approved by SECP on January 03, 2017 which shall take effect from the date of letter of approval i.e. January 03, 2017 and sent for Gazette Notification:

a) Sub-clause 2.4(xl) of PSX Regulations has been amended.
b) Sub-clause 5.1.1. (a) of PSX Regulations has been amended.
c) Sub-clause 5.1.1. (c) of PSX Regulations has been amended.
d) Sub-clause 5.1.1. (i) of PSX Regulations has been amended.
e) New Sub-clause 5.1.1.(i).(a). of PSX Regulations has been inserted.
f) Sub-clause 5.1.1. (m) of PSX Regulations has been amended.
g) Sub-clause 5.1.2 of PSX Regulations has been amended.
h) Clause 5.2. of PSX Regulations has been amended.
i) Clause 5.3. of PSX Regulations has been amended.

j) Sub-clause 5.4.1 of PSX Regulations has been amended.
k) Sub-clause 5.4.5 of PSX Regulations has been amended.
l) Sub-clause 5.4.6 of PSX Regulations has been amended.
m) Sub-clause 5.5.3 of PSX Regulations has been amended.
n) Sub-clause 5.5.7 of PSX Regulations has been amended.
o) Sub-clause 5.5.10 of PSX Regulations has been amended.
p) Sub-clause 5.7.2(c) of PSX Regulations has been amended.
q) Sub-clause 5.20.1 of PSX Regulations has been amended.
r) Sub-clause 5.18.1(c) of PSX Regulations has been amended.
s) Appendix-1 to Chapter 5 of PSX Regulations has been amended.
t) Form II to Chapter 5 of PSX Regulations has been amended.
u) New Form-V to Chapter 5 of PSX Regulations has been inserted.
v) New Form-VI to Chapter 5 of PSX Regulations has been inserted.

32. Amendments approved by SECP on January 10, 2017 which shall take effect from the date of approval letter i.e. January 10, 2017 and sent for Gazette Notification:

Clause 20.3 of PSX Regulations has been amended.

33. Amendments approved by SECP on January 26, 2017 which shall take effect from February 02, 2017 and sent for Gazette Notification:

Sub-clause 18.1.1 of PSX Regulations has been amended.

34. Amendments approved by SECP on March 08, 2017 which shall take effect from the date of approval letter i.e. March 08, 2017 and is being sent for Gazette Notification:

a) Sub-clause 2.1 (o) of PSX Regulations has been amended.
b) Sub-clauses 2.4 (li), (lxxvii) of PSX Regulations have been amended.
c) Sub-clause 3.7.1 of PSX Regulations has been amended.
d) Sub-clause 3.7.4 of PSX Regulations has been amended.
e) Sub-clause 4.12.4(e) of PSX Regulations has been amended.
f) Sub-clause 4.18 (c) (i) of PSX Regulations has been amended.
g) Annexure-I to chapter 4 has been amended.
h) Sub-clause 5.1.1 of PSX Regulations has been amended.
i) Sub-clause 5.16.1 of PSX Regulations has been amended.
j) New clause 5.21 has been inserted.
k) New appendix II to chapter 5 has been inserted.
l) Clause 5A.2 (i) of PSX Regulations has been amended.
m) Sub-clause 5B.4.10 of PSX Regulations has been amended.
n) Sub-clause 5B.11 of PSX Regulations has been amended.
o) Clause 6.6 (a) of PSX Regulations has been amended.
p) Sub-clause 7.4.1 of PSX Regulations has been amended.
q) Sub-clause 8.8.1 of PSX Regulations has been amended.
r) Sub-clause 8.15.4 of PSX Regulations has been amended.
s) Sub-clause 8.15.5 of PSX Regulations has been amended.
t) Sub-clause 8B.15.1 of PSX Regulations has been amended.
u) Sub-clause 8B.18.3 of PSX Regulations has been amended.
v) Sub-clause 9.4.3 PSX Regulations has been amended.
w) Clause 9.11 of PSX Regulations has been amended.
x) Sub-clause 10.5.2 (b) of PSX Regulations has been amended.
y) Sub-clause 10.8.9 of PSX Regulations has been amended.
z) Sub-clause 10.8.15 of PSX Regulations has been amended.
aa) Sub-clause 10.8.16 of PSX Regulations has been amended.
bb) Sub-clause 10.8.18 of PSX Regulations has been amended.
cc) Sub-clause 10.14.4 of PSX Regulations has been amended.
dd) Clause 10.16 of PSX Regulations has been amended.
ee) Sub-clause 11.1.3 of PSX Regulations has been amended.
ff) Sub-clause 11.1.7 of PSX Regulations has been amended.
gg) Sub-clause 11.3.4 of PSX Regulations has been amended.
hh) Clause 11.4 of PSX Regulations has been amended.
ii) Annexure-I to chapter 11 has been amended.
jj) Clause 12.4 of PSX Regulations has been amended.
kk) Sub-clause 12.6.1 of PSX Regulations has been amended.
ll) Sub-clause 12.8.6 of PSX Regulations has been amended.
mm) Sub-clause 13.2.4 of PSX Regulations has been amended.
nn) Sub-clause 13.7.4 (a) of PSX Regulations has been amended.
oo) Annexure A to chapter 13 has been amended.
pp) Sub-clause 14.3.2 of PSX Regulations has been amended.
qq) Annexure A to chapter 15 has been amended.

rr) Clause 16.1 (i) of PSX Regulations has been amended.
ss) Sub-clause 16.4.1 of PSX Regulations has been amended.
tt) Sub-clause 17.2.10 of PSX Regulations has been amended.
uu) Sub-clause 17.2.11 of PSX Regulations has been amended.
vv) Clause 19.1 (b) of PSX Regulations has been amended.
ww) Schedule-I to chapter 19 has been amended.
xx) Sub-clause 20.2.1 of PSX Regulations has been amended.
yy) Sub-clause 20.2.2 of PSX Regulations has been amended.
zz) Sub-clause 20.9.1 of PSX Regulations has been amended.

35. Amendments approved by SECP on March 14, 2017 which shall take effect from March 21, 2017 and sent for Gazette Notification:

Sub-clause 18.4.5 of PSX Regulations has been amended.

36. Amendments approved by SECP on April 04, 2017 which shall take effect from the date of letter of approval i.e. April 04, 2017 and sent for Gazette Notification:

a) Sub-clause 3.4.2 of PSX Regulations has been amended.
b) Clause 4.11 (d) of PSX Regulations has been amended.
c) Sub-clause 5A.8.1 (i) of PSX Regulations has been amended.
d) Clause 6.15 of PSX Regulations has been amended.
e) Clause 10.2 of PSX Regulations has been amended.
f) Sub-clause 11.2.2 of PSX Regulations has been amended.
g) Sub-clause 12.3.3 (i) of PSX Regulations has been amended.
h) Sub-clause 13.6.1 of PSX Regulations has been amended.
i) Sub-clause 14.2.2 of PSX Regulations has been amended.
j) Sub-clause 15.2.2 of PSX Regulations has been amended.
k) Sub-clause 17.2.2 of PSX Regulations has been amended.
l) Clause 19.3 of PSX Regulations has been deleted.
m) Sub-clause 20.10.6 of PSX Regulations has been amended.
n) Sub-clause 21.2.3 of PSX Regulations has been deleted

37. Amendments approved by SECP on April 07, 2017 which shall take effect from April 13, 2017 and sent for Gazette Notification:

a) Clause 6.1 (g) and 6.1 (k) of PSX Regulations have been amended.
b) Clause 6.11 of PSX Regulations has been amended.
c) Form C to chapter 6 has been amended.

38. Amendments approved by SECP on May 19, 2017 which shall take effect from the date of letter of approval i.e. May 19, 2017 and sent for Gazette Notification:

a) Sub-clause 4.4.1 and 4.4.5 of PSX Regulations have been amended.
b) Annexure-A to Chapter 22 has been amended.

39. Amendments approved by SECP on June 07, 2017 which shall take effect from the date of letter of approval i.e. June 07, 2017 and sent for Gazette Notification:

a) Clause 22.1 (a), (f) and (g) of PSX Regulations have been amended.
b) Clause 22.2 of PSX Regulations has been amended.
c) Sub-clause 22.5.3 of PSX Regulations has been amended.
d) Sub-clause 22.5.5 of PSX Regulations has been amended.
e) Sub-clause 22.5.6 of PSX Regulations has been shifted in Clause 22.9
f) Sub-clause 22.5.7 of PSX Regulations has been newly inserted.
g) Sub-clause 22.5.8 of PSX Regulations has been newly inserted.
h) Clause 22.8 of PSX Regulations has been amended.
i) Clause 22.9 of PSX Regulations has been newly inserted.
j) Annexure-D and Annexure-E to chapter 22 have been newly inserted.

40. Amendments approved by SECP on June 14, 2017 which shall take effect from the date of letter of approval i.e. June 14, 2017 and sent for Gazette Notification:

a) Sub-clause 9.12.3 of PSX Regulations has been newly inserted
b) Sub-clause 9.13.3 of PSX Regulations has been amended.
c) Sub-clause 19.5.1 of PSX Regulations has been amended.
d) Clause 20.5A of PSX Regulations has been newly inserted.

41. Amendments approved by SECP on August 11, 2017 which shall take effect from the date of letter of approval i.e. August 11, 2017 and sent for Gazette Notification:

a) Sub-clause (e) of clause 5.6.1 of PSX Regulations has been newly inserted.
b) Sub-clause (a) of clause 5.18.1 of PSX Regulation has been amended.

42. Amendments approved by SECP on September 14, 2017 which shall take effect from the date of letter of approval i.e. September 14, 2017 and sent for Gazette Notification:

a) Sub-clause 3.7.1 of PSX Regulations has been amended.
b) Sub-clause 4.18.2 of PSX Regulations has been amended.
c) Sub-clause 4.18.4, 4.18.5 and 4.18.7 of PSX Regulations have been deleted.
d) Clause 4.19 and 4.21 of PSX Regulations have been amended.
e) Clause 4.27 of PSX Regulations has been deleted.
f) Clause 9.15 of PSX Regulations has been amended.
g) Sub-clause 20.1.1 of PSX Regulations has been amended.
h) Sub-clause 20.1.2 of PSX Regulations has been merged with sub-clause 20.1.1.
i) Sub-clause 20.1.3 of PSX Regulations has been renumbered as 20.1.2.
j) Sub-clause 20.1.4 of PSX Regulations has been deleted.
k) Clause 20.2, 20.3 and 20.4 of PSX Regulations have been amended.
l) Sub-clause 20.4.10 of PSX Regulations has been renumbered as 20.4A.
m) Sub-clause 20.4.11 of PSX Regulations has been deleted.
n) New sub-clause 20.5 has been inserted and existing 20.5 of PSX Regulations has been renumbered as 20.5A.
o) Sub-clauses 20.5B, 20.5C and 20.5D of PSX Regulations have been newly inserted.
p) Existing 20.5B of PSX Regulations has been renumbered as 20.5E.
q) Clause 20.6, 20.7 and 20.8 of PSX Regulations have been amended.
r) Clause 20.14 and 20.15 of PSX Regulations have been newly inserted.

43. Amendments approved by SECP on September 21, 2017 which shall take effect from the date of letter of approval i.e. September 21, 2017 and sent for Gazette Notification:

a) Clause 2.4(ix) and 2.4(Ixviii) of PSX Regulations have been amended and 2.4 (Iix.a.) and 2.4(Ixvii.a.) of PSX Regulations have been newly inserted.
b) Clause 10.1(b) of PSX Regulations has been deleted.
c) Sub-clause 10.14.1 of PSX Regulations has been amended.
d) Sub-clause 10.14.3 of PSX Regulations has been amended.
e) Sub-clause 10.14.4 of PSX Regulations has been amended.
f) Clause 10.15 of PSX Regulations has been amended.
g) Clause 10.16 of PSX Regulations has been amended.
h) Clause 10.17 of PSX Regulations has been amended.
i) Clause 10.18 of PSX Regulations has been amended.
j) Clause 10.19 of PSX Regulations has been amended.
k) Clause 10.20 of PSX Regulations has been amended.
l) Clause 10.21 of PSX Regulations has been amended
m) Clause 13.1(f) of PSX Regulations has been deleted.
n) Clause 13.5 of PSX Regulations has been amended.
o) Clause 13.9 of PSX Regulations has been amended.
p) Clause 13.10 of PSX Regulations has been amended.
q) Clause 20.9 of PSX Regulations has been amended.

44. Amendments approved by SECP on November 15, 2017 which shall take effect from November 21, 2017 and sent for Gazette Notification:

a) Clause 2.4(xlvi) has been deleted and 2.4(xiv.a) has been newly inserted.
b) Sub-clause 12.8.11 of PSX Regulations has been amended.
c) Clause 20.10 and 20.11 of PSX Regulations have been amended.
d) Clause 21.4 and 21.7 of PSX Regulations have been amended.
e) Clause 24.1, 24.2, 24.3 and 24.4 of PSX Regulations have been amended.
f) A new Schedule I to Chapter 24 has been inserted.

45. Amendments approved by SECP on November 09, 2017 which shall take effect from the November 23, 2017 and sent for Gazette Notification:

a) Schedule I to Chapter 19 of PSX Regulations has been amended.

46. Amendments approved by SECP on December 08, 2017 which shall take effect from the December 08, 2017 and sent for Gazette Notification:

a) Sub-clause 5.11.1 of PSX Regulations has been amended.
b) Sub-clause 5.11.2 of PSX Regulations has been amended.
c) Sub-clause 5.11.3 of PSX Regulations has been newly inserted.
d) Sub-clause 5.11.4 of PSX Regulations has been newly inserted.
e) Sub-clause 5.11.5 of PSX Regulations has been amended.
f) Sub-clause 5.11.6 of PSX Regulations has been amended.
g) Sub-clause 5.11.7 of PSX Regulations has been newly inserted.
h) Clause 5.22 of PSX Regulations has been newly inserted.

47. Amendments approved by SECP vide its directive dated January 16, 2018 which shall take effect from January 19, 2018 and sent for Gazette Notification:

a) Sub-clause 5.11.1 (l) and (m) of PSX Regulations have been amended.

48. Amendments approved by SECP on March 16, 2018 which shall take effect from the date of letter of approval i.e. March 16, 2018 and sent for Gazette Notification:

a) Sub-clause 4.21.2 of PSX Regulations has been amended.
b) Sub-clause 5.15.4 of PSX Regulations has been amended.
c) Sub-clause 5.15.5 of PSX Regulations has been newly inserted.
d) Existing sub-clauses 5.15.5, 5.15.6, 5.15.7 & 5.15.8 have been renumbered as 5.15.6, 5.15.7, 5.15.8 & 5.15.9.
e) Sub-clause 5.16.2 of PSX Regulations has been amended.
f) Sub-clause 5.16.3 of PSX Regulations has been newly inserted.
g) Existing sub-clauses 5.16.3, 5.16.4 & 5.16.5 have been renumbered as 5.16.4, 5.16.5 & 5.16.6.

49. Amendments approved by SECP on April 10, 2018 which shall take effect from the date of letter of approval i.e. April 10, 2018 and sent for Gazette Notification:

a) Sub-clause 5.4.1 (a)(ii) of PSX Regulations has been amended.
b) Sub-Clauses 5.4.1(a) (iii) and (iv) of PSX Regulations have been deleted.
c) Sub-clause 5.4.1(b)(ii),(iii),(iv),(v),(vi) and (vii) of PSX Regulations have been deleted.
d) Sub-clause 5.4.1A and 5.4.1B of PSX Regulations have been deleted.

50. Amendments approved by SECP on April 10, 2018 which shall take effect from the date of letter of approval i.e. April 10, 2018 and sent for Gazette Notification:

a) Sub-clause 5.11.1 (n) of PSX Regulations has been amended.
b) Sub-clause 5.18.1 (g) of PSX Regulations has been newly inserted.

51. Amendments approved by SECP on May 09, 2018 which shall take effect from the date of letter of approval i.e. May 09, 2018 and sent for Gazette Notification:

a) Clause 4.27 of PSX Regulations has been newly inserted.
b) Clause 20.10 of PSX Regulations has been newly inserted.
c) Existing clauses 20.10, 20.11, 20.12, 20.13, 20.14 and 20.15 have been renumbered as 20.11, 20.12, 20.13, 20.14, 20.15 and 20.16 respectively.

52. Amendments approved by SECP on June 07, 2018 which shall take effect from the date of letter of approval i.e. June 07, 2018 and sent for Gazette Notification:

a) Sub-clause 5.5.14 (a) of PSX Regulations has been amended.
b) Sub-clauses 5.6.1 (a) and (d) of PSX Regulations have been amended.
c) Entire clause 5.19, except clause 5.19.23, of PSX Regulations has been deleted.
d) Existing clause 5.19.23 has been renumbered as 5.19.
e) Form II to Chapter 5 of PSX Regulations has been amended.

Note: Deletion of clause 5.19 resulted in change of numbering of entire pages of PSX Regulations.

53. Amendments approved by SECP on June 07, 2018 which shall take effect from July 01, 2018 and sent for Gazette Notification:

Clause 5.18.1 of PSX Regulations has been amended.

54. Amendments approved by SECP on June 14, 2018 which shall take effect from the date of letter of approval i.e. June 14, 2018 and sent for Gazette Notification:

Privately Placed Debt Securities' Listing Regulations as Chapter 5C of PSX Regulations have been inserted.

55. Amendments approved by SECP on July 10, 2018 which shall take effect from the date of letter of approval i.e. July 10, 2018 and are being sent for Gazette Notification:

Clause 5.6.4 of PSX Regulations has been amended.

PREFACE

Karachi Stock Exchange Limited (KSEL) [presently named as Pakistan Stock Exchange Limited (PSX)] was corporatized and demutualized as a company limited by shares with effect from August 27, 2012 pursuant to promulgation of Stock Exchanges (Corporatization, Demutualization & Integration) Act, 2012 on May 7, 2012.

The above development necessitated a comprehensive review of the regulatory framework of the KSEL which was previously set out in different sets of regulations resulting in duplication and difficulty in handling these regulations. In order to ensure harmonization, conciseness, address redundancies and integration of the separate sets of regulations, it was endeavored to consolidate these regulations at a single place in line with international best practices. Accordingly, with the joint efforts of KSEL and the Securities and Exchange Commission of Pakistan (SECP), the Rule Book was compiled as a single consolidated document and approved by the SECP in exercise of the powers conferred upon it under Securities and Exchange Ordinance, 1969.

The Rule Book also incorporates requisite regulatory amendments to the regulatory framework of the KSEL consequent to the corporatization and demutualization of the KSEL. These amendments provide regulatory cover to a number of structural changes at KSEL in the wake of demutualization including, segregation of regulatory and commercial functions of the KSEL, introduction of the concept of Base Minimum Capital, formation of Regulatory Affairs Committee (RAC) and Regulatory Affairs Division (RAD), the appointment of Chief Regulatory Officer (CRO) as the head of the RAD, recognition of the role of the RAC and the CRO in the regulatory, enforcement and arbitration domains etc.

The Rule Book is divided in chapters which represent the existing regulations of KSEL in an amended form and certain new chapters have also been incorporated in the regulatory framework of the KSEL. The Rule Book will be useful for the regulated entities of the Exchange and stock market investors at large for understanding the regulatory framework, rights and obligations as well as recourse available to them in case of dispute.

As a result of above developments, KSEL comes at par with any developed stock exchange. The KSEL acknowledges the cooperation extended by the SECP, the Board of Directors of KSEL, the RAC and the management team of KSEL in formulation and implementation of the Rule Book.

Muneer Kamal
Chairman, Karachi Stock Exchange Limited

FOREWORD

The Rule Book is a landmark achievement in the history of Karachi Stock Exchange Limited (KSEL) [presently named as Pakistan Stock Exchange Limited (PSX)] as it strengthens the regulatory framework of KSEL by providing a wider and deeper coverage to the securities market consequent to its corporatization and demutualization.

The Rule Book will provide the regulated entities, investors, practitioners, educational institutions, associations, professional accountancy bodies and all other readers with comprehensive coverage of the securities market regulations ultimately leading to widespread regulatory awareness and greater compliance.

I congratulate KSEL on this historic achievement.

Syed Muhammad Shabbar Zaidi
Chairman, Regulatory Affairs Committee of KSEL

FOREWORD

Karachi Stock Exchange Limited (KSEL) [presently named as Pakistan Stock Exchange Limited (PSX)] has the distinction of being the leading stock exchange of Pakistan by facilitating long-term capital mobilization for industry while providing an efficient and transparent platform for securities trading for investors. Evolution of the regulatory and operating eco-system of KSEL has been an ongoing process. This process received a major boost through the Corporatization and Demutualization Act of 2012 which provided an opportunity for a thorough review of the myriad rules, procedures and policies governing KSEL's operations, the role of various market participants and issuers of listed securities, as well as ensuring investors' interest.

In this context, the present compilation of rules and regulations in a single document (the Rule Book) will provide the necessary foundation for the regulatory eco-system that allows clarity of roles and responsibilities for capital market participants. It is a pleasure to see the launch of the first ever consolidated regulatory document in the form of KSEL Rule Book.

Nadeem Naqvi
Managing Director, KSEL

FOREWORD

A fair, efficient and transparent regulatory system of the securities market is an important source of sustaining trust and confidence of the market participants in the capital market. The implementation of the Rule Book is a significant step in this direction. The Rule Book effectively updates the earlier regulatory system of the Karachi Stock Exchange Limited (KSEL) [presently named as Pakistan Stock Exchange Limited (PSX)] enforced prior to demutualization of KSEL with clearly spelled out rights and obligations in compiled form for easier understanding with relevant contexts. In my opinion, this will open doors to new era of effective regulatory and compliance regime for smooth and fair operations of the securities business.

Our efforts will remain to continuously evolve the contents of Rule Book and introduce or revise chapters/clauses to improve effectiveness and address redundancies for robust regulatory and enforcement regime.

Shafqat Ali
Chief Regulatory Officer, KSEL

ACKNOWLEDGEMENT

Karachi Stock Exchange Limited (KSEL) [presently named as Pakistan Stock Exchange Limited (PSX)] acknowledges with deep appreciation the constant supervision, guidance and support of the following members of the Regulatory Affairs Committee (RAC) of KSEL in compilation and implementation of the first ever Rule Book of KSEL.

MEMBERS OF RAC:

Mr. Syed Muhammad Shabbar Zaidi (Chairman - RAC)
Mr. Abdul Qadir Memon
Mr. Asif Qadir
Mr. Kamal Afsar

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Chapter 1: PREAMBLE, SHORT TITLE AND COMMENCEMENT

1.1. PREAMBLE:

Karachi Stock exchange Limited (presently named as Pakistan Stock Exchange Limited), in exercise of its powers conferred under Section 34 of the Securities & Exchange Ordinance, 1969 (XVII of 1969), and with the prior approval of the Securities and Exchange Commission of Pakistan, hereby makes these Regulations.

1.2. SHORT TITLE:

These Regulations shall be known as Pakistan Stock Exchange Limited Regulations (hereinafter referred as "PSX Regulations").

1.3. COMMENCEMENT:

These Regulations shall come into force on the day of their publication in the official gazette of Pakistan.

1.4. POWERS TO RELAX REGULATORY REQUIREMENT(S):

The Securities and Exchange Commission of Pakistan may, upon its own motion, or on a request of the Pakistan Stock Exchange Limited, relax the operation of any requirement of PSX Regulations for a person or a class of persons in exceptional circumstances and for reasons to be recorded in the Securities and Exchange Commission of Pakistan.

Chapter 2: INTERPRETATION AND DEFINITIONS

2.1. GENERAL PRINCIPLES OF INTERPRETATION:

In these Regulations, unless the context otherwise requires:

(a) A reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under that legislative provision;
(b) The singular includes the plural and vice versa;
(c) A reference to an individual or a person includes, an individual, a company, corporation, firm, association of persons, trust, authority or government, any entity as the context admits or requires and vice versa;
(d) unless there is anything repugnant in the subject or context, words importing the "masculine gender" shall include the "feminine gender / corporate entities;
(e) A reference to a recital, article, schedule or annexure is to a recital, article, schedule or annexure of or to these Regulations;
(f) A recital, schedule or annexure forms part of these Regulations unless otherwise provided;
(g) A reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, notated, restated or replaced from time to time;
(h) Where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
(i) A reference to a matter being "to the knowledge" of a person means that the matter is to the best of the knowledge and belief of that person after making reasonable inquiries in the circumstances;
(j) The capitalized terms used in these Regulations shall have the same meaning as given to them in these Regulations. However, if a term has not been so defined in these Regulations then it shall have the same meaning as has been defined in the Companies Ordinance, 1984, Securities and Exchange Ordinance, 1969, Stock Exchanges (Corporatization, Demutualization & Integration) Act, 2012 or any Rules or Regulations made thereunder or other applicable law for the time being in force;
(k) The headings in these Regulations are for convenience only and do not affect interpretation of any provisions of these Regulations;
(l) A construction that furthers the object or purpose of any of the provisions of these Regulations shall be preferred over any other construction of such provisions;
(m) A reference to any power of the Exchange shall include the Board or any officer or the Committee of the Exchange so delegated by the Board;
(n) Gregorian calendar shall be used whenever counting days, months or years mentioned in these Regulations;
(o) The term 'day(s)' shall mean calendar day(s), unless specifically stated as working/trading/ settlement day(s) when the exchange is open for business in Pakistan;
In case any action or requirement under these regulations falls due on the day on which the Exchange is closed for business, as announced by the Exchange, the first trading day following the holiday(s) of the Exchange shall become applicable.
(p) The terms and phrases used herein without a specific definition shall have the meaning in accordance with current trade practice;
(q) All existing Regulations of the Exchange shall stand repealed. However, repeal of such regulations shall not affect any act or omission committed under such regulations when they were in force. Any circular, notification, order or exemption issued, made or granted under the repealed Regulations shall have effect as if had been issued, made or granted under the corresponding provision of these Regulations. Any official appointed and anybody elected or constituted under any repealed Regulations shall continue and shall be deemed to have been appointed, elected or constituted, as the case may be, under the corresponding provision of these Regulations. Any document referring to any Regulation hereby repealed shall be construed as referring, as far as may be, to these Regulations, or to the corresponding provision of these Regulations;
(r) Where any communication, decision, agreement, arrangement or contract is not in conformity with these Regulations, then PSX Regulations shall take precedence;
(s) Where any provision of PSX Regulations contradicts any provisions of the SECP Rules/Regulations for the time being in force, such SECP Rules/Regulations shall take precedence.

2.2. APPLICABILITY:

Unless provided otherwise, these Regulations shall apply to the Board of Directors, all employees, Brokers and their clients, constituents and Agents, TRE Certificate Holders, shareholders, issuers/offerors, listed companies and general public dealing with the Exchange in any manner and capacity.

2.3. SEVERABILITY:

If any provision of these Regulations is held by any court, tribunal or other regulatory authority to be unenforceable or contrary to any law, rules, regulations, circulars, notifications, judicial decision etc. then such provision shall be deemed to be severed from these Regulations, however, it shall not affect the enforceability or validity of the remaining provisions of these Regulations which shall continue to be in force and apply.

2.4. GENERAL DEFINITIONS:

In these Regulations, unless there is anything repugnant in the subject or context:

i.	Act	means the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012;
ii.	Agent or Accredited Agent	means a person appointed by a Broker to act on his behalf for the purposes recognized by the Exchange and registered with the Commission under the Brokers and Agents Registration Rules, 2001;
iii.	All Markets	means the different markets provided by the Exchange and are governed under these Regulations which include Ready Delivery Contract Market which includes ODD Lots market, Deliverable Futures Contract Market, Cash-Settled Futures Contract Market, Stock Indices Futures Contract Market, Futures Trading in Provisionally Listed Companies Market, Index Options Market, Debt Securities Market and any other market which the Board may provide for with the prior approval of the Commission and individually referred to as a "Market";
iv.	Articles	means the Articles of Association of the Exchange;
v.	Asset Management Company (AMC)	shall have the same meaning as ascribed thereto under the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
vi.	Authorized Participant (AP)	means a Market Maker as defined under chapter 12 of these Regulations, appointed by the AMC under the Authorized Participant Agreement and obligations and responsibilities of whom are also specified in the Constitutive Documents;
vii.	Authorized Participant Agreement (APA)	means an agreement entered into between the Authorized Participant, Trustee and the Asset Management Company setting out the roles and responsibilities of each party and includes, among other things, the terms and procedures to be adopted by the AMC and AP for the issuance and redemption of creation units. Minimum contents of the Authorized Participant Agreement are specified in Annexure-A attached to chapter 16 relating to ETFs of these Regulations;
vii.a.	Bank Guarantee	means a Guarantee issued by a bank as mentioned below and deposited by the Brokers in the form acceptable to the Exchange in order to fulfill their BMC requirements, provided that such Guarantees are issued by such banks which meets the following criteria for this purpose. The Bank: (i) is duly licensed to carry on banking business in Pakistan under the Banking Companies Ordinance, 1962 (LVII of 1962), or, being a statutory corporation, it is otherwise entitled to carry on banking business under the law it is created; (ii) has been allocated minimum credit rating of 'A'. Provided that, where a bank has been allocated credit rating of 'A', the maximum amount of such Guarantee per Broker is limited up to Rs.400 million, whereas in case of 'AA' or above credit rated bank, the maximum amount of such Guarantee per Broker is limited up to Rs.1.0 billion; and The Exchange shall maintain a list of banks which satisfy the aforementioned eligibility criteria for issuing the Bank Guarantees acceptable to the Exchange for satisfying BMC requirements.
viii.	Base Minimum Capital (BMC)	means the collateral deposited and/or maintained by the Broker with the Exchange for its eligibility to trade through the Exchange Trading Systems to be calculated/prescribed as per Schedule-I annexed to chapter 19 of PSX Regulations;
ix.	Blank Sale	means a sale by a Broker on its proprietary account or on client's account when the Broker or client does not own shares respectively at the time of sale, or the sale does not constitute a sale with Pre-Existing Interest, or is a sale without entering into a Securities Lending and Borrowing Contract to meet delivery requirements on settlement date;
x.	Blocked Account	means a CDC account opened and maintained by the Exchange in accordance with clause (c) of sub-section (1) of section 5 of the Act;
xi.	Board	means the Board of Directors of the Exchange;
xi.a.	Book Building	means a process of eliciting demand for shares offered for sale as prescribed under Book Building Regulations, 2015 framed by the Commission and as amended from time to time;
xii.	Book Entry Security	shall have the same meaning as ascribed thereto in the Central Depository Act, 1997 and the CDC Regulations made thereunder;
xiii.	Broker	means a TRE Certificate Holder of the Exchange engaged in the business of executing transactions in Securities for his own account or on account of his clients and is registered with the Commission as a Broker under the Brokers and Agents Registration Rules, 2001;
xiv.	Broker Clearing Member (BCM)	shall have the same meaning as ascribed thereto in the NCCPL Regulations 2003;

xiv.a.	CCPF	means the Centralized Customers Protection Compensation Fund established and operated in accordance with the Customers Compensation Fund (Establishment and Operations) Rules, 2017 and Centralized Customer Protection Compensation Fund Regulations, 2017.
xv.	CDC	means the Central Depository Company of Pakistan Limited and its successors in interest;
xvi.	CDC Regulations	means Central Depositary Company of Pakistan Limited Regulations for the time being in force;
xvii.	CDS	means the Central Depository Systems established and operated by the CDC;
xviii.	Central Depository	shall have the same meaning as ascribed thereto under the Securities and Exchange Ordinance, 1969 (XVII of 1969);
xix.	CHPF	means the Clearing House Protection Fund of the Exchange governed and operated by the Trustees of CHPF Trust under its Trust Deed and regulations, if any;
xx.	Clearing Day	means the clearing day fixed by the Exchange from time to time;
xxi.	Clearing House	means the Clearing House established and operated by the Exchange;
xxii.	Closing Price	means the price determined as per methodology prescribed under Chapter 19 of PSX Regulations;
xxiii.	Commission	means the Securities and Exchange Commission of Pakistan;
xxiv.	Connected Person	means in relation to a natural person, a spouse, real, step or half sibling, lineal ascendant or descendant of such person, a partner, promoter or substantial shareholder of an undertaking, company or body corporate of which such person is also a partner, promoter, substantial shareholder or any undertaking, company or body corporate in which such person is a partner, promoter, substantial shareholder or director, in relation to a legal person a Connected Person means an undertaking, company or body corporate which is a holding, subsidiary or associated company of such legal person;
xxv.	Contract	means standardized contract eligible for trading as a single or multiple thereof in the respective Markets on the terms and conditions defined under the relevant chapters of these Regulations as amended from time to time;
xxvi.	Corporate Brokerage House	means the TRE Certificate Holder being a private or a public company incorporated under the Ordinance and registered as a Broker with the Commission;
xxvii.	Corporatization	means the conversion of the Exchange from a company limited by guarantee to a company limited by shares;
xxviii.	CRO	means Chief Regulatory Officer of the Exchange;
xxix.	Cross Trade	means the trade executed either between the two clients of the same Broker or a client and his Broker's proprietary account through the Trading Systems;
xxx.	Debt Securities or Debt Market Securities	Include Corporate Debt Securities such as Term Finance Certificates (TFCs), SUKUK Certificates Sharia Compliant Bonds, Registered Bonds, Corporate Bonds, Commercial Papers, Participation Term Certificates (PTCs), collateralized Securities and all kinds of debt instruments issued by any Pakistani or foreign company or corporation registered in Pakistan;
xxxi.	Defaulter	means a TRE Certificate Holder declared as a defaulter by the Exchange under chapter 21 of these Regulations;
xxxi.a.	Deliverable Futures Contract Market	means a market made available by the Exchange for trading in Deliverable Futures Contracts as stipulated in Chapter 13 Governing Deliverable Futures Contract Market Regulations;
xxxii.	Demutualization Regulations	means Stock Exchanges (Corporatisation, Demutualization and Integration) Regulations, 2012 framed by the Commission under Section 23 of the Act;
xxxiii.	Derivative Contracts	means Deliverable Futures Contract, Cash Settled Futures Contract, Stock Index Futures Contract and Index Options Contract;
xxxiv.	Downtick	means the price of a security below the last executed price of that security transacted through the Exchange Trading System;
xxxv.	ETF	means Exchange Traded Fund, which is a listed index-tracking open-ended fund structured as a Collective Investment Scheme. The primary objective of the ETF is to mimic the return of a particular benchmark index by investing substantially all of its assets in the constitution securities of the Benchmark Index. ETF issues and redeems creation units in kind through APs only;
xxxvi.	ETF Unit	means a unit of open-ended scheme that tracks a benchmark index and is listed on the stock exchange and may be traded like any other share on the stock exchange;
xxxvii.	Exchange	means the Pakistan Stock Exchange Limited including, where the context so permits, Board, any committee, sub-committee, employee or officer to whom any function of the Pakistan Stock Exchange Limited may for the time delegated;
xxxviii.	Exchange Trading Systems or Trading Systems	means the Karachi Automated Trading System (KATS), Bonds Automated Trading System (BATS) and any other electronic trading system established from time to time which also include its allied computer applications and software established by the Exchange from time to time;

xxxix.	Exposure	means at any point in time, security-wise and client-wise cumulative net unsettled amount of purchases and sales, of a Broker (including proprietary trades) under each Markets determined in accordance with NCCPL Regulations;
xl.	Free-Float	means the number of ordinary shares readily available for trading through the Exchange which comprises of total outstanding ordinary shares excluding the shares held by the following categories/persons: (i) Government holdings; (ii) Directors, Sponsors and Senior Management Officers and their Associates;; (iii) Shares in physical form; (iv) Associate Companies/Group Companies (cross holdings); (v) Shares issued under Employees Stock Option Schemes that cannot be sold in the open market in normal course; (vi) Treasury Shares; and (vii) any other category that are barred from selling at the review date. **Explanation:** For the purpose of this definition: i. "Sponsor" has the same meaning as defined in The Companies (Issue of Capital) Rules, 1996; and ii. "Senior Management Officer" and "Associate" have the same meaning as defined in the Securities Act, 2015.
xli.	Futures Trading in Provisionally Listed Companies Market	means a market as envisaged under chapter 11 of these Regulations;
xli.a.	Haircut	means the percentage rates on which the eligible forms of collaterals are discounted for valuation purpose;
xlii.	House Account	means the house account as defined and prescribed under the CDC Regulations as amended from time to time;
xlii.a.	Impact Cost (IC)	represents the amount of adverse price movement in fulfilling an order size of Rs.500,000/- or any other amount as prescribed by the NCCPL with the prior approval of the Commission, during the last six months. The IC is calculated on a real time basis and is adjusted for every change in the order book due to an order size of Rs.500,000/- or any other amount prescribed in the above manner;
xlii.b.	Index Options Market	means a Market made available by the Exchange for trading in Option Contracts as stipulated in Chapter 15 of the PSX Regulations;
xliii.	Initial Shareholder	means the legal owner of the shares of the Exchange on the date of Corporatization, as defined under the Act;
xliv.	Initial TRE Certificate Holder	means any person who has been issued a TRE Certificate under section 5(1) (e) of the Act;
xlv.	Investor	means a person trading in the Securities on the Exchange Trading Systems through a Broker under the terms and conditions specified in these Regulations;
xlvi.	**Deleted**	
xlvi.a.	Issuer	shall mean a public limited Company or a body corporate that has issued or intends to issue securities to the General Public under section 57 or 120 of the Ordinance;
xlvii.	**Deleted**	
xlviii.	Listed Company	means a company or a body corporate whose securities are listed at the Exchange and include a provisionally listed company under these Regulations;
xlix.	Leveraged Market	means the market for offering any of the Leverage Market Contracts as defined under the Securities (Leveraged Markets and Pledging) Rules, 2011;
Xlix.a.	Listed Security	includes any security as defined under the Securities Ordinance and which is accepted for listing on the Exchange in accordance with these Regulations;
xlix.aa.	Margin Eligible Security	shall have the same meaning as ascribed thereto in the NCCPL Regulations;
l.	Mark-to-Market Loss or MtM Loss	means an amount payable by a Broker at any point in time during a trading day on account of trades executed on behalf of its clients, as well as its proprietary unsettled position in any security, to the Clearing House or NCCPL due to the difference between the Transaction Price, on trade to trade basis, of the unsettled position in each security and the Closing Price of that security. In the case of Index Options Contracts, Mark to Market Loss shall mean an amount payable by a Broker at any point in time during a trading day on account of unsettled short positions of its clients, as well as its proprietary unsettled short positions in Options Contracts as Option

		Writer and/or Option Seller, due to the difference between the Exercise Price of the Option Contract and the corresponding Daily Settlement Price determined in accordance with the Regulations Governing Index Options Contracts;
li.	**Mark-to-Market Profit or MtM Profit**	means amount receivable by a Broker at the end of each trading day on account of contracts executed on behalf of its clients, as well as its proprietary unsettled position in any security, from Clearing House or NCCPL due to the difference between Transaction Price, on trade to trade basis, of the unsettled position in each security and the Daily Settlement Price of that Security. In the case of Index Options Contracts, Mark to Mark Profit shall mean an amount receivable by a Broker at any point in time during a trading day on account of Option Contracts purchased on behalf of its clients, as well as its proprietary buy positions in the Option Contracts as an Option holder/ buyer, due to the difference between the Exercise Price of the Option Contract and the corresponding Daily Settlement Price determined in accordance with these Regulations governing Index Option Contracts;
lii.	**NCCPL**	means the National Clearing Company of Pakistan Limited;
liii.	**NCCPL Regulations**	means the Regulations framed by NCCPL from time to time with regard to its functions and operations of NCSS;
liv.	**NCSS**	means the National Clearing and Settlement System of the NCCPL established and operated by NCCPL under NCCPL Regulations and NCSS Procedures made thereunder;
lv.	**Negotiated Deal**	means a deal which has been negotiated between two parties outside the Exchange Trading Systems and reported through the interface provided by the Exchange, which may also be called as an Off Market Transaction;
lvi.	**Non-Broker Clearing Member**	shall have the same meaning as ascribed thereto in the NCCPL Regulations;
lvii.	**Ordinance**	means the Companies Ordinance, 1984 (XLVII of 1984);
lviii.	**PMEX**	means the Pakistan Mercantile Exchange Limited;
lix.	**Prescribed**	means as prescribed under these Regulations or any authority thereof;
lix.a.	**Pre-Existing Interest**	means: i. An earlier purchase in the same settlement or in a different settlement which will settle prior to the settlement of the sale transaction of the same UIN in the same security; or ii. An open position in Margin Trading or Margin Financing Market as a finance on account of same UIN of same security. Explanation: Pre-Existing Interest of a UIN in a security shall be determined based on the UIN perfect matching mechanism as prescribed by CDC and NCCPL.
lx.aa.	**Pre-Trade Margin**	mean the initial margin payable in advance by a Broker at order entry level in the Exchange Trading System;
lx.	**Provisionally Listed Company**	means companies whose shares are provisionally listed on the Exchange under these Regulations subject to the final clearance by the Exchange;
lxi.a.	**PSX Shareholder**	means the legal owner of the shares of the Exchange at any time;
lxi.	**Ready Delivery Contract Market**	means a market where Ready Delivery Contracts are traded;
lxii.	**Ready Delivery Contract or Ready Market Contract**	means trade/ transaction in a Security executed between a buyer and a seller in the Ready Delivery Contract Market or Odd Lots Market established under these Regulations and ready for settlement either on T+1 or T+2 Settlement Day as specified by the Exchange and shall not include Derivative Contracts;
lxiii.	**Regulatory Affairs Committee (RAC)**	means a committee constituted by the Board with prior approval of the Commission;
lxiv.	**Regulatory Affairs Department (RAD)**	means a department/division of the Exchange dealing with the regulatory functions of the Exchanges;
lxv.	**SECP Rules/ Regulations**	means and include all the regulations, notifications, SROs and circulars issued by the Commission from time to time;
lxvi.	**Securities Ordinance**	means the Securities & Exchange Ordinance,1969 (XVII of 1969);
lxvii.	**Securities Rules**	means the rules framed under the Securities Ordinance by the Commission;
lxvii.a.	**Sale**	means a sale of securities by a Broker, on its proprietary account or on client's account, when at the time of sale, the Broker or the client, as the case may be, either owns the securities or has Pre-Existing interest.

lxviii.	Short Sale	means a sale by a Broker, on its Proprietary Account or on Client's Account, when the Broker or client does not own securities respectively at the time of sale or the sale does not constitute a sale with Pre-Existing Interest, but the Broker or the client, as the case may be, has SLB Contract executed through SLB Market at NCCPL in accordance with NCCPL Regulations / Procedures to meet delivery requirements on the settlement date;
lxix.	SIFC	means Stock Index Futures Contract executed through the Trading Systems of the Exchange;
lxx.	SLB Contract	means the Securities Lending and Borrowing Contract executed through NCSS as ascribed thereto in the NCCPL Regulations;
lxxi.	SLB Market	shall have the same meaning as ascribed thereto in the NCCPL Regulations in respect of SLB Market;
lxxii.	SLB Transactions	have the same meaning as provided under the NCCPL Regulations;
lxxiii.	Stock Exchange	means a stock exchange registered under the Securities Ordinance;
lxxiv.	Stock Index Futures Contract	means, a derivative contract executed through the Exchange Trading System subject to these Regulations;
lxxv.a.	Stock Index Futures Contract (SIFC) Market	means a market made available by the Exchange for trading in Stock Index Futures Contracts as stipulated in Chapter 17 Governing Stock Index Futures Contract Market Regulations;
lxxv.	Sub-Account	means a sub -account as defined under the CDC Regulations, as amended from time to time;
lxxvi.	T+2 or T+1	means the abbreviations that refer to the settlement date of Security transactions, where T stands for trade or transaction day on which it takes place. The numbers 1 and 2 denote the number of trading days after the transaction day at which the settlement will take place;
lxxvii.	Theoretical Price	means the Closing Price of a Security for Deliverable Futures Contract and/or Cash-Settled Futures Contracts Markets, if there is no trading in such Security in the respective Market during whole trading day, to be determined as per methodology prescribed under Chapter 19 of PSX Regulations;
lxxviii.	Tick Size	means the minimum price increase or decrease at which trades can be made on the Trading System;
lxxix.a.	Transaction Price	mean the price at which the trade is executed on the Exchange Trading System;
lxxix.	TRE Certificate	means a Trading Right Entitlement Certificate issued by the Exchange including the certificate issued to the existing members on the date of corporatization; evidencing right of the TRE Certificate Holder to apply for registration as a Broker in accordance with the Brokers and Agents Registration Rules, 2001 as amended from time to time;
lxxx.	TRE Certificate Holder	means any person who is issued a TRE Certificate by the Exchange upon Corporatization under Section 5 of the Act, or purchases or acquires such TRE Certificate under Section 16 of the Act or is issued a fresh TRE Certificate in accordance with the provisions of the Act;
lxxxi.	Uniform Criteria	means the eligibility criteria for selection of eligible securities for trading in the different trading segments as prescribed by the Exchange duly approved by the Commission;
lxxxii.	Unique Identification Number (UIN)	shall have the same meaning as ascribed thereto in the NCCPL Regulations;
lxxxiii.	Uptick	means the price of a Security above the last executed price of that Security transacted through the Exchange Trading System;
lxxxiv.a.	VaR or Raw VaR	mean the maximum amount of money that can be lost on a portfolio over a given period of time, with a given level of confidence as determined by the Risk Meter operated by NCCPL;
lxxxiv.	Zero Tick	means the price of a Security without any difference from the last executed price of that Security transacted through the Exchange Trading System;
lxxxv.	Zero-Plus Tick	means the price without any difference in the previous price of a transaction of a Security, which was an Uptick, executed through the Trading System.

Chapter 3: PAKISTAN STOCK EXCHANGE LIMITED

3.1. FIT & PROPER CRITERIA FOR DIRECTORS OF THE EXCHANGE:

3.1.1. Any person desiring to act as a Director on the Board or who is nominated as a member of any committee constituted by the Exchange or the Board shall be required to fulfill the "Fit & Proper Criteria", details of which are specified in Annexure-3A to this chapter. The decision of the Exchange in this regard shall be final and binding on the person desiring to become a Director on the Board.

3.2. CONFLICT OF INTEREST:

3.2.1. It is the responsibility of each Director to act in the best interests of Capital Market and Investors and to refrain from any conduct that may be considered to be adverse or contrary to capital market and interests of Investors.

3.2.2. Each Director should disclose to the Board before a Board meeting, any conflict of interest with respect to any item forming part of agenda of such meeting.

3.2.3. Director should not participate in any deliberation, decision making, proceeding, investigation or disciplinary action by the Exchange in the case of a conflict of interest.

Explanation: A "conflict of interest" exists when a Director's private interest is inconsistent with or opposed to, or gives the appearance of being inconsistent with or opposed to, capital market and Investors interests. Such conflicts of interest may arise not only as a result of a direct personal interest, but also indirectly as a result of the personal interests of a member of his family or organizations affiliated with the Director.

3.3. POWERS OF THE EXCHANGE:

3.3.1. The Exchange shall have such powers as are conferred on it by or under:

(a) The Ordinance;
(b) The Securities Ordinance and Securities Rules made thereunder;
(c) The Demutualization Act and Demutualization Regulations made thereunder;
(d) The Memorandum and Articles of Associations of Exchange;
(e) PSX Regulations;
(f) The decisions, notices, guidelines, clarifications and circulars issued by the Commission from time to time; or
(g) Any other law for the time being in force.

3.3.2. Unless the contrary intention appears, powers conferred on the Exchange by or under PSX Regulations shall be exercised in such manner as the Board may from time to time prescribe in this behalf.

The Exchange shall have the power to implement and amend PSX Regulations subject to prior approval from the Commission.

3.4. DEPOSIT, FEE, CONTRIBUTION AND OTHER SUMS:

3.4.1. In consideration for the facilities and services provided by the Exchange; the TRE Certificate Holders, listed companies and other person shall pay the deposits, fee, contribution and other sums specified by the Exchange in the deposits, fee, contribution and other sums Schedule with the approval of the Commission from time to time. The said schedule shall also stipulate the minimum basic deposits required to be deposited by the Brokers for each trading segment, fee, contribution and other sums payable and the time by which, or period within which, the Deposits, Fee, Contributions and other Sums should be paid.

3.4.2. Such deposits may be utilized by the Exchange for any purpose whatsoever and shall be refundable (if any) by the Exchange upon cancellation of Market Making Agreement. However, the refund shall be made after making deductions on account of fee, contributions, fine, penalties and other sums payable by the TRE Certificate Holder under or pursuant to PSX Regulations or losses, damages, costs and expenses suffered or incurred by the Exchange due to failure of the TRE Certificate Holder to comply with PSX Regulations during the period of Market Making Agreement.

3.4.3. The Exchange shall notify the concerned TRE Certificate Holders any change in respect of deposits, fees, contribution and other sums prior to its implementation.

3.5. DESIGNATED TIME SCHEDULE:

3.5.1. The Exchange shall notify to all the concerned the designated time schedule in relation to trading and other support system services in accordance with PSX Regulations.

3.5.2. The Exchange shall promptly notify all the concerned of any changes to the designated time schedule prior to its implementation.

3.5.3. In case a meeting of the Board is not possible to be held to take decision with regard to extending or curtailing the designated time for any activity defined in the designated times schedule, the Managing Director of the Exchange may take such interim decision. However, such decision will be placed before the Board for ratification in its immediate next meeting.

3.6. HOURS OF OPERATION:

Normal hours of operation of the Exchange for trading through Trading Systems shall be notified by the Exchange with the approval of the Board from time to time.

3.7. DISSEMINATION OF RELATED INFORMATION BY THE EXCHANGE TO OTHER MARKET ENTITIES AND GENERAL PUBLIC:

3.7.1. The Exchange shall, immediately on the same day, disseminate the appropriate information to the CDC, NCCPL, all other Stock Exchanges, the PMEX and the Commission; relating to imposition of fine, voluntary switching off of the trading terminals upon the request of Broker, suspension, cancellation, forfeiture of TRE Certificate, declaration of default, non-renewal or cancellation of registration as a Broker by the Commission, suspension of any or all of the privileges of TRE Certificate Holder including restriction and/or suspension of trading terminals or any similar penal action(s) taken against such TRE Certificate Holder by the Exchange under PSX Regulations for taking required actions, if any, at their end. The Exchange shall also place such information on its website for the general public preferably on the same day on which such action is taken, but not later than the time of opening of market on the next trading day.

The Exchange shall also make available on its website and update every 30 days, a consolidated report in respect of disciplinary actions taken against TRE Certificate Holders by the Exchange, CDC, NCCPL and SECP during past three years.

Provided that prior to issuance of notice for deactivation of a TRE Certificate Holder as a Broker, the Exchange shall ensure that no settlement is pending against such Broker.

Furthermore, the Exchange shall also immediately publish public notice(s) regarding cancellation or forfeiture of TRE Certificate and declaration of default against such Broker in widely circulated newspapers of Pakistan in Urdu and English languages.

3.7.2. For the purpose of effective and timely implementation of above actions, the Exchange in case of restriction on trading terminals for closing-out the open outstanding positions of a Broker shall specify and inform to the CDC and NCCPL about the actions which are required to be taken by them against such Broker.

3.7.3. Where the cause of suspension or restriction of complete trading terminals or trading rights of a Broker/TRE Certificate Holder is removed to the satisfaction of the Exchange, the Exchange shall give its consent to the CDC and NCCPL for restoration of their respective services offered to such Broker/ TRE Certificate Holder.

3.7.4. On the request of Broker, the Exchange may allow reactivation of Trading Systems of a Broker deactivated due to the following reasons within 10 working days:

(a) Failure to submit capital adequacy certificate within the stipulated time; provided that the Broker has submitted the capital adequacy certificate to the Exchange; or

(b) On request of Broker for closure of its business activities for a certain period.

However, this time period can be reduced, if such Broker provides cogent reasons to the satisfaction of the Exchange for earlier reactivation of Trading Systems.

3.8. SHARING OF INFORMATION AMONGST THE COMMISSION, EXCHANGE, CDC AND NCCPL:

3.8.1. In case of suspension, cancellation or forfeiture of TRE Certificate, default of Broker or expiry of Broker registration, the Exchange may request the Commission, CDC, NCCPL or other Exchanges to provide any relevant requisite information.

3.8.2. The Exchange, CDC and NCCPL under intimation to the Commission, shall update themselves, biannually, about the latest status of their Brokers, Broker Participants and Clearing Brokers.

3.9. EXCHANGE'S POWER TO TAKE CONSEQUENTIAL ACTIONS AGAINST A UIN ON ITS NON-COMLIANCE WITH NCCPL REGULATIONS:

3.9.1. *NON OR PARTIAL PAYMENT OF CAPITAL GAIN TAX (CGT) BY A TRE CERTIFICATE HOLDER ON ITS OWN OR CLIENTS' BEHALF TO NCCPL UNDER NCCPL REGULATIONS:*

In case NCCPL notifies to the Exchange regarding restriction of a UIN due to default on payment of CGT, either fully or partially, 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.

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.

3.9.2. *FAILURE TO DEPOSIT MARK-TO-MARKET LOSSES AND/OR OTHER APPLICABLE MARGINS IN MARGIN TRADING SYSTEM (MTS):*

In case NCCPL notifies to the Exchange regarding suspension of a UIN, acting as financee in the MTS, due to default on payment of Mark-to-Market Losses and/or other applicable margins in MTS within stipulated time, the Exchange shall restrict such UIN from taking new position in any market.

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.

3.9.3. *RESTRICTION DUE TO NON-PROVISION OF CONTACT DETAILS IN UIN REGISTRATION DETAILS OF NCSS:*

In case NCCPL notifies to the Exchange regarding restriction of a UIN due to non-provision of contact details or provision of invalid contact details in UIN registration details of NCSS as provided in the NCCPL Regulations, the Exchange shall restrict such UIN from taking new position in any Market. However, only sale transactions and squaring-up of open position(s) shall be allowed for such restricted UIN.

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.

3.10. EXCHANGE'S POWER TO IMPOSE RESTRICTIONS ON A BROKER CONSEQUENT UPON IMPOSITION OF RESTRICTIONS ON SUCH BROKER BY CDC AS ITS PARTICIPANT:

3.10.1. In case CDC notifies to the Exchange regarding imposition of restriction on a Broker as its participant due to breach of its regulations concerning the Custody Position, as defined in CDC Regulations, or any other provision of CDC Regulations, the Exchange shall take consequential restrictive actions against such Broker in line with the restrictions imposed under CDC Regulations.

3.10.2. Upon removal of restriction on such Broker by CDC and receipt of notice from CDC in this regard, the Exchange shall remove consequential restriction imposed on such Broker.

3.11. EXCHANGE'S POWER TO SUSPEND A BROKER CONSEQUENT UPON ITS SUSPENSION BY CDC AS ITS PARTICIPANT:

3.11.1. In case CDC notifies to the Exchange regarding suspension of a Broker as its Participant due to its non-compliance with its regulations concerning the Custody Position or any other provision of CDC Regulations, the Exchange shall also suspend such Broker.

3.11.2. Upon removal of suspension of Broker by CDC and receipt of notice from CDC in this regard, the Exchange shall remove suspension of such Broker.

3.12. EXCHANGE'S POWER TO IMPOSE RESTRICTIONS ON OR SUSPEND A BROKER CONSEQUENT UPON IMPOSITION OF RESTRICTIONS ON OR SUSPENSION OF SUCH BROKER BY NCCPL AS ITS CLEARING MEMBER:

3.12.1. In case NCCPL notifies to the Exchange regarding imposition of restriction on or suspension of a Broker due to breach of any provision of NCCPL Regulations, the Exchange shall take consequential restrictive actions against or suspend such Broker in line with the restrictions imposed or suspension under NCCPL Regulations

3.12.2. Upon removal of restriction on or suspension of such Broker by NCCPL and receipt of notice from NCCPL in this regard, the Exchange shall remove consequential restriction imposed on or suspension of such Broker.

Annexure-3A

FIT & PROPER CRITERIA FOR DIRECTORS

Eligibility of any person desiring to act as a Director on the Board of Directors of the Exchange, including any person who is by virtue of his office a Director on the Board of Directors, and any person nominated as a member of a committee constituted by the Exchange or Board shall be judged on the basis of the following criteria, which shall be in addition to meeting requirements stipulated under the Companies Ordinance, 1984 relating to eligibility of a director:

(a) Integrity, Honesty and Reputation:

(i) He has not 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 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 including illegal brokerage business.

(ii) He is not a party in litigation against Commission in respect of any criminal offence or a matter relating to non-payment of investor claims or in any other manner prejudicial to the interest of investors and general public.

(iii) TRE Certificate or registration 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 any relevant entity i.e. the stock or commodity exchange, depository company or clearing company. Provided that eligibility of a person may be considered on the basis of prior clearance obtained from any such organization that suspended/cancelled the TRE Certificate or registration.

(iv) He has not been disqualified/removed from the post of Chief Executive, Chairman, Director, CFO or from any other senior management position* of a company by the Commission or any other regulatory authority.

(v) No investigation/enquiry, conducted under 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 any adverse findings, either in personal capacity or as a director of a company during the past three years.

(vi) An order restraining, prohibiting or debarring him from dealing in securities in the capital market or from accessing the capital market has not been passed; or penalty of Rs.500,000/- or more has not been imposed on him 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.

(vii) He has not provided false or misleading information either to the Commission or to any of the relevant entities.

(b) Experience, Qualification and Management:

(i) He has management/business experience of at least 5 years at senior management position.

(ii) He has at least three years' experience in the field of capital markets, banking, mutual fund industry, financial services, corporate sector or any other field ancillary to the capital markets.

(iii) He holds professional qualification and/or at least graduation from a university duly recognized by the Higher Education Commission of Pakistan or foreign qualification of equivalent level.
Where a person possesses 15 years of experience and knowledge of the capital markets, depositories, commodities market, or in the areas relating to corporate governance, law, information technology, banking, business and industrial concerns or other closely related discipline, the minimum qualification requirement may be relaxed on case to case basis by the Exchange, under intimation to the Commission.
Provided that in case of Directors to be appointed by the Commission, such relaxation may be granted only by the Commission.

(c) Solvency and Financial Integrity:

(i) He has not been adjudged as insolvent or suspended payment of debts or has compounded with his creditors.

(ii) He has not 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 Institution.

(iii) No overdue payment is reflected against him in the latest CIB report. Provided that such person will be eligible if he clears his name by settling his dues.

(iv) It has been established that he, in his individual capacity or as director of a company has not been in default of payment of dues owed to any investor.

(v) His name is borne on the Register of National Tax Payers.

(d) Additional Criteria for Directors Appointed by the Commission:

(i) He has no relationship with the Exchange that would interfere in him exercising independent professional judgment as a Director and he can be reasonably perceived as being able to exercise independent business judgment without being subservient to any apparent form of interference.

(ii) He is not a Broker or a director, officer, sponsor or direct shareholder of any Broker of any stock exchange in Pakistan.
Provided that his immediate family member** is also not a Broker or director, officer or sponsor of any Broker of any stock exchange in Pakistan and/or the combined shareholding of the immediate family members** in any brokerage house does not exceed twenty percent.

Provided further that it shall be mandatory to disclose any such shareholding to the Exchange and the Commission at the time of submission of the Form and Undertaking attached as Annexure 3A-1 and 3A-2 respectively.

(iii) He has no personal services contract(s) with the Exchange or is not currently serving as its employee and has not been employed at any position of the Exchange within the past two years.

(iv) He is not simultaneously serving as a Director on the Board of more than seven listed companies.

(v) He is not engaged by a listed company in an executive role related to investment in capital markets whether in the capacity of director or otherwise.

***** Senior management position wherever referred to in these criteria includes:

a. Any executive, including the chief executive or any officer acting as second to chief executive officer including chief operating officer or by whatever name called;
b. Chief financial officer, head of accounts or head of finance;
c. Head of internal audit;
d. Head of credit or risk management;
e. Head of operations;
f. Head of treasury or chief investment officer;
g. Head of law, company secretary or compliance officer; and
h. Any other position, by whatsoever name called, which may be construed as a senior management position.

** Immediate family member wherever referred in these criteria means spouse, children and parents.

The Fit & Proper Criteria is perpetual in nature and the Exchange shall ensure compliance with the provisions of the Fit & Proper Criteria.

All directors must inform the Exchange of any change in the submitted information that may potentially affect their status of directorship, within 48 hours of knowledge of such change.

Any person desiring to act as a Director on the Board of Directors of the Exchange shall submit duly filled Form and undertaking appearing hereunder as Annexure 3A-1 & 3A-2 respectively. Any person nominated as a member of any committee shall submit duly filled form 3A-1 to the extent applicable.

Annexure 3A-1

INFORMATION TO BE PROVIDED BY PERSONS DESIRING PROSPECTIVE DIRECTORSHIP ON THE BOARD OF THE PAKISTAN STOCK EXCHANGE LIMITED

1	Curriculum Vitae/Resume containing:
(a)	Name:
(b)	Father's or Husband Name:
(c)	CNIC # (attached 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. No.	Name of Organization	Designation	Period	
			From	Till
1.	Company A			
2.	Company B			

2	1. Nature of directorship: ☐ Executive ☐ Non-executive 2. Status of directorship: ☐ Nominee director ☐ 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 proposed person is presently a director, partner, office holder or major shareholder (Information to be provided on the following sample format*)

Sr. No.	Name of Organization	Designation	Period	
			From	Till
1.	Company A			
2.	Company B			

4	In the case of nomination of director by a corporate Broker the date of board of directors' meeting in which the nomination of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors)
5	Names of any persons on the board of the Pakistan Stock Exchange Limited who are related to the applicant.

Signature_____

*use additional sheets if required

Annexure 3A-2

AFFIDAVIT BEFORE THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN / PAKISTAN STOCK EXCHANGE LIMITED

(On Stamp Paper of Appropriate Value)

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 the position of Director according to the Fit & Proper Criteria prescribed for the position of Directors, as per these Regulations.

2. 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.

3. That I have no objection if the Pakistan Stock Exchange Limited or the Securities and Exchange Commission of Pakistan requests or obtains information about me from any third party.

4. That I undertake to bring to the attention of the Pakistan Stock Exchange Limited any matter which may potentially affect my status for the position of Director as per the Fit and Proper Criteria specified by the Pakistan Stock Exchange Limited.

5. That all the documents provided to the Pakistan Stock Exchange Limited, are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

_____
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
(Name and Seal)

Chapter 4: TRADING RIGHTS ENTITLEMENT (TRE) CERTIFICATE

4.1. COMPLIANCE WITH ACT/REGULATIONS:

The TRE Certificate may be conferred by the Exchange on such terms and conditions, rules, regulations, procedures or guidelines made hereunder in accordance with the provisions of the Act, Securities Ordinance, rules and regulations made thereunder including PSX Regulations as it may determine or amend them from time to time and the Memorandum of Association and Articles of the Exchange.

4.2. ENTITLEMENT OF TRE CERTIFICATE HOLDER TO TRADE:

Subject to fulfilling the conditions required under PSX Regulations, the TRE Certificate Holder who are registered with the Commission as a Broker under the Brokers and Agents Registration Rules, 2001 shall be eligible to trade on the Exchange and engage in the business of executing trades/transactions in Securities for their own account or on account of their clients. The TRE Certificate Holder shall carry out its business in accordance with applicable laws and will give paramount consideration to safeguarding the interest of Investors and general public and protection of the assets of its clients.

4.3. ISSUANCE OF TRE CERTIFICATES BY THE EXCHANGE:

4.3.1. *INITIAL SHAREHOLDERS*:

The Exchange within thirty (30) days of having granted approval under sub-section (2) of Section 4 of the Act, shall issue a TRE Certificate to each Initial Shareholder.

4.3.2. *OTHER THAN INITIAL SHAREHOLDERS:*

The Exchange may invite offers from the eligible persons who also meet the Fit & Proper Criteria for registration as a Broker; through publication of a notice to general public in widely circulated English and Urdu newspapers for issuance of TRE Certificates in the manner prescribed by the Commission.

Till the time the restrictions imposed by the Act on the number of TRE Certificates to be issued by the Exchange are in place, the Board shall prescribe a mechanism with the prior approval of the Commission for selecting the applicants out of total applicants where the number of applications for issuance of TRE Certificates exceed the maximum number of TRE Certificates to be issued.

4.4. APPLICATION TO THE EXCHANGE AND ELIGIBILITY CRITERIA FOR OBTAINING TRE CERTIFICATE:

Any person desirous of obtaining a TRE Certificate shall submit a duly signed application in writing to the Exchange in such form and accompanied by such documents as may be prescribed by the Exchange from time to time, subject to approval by the Commission. The applicant must meet the following eligibility criteria for obtaining TRE Certificate:

4.4.1. The applicant must be a Public or a Private company, other than a Single Member Company, as defined in the Companies Ordinance, 1984 (XLVII of 1984);

4.4.2. The applicant must have a minimum issued and paid-up capital of Rs.50 million;

4.4.3. The Chief Executive of the applicant company must be a citizen of Pakistan and should not be on the board of any company whose principal activity is investing/ trading in securities market;

4.4.4. The directors/ sponsors/ substantial shareholders of the applicant have not held the office of the directors or have been sponsors/substantial shareholders in any company viz TRE Certificate Holder or a Member prior to the date of demutualization, which had been declared defaulter or expelled by the Exchange or whose TRE Certificate has been cancelled/forfeited by the Exchange;

Explanation: For the purpose of this chapter the term “Substantial Shareholder” shall mean shareholder having more than 10% shareholding in the TRE Certificate Holder’s company.

4.4.5. At least two Directors of the applicant including the Chief Executive must have a minimum academic qualification of "Graduation" from a university duly recognized by the Higher Education Commission of Pakistan or foreign qualification of equivalent level and have experience of at least five years in the business of buying, selling or dealing in securities;

4.4.6. The applicant company must not be engaged in any business other than that of a Broker or other related business as approved by the Commission from time to time;

4.4.7. No applicant shall be admitted as TRE Certificate Holder of the Exchange if that applicant or any of its directors/sponsors/substantial shareholders:

(a) Has been adjudged bankrupt or he has been proved to be insolvent even though he has obtained his final discharge;
(b) Has compounded with his creditors for less than full discharge of debts;
(c) Has been convicted of an offence involving a fraud or dishonesty;
(d) Has been at any time expelled or declared a defaulter by a Stock Exchange/PMEX or it has been debarred from trading in securities by any regulatory authorities including Commission or any court of law;
(e) Incurs such disqualification under the provisions of any applicable laws, rules and regulations for the time being in force, so as to prohibit or debar such person from seeking TRE Certificate;

(f) Fails to satisfy Exchange that it has adequate staff, resources, risk management and internal control policies, procedures and systems available to effectively perform its obligations as a TRE Certificate Holder. The Exchange may accept an undertaking from the applicant at the time of submission of application for issuance or transfer of TRE Certificate that the applicant will comply with the aforesaid condition before TRE Certificate is granted/transferred to it by the Exchange; and

(g) Fails to satisfy any other condition imposed by the Board.

4.5. TRANSFER OF TRE CERTIFICATE:

4.5.1. A TRE Certificate Holder, holding transferable TRE Certificate, desiring to transfer its TRE Certificate must submit a written application, complete in all respect, to the Exchange duly signed by both the transferor and transferee, in such form and accompanied by such documents as may be prescribed by the Exchange from time to time, in accordance with the provisions of the Act, the Demutualization Regulations and PSX Regulations.

4.5.2. In case of an active TRE Certificate Holder filing his application for transfer, such TRE Certificate Holder shall also submit a Bank Guarantee or a guarantee by one of the existing TRE Certificate Holders of the Exchange, or a guarantee by an incoming TRE Certificate Holder or any equivalent security in a manner as may be acceptable to the Exchange to the extent of an amount prescribed by the Exchange with the approval of the Commission and valid for a period of two years from the date of transfer of TRE Certificate in order to enable the Exchange to settle all valid claims if received after the transfer of TRE Certificate.

4.5.3. The transfer application shall be accompanied by an auditor's certificate confirming that the incoming TRE Certificate Holder is having issued and paid-up capital as prescribed vide Regulation 4.4.2. above and maintains a net capital balance as per rule 2(d) of Schedule 3 to the Securities Rules as amended from time to time.

4.5.4. An applicant who does not fulfill the Fit & Proper Criteria specified by the Commission from time to time as required under the Demutualization Regulations made under the Act shall not be eligible and entitled to get TRE Certificate transferred.

4.5.5. The Exchange shall ensure that not more than one transfer is registered in respect of a TRE Certificate issued to the Initial Shareholder under Section 5 of the Act and no transfer should be registered in respect of additional TRE Certificate which is issued under sub section (5) and (6) of Section 16 of the Act.

4.5.6. The Exchange may require transferor and transferee to provide such information as may be required for determining the eligibility and fit and proper status for registering a transfer of TRE Certificate or for issuing NOC for such transfer.

4.5.7. In respect of notice period for transfer of TRE Certificate, the following procedure shall be adopted:

(a) IN CASE OF A TRE CERTIFICATE HOLDER WHO HAS BEEN INACTIVE FOR LAST 24 MONTHS FROM THE DATE OF APPLICATION:

The notice period for inviting objections/claims from all the concerned persons shall be 30 days after the issuance of notice.

(b) IN CASE OF ACTIVE TRE CERTIFICATE HOLDER:

The notice period for inviting objections/claims from all the concerned persons shall be 90 days after the issue of notice.

Provided that each outgoing TRE Certificate Holder shall continue to be liable for any genuine claims received after the abovementioned notice periods and shall give an undertaking to that effect to the Exchange.

MODES OF INVITING CLAIMS:

Broker shall invite claims from all the concerned persons including his clients through courier, personal delivery method, facsimile or, email and publication through newspaper having circulation in all cities in which registered and branch offices of the Broker are situated. Further, the Exchange shall also disclose such information through its website and also by publication in two widely circulated newspapers in Urdu and English language.

Provided that in the event of an undertaking given by the transferee (on the format prescribed by the Exchange) to settle all the objections/claims/liabilities of the outgoing TRE Certificate Holder, the Board may, even before expiry of the 30 or 90 days' notice period, as the case may be, consider and accept the transfer application.

4.5.8. In case the outgoing TRE Certificate Holder is a Participant of CDC and Clearing Member of NCCPL, it shall be required to notify the CDC and NCCPL about its application made to the Exchange for transfer of TRE Certificate and shall also submit to the Exchange, NOC of the CDC and NCCPL in this behalf.

4.6. APPLICABILITY OF ELIGBILITY CRITERIA ON CONTINUED BASIS:

The TRE Certificate Holders shall comply with the eligibility criteria as specified in clause 4.4. above relating to issuance and transfer of TRE Certificate at all times.

Provided that the Board may waive/relax minimum educational qualification requirement in case the Chief Executive of a brokerage house (which was a member of the Exchange prior to the Demutualization), has the stock market experience of at least 5 years as a Broker or an Agent or director of any of the Brokers of the Exchange.

Provided further that, in the case of conversion of an individual TRE Certificate Holder into a corporate body within the time period as provided in the Act, the minimum educational qualification requirement for the Chief Executive shall not apply where the same individual continues as a Chief Executive of the corporate body.

Provided further that the eligibility criteria shall not apply to the Initial TRE Certificate Holders of the Exchange till the time the Exchange, with prior approval of the Commission, notifies its application on such TRE Certificate Holders with adequate notice period.

4.7. DECISION OF THE EXCHANGE:

4.7.1. The Exchange shall accept or reject an application for issuance of a TRE Certificate within 30 days and its decision shall be final, conclusive and binding on the applicant. The Exchange may reject any application without assigning any reason.

4.7.2. The Exchange may only allow a transfer of TRE Certificate after all his liabilities are settled and there are no claims whatsoever against him on the date of transfer in respect of any transaction or dealing made with any other TRE Certificate Holder/Broker or Brokers of other Stock Exchanges or the Investors subject to PSX Regulations, NCCPL Regulations or any other relevant capital market regulations or any violation thereof.

4.7.3. Further, in case of transfer of TRE Certificate, the BMC of the outgoing TRE Certificate Holder shall not be released by the Exchange until the transfer process is complete or in case where the transferee has provided an undertaking to the Exchange under clause 4.5.7., the BMC is deposited by such transferee.

4.7.4. Where an application for issuance of new or transfer of existing TRE Certificate is accepted, the Exchange shall issue a TRE Certificate to the applicant or register the transfer, as the case may be, in compliance with the requirements of the Act, Demutualization Regulations and PSX Regulations.

4.8. TRANSFER OF SHARES, CHANGE OF LEGAL STATUS AND OWNERSHIP:

The requirements of Demutualization Regulations shall be applicable for any change in control or change in legal status of a TRE Certificate Holder.

4.9. RELINQUISHMENT/SURRENDER AS A TRE CERTIFICATE HOLDER:

4.9.1. A TRE Certificate Holder may after giving one month's notice to the Exchange voluntarily surrender his TRE Certificate and remove himself as a TRE Certificate Holder from the Exchange. However, the Exchange may only accept a TRE Certificate Holder's voluntary removal from the Exchange after all his liabilities are satisfied and there are no claims whatsoever against him in respect of any money owed by him to any other TRE Certificate Holder/Broker or Brokers of other Stock Exchanges or the Investors. The Exchange shall invite claims from Investors and other TRE Certificate Holders and a 90 days period shall be provided for submitting claims. Provided that in the case of an inactive TRE Certificate Holder, as described in Regulation 4.5.7.(a), the notice period shall be 30 days.

Provided further that in case of an active TRE Certificate Holder opting for voluntary surrender of TRE Certificate, such TRE Certificate Holder shall also submit a Bank Guarantee or a guarantee by one of the existing TRE Certificate Holders of the Exchange, or any equivalent security in a manner as may be acceptable by the Exchange to the extent of an amount prescribed by the Exchange with the approval of the Commission and valid for a period of two years from the date of surrender of TRE Certificate in order to enable the Exchange to settle all valid claims if received after the surrender of TRE Certificate. Provided that such TRE Certificate Holder shall remain liable for any genuine claims received after the abovementioned notice periods and shall give an undertaking to that effect to the Exchange.

4.9.2. No TRE Certificate Holder may sell, relinquish, transfer, pledge, mortgage or create any trust, charge, lien or any other encumbrance over the TRE Certificate in physical form he holds, let, sublet, assign, alienate or otherwise dispose off his TRE Certificate except with the prior written approval of the Exchange which may be given subject to any conditions imposed by the Exchange which it may think fit. Nor he shall assign any of his rights, benefits or privileges as a holder of TRE Certificate otherwise than in accordance with PSX Regulations.

Pending such approval, the PSX Regulations shall continue to bind TRE Certificate Holder who has given notice of relinquishment as if such notice had not been given and the jurisdiction of the Exchange over holder of TRE Certificate, his or its business, affairs and employees shall in no way be affected by such notice. The Exchange shall not be bound or compelled in any way to recognize (even when having notice thereof) any dealing or disposition made in contravention of PSX Regulations.

4.9.3. Further, a TRE Certificate Holder who individually or through any person acting in concert, directly or indirectly, possesses a "Controlling Interest" in a TRE Certificate Holding Company may not relinquish, transfer, let, sublet, assign, alienate or otherwise dispose off without the prior written consent of the Exchange. Every TRE Certificate Holder shall submit pattern of shareholding in the format specified by the Exchange at the end of each quarter.

4.9.4. Upon acceptance of relinquishment request/notice as a TRE Certificate Holder by the Exchange, such TRE Certificate Holder shall cease to be a TRE Certificate Holder of the Exchange. His name shall be removed from the register of TRE Certificate Holders and shall be communicated to the Commission accordingly.

4.10. ISSUANCE OF NOC PRIOR TO TRANSFER OF TRE CERTIFICATE:

A TRE Certificate holder, holding transferable TRE Certificate, may request the Exchange to provide a NOC before entering into any transaction for the transfer of TRE Certificate. The Exchange may issue the NOC after satisfying itself that the prospective transferee fulfills the eligibility and fit & proper criteria.

4.11. IN CASE OF ACTIVATION OR REACTIVATION OF A TRE CERTIFICATE HOLDER AS BROKER:

The Exchange shall issue notice for the activation or reactivation of a TRE Certificate Holder as a Broker provided that the concerned Broker submits the following to the Exchange:

(a) A copy of valid Broker Registration Certificate confirming its registration as Broker with the Commission under the Brokers and Agents Registration Rules, 2001;
(b) An original certificate of an Auditor confirming his Net Capital Balance as required under the NCCPL Regulations;
(c) The list of signatories authorized to deal with the Exchange on its behalf;
(d) Evidence of payment of Basic Deposit as per NCCPL Regulations along with letter of intention for trading in the respective market;
(e) Collateral to meet the Base Minimum Capital as prescribed and determined under the chapter 19 of PSX Regulations;
(f) Proof of his registration as Broker Clearing Member (BCM) with the NCCPL and admission as a Participant with the CDC;
(g) A letter to the Exchange informing details about its Proprietary UIN and Bank Accounts opened with settling banks recognized by the Exchange for the purpose; etc.

4.12. ACCREDITED AGENT:

4.12.1. *APPROVAL OF APPOINTMENT OF AGENT BY THE EXCHANGE*:

(a) A Broker may appoint as many Accredited Agents as it require at any time.
(b) The approval of appointment of Accredited Agents will be granted by the Exchange on having given due notice to the TRE Certificate Holders of the Exchange and subject to Registration with Commission under the Brokers and Agents Registration Rules, 2001.
(c) The annual fees for the appointment and renewal of the Accredited Agents by the Exchange shall be paid by the Brokers as prescribed by the Exchange from time to time.

4.12.2. *POWERS OF AGENTS:*

An Accredited Agent can transact business only on behalf of appointing Broker. He shall not make bargains or sign contracts in his own name or in any other name except on behalf of or under the instructions of his Broker.

4.12.3. *DATA BASE OF AGENTS:*

The Exchange shall maintain a database of the Accredited Agents viz name, contact address, name of his employer, date of joining and leaving of his employment or the withdrawal of his accreditation etc. The updated list of Accredited Agents shall also be made available on Exchange's website.

4.12.4. *BROKER`S/EMPLOYER'S RESPONSIBILITY:*

(a) Any Broker desirous of appointing an Agent shall have to make an application to the Exchange for appointment and registration under Brokers and Agents Registration Rules, 2001 along-with an undertaking signed by such Accredited Agent as provided in clause 4.12.5. below.
(b) A Broker terminating the employment or withdrawing the authorization of an agent shall notify immediately in writing, the name of such Agent and the date of termination of his employment or the withdrawal of his authorization and shall also publish the notice of Agent Registration Cancellation in at least one English and one Urdu widely circulated newspapers of the country.
(c) After the notice given by the Broker, the Exchange shall issue a notice inviting objections and claims within 24 hours and in case of no objection or claim is received; it shall proceed with the cancellation of such Agent in accordance with these Regulations and procedures of the Exchange and circulate the notice sent by the Broker for information of all concerned. However in case if any objection or claim received by the Exchange it shall proceed according to the powers conferred to the Exchange under these Regulations.
(d) The Exchange shall forthwith give the notice of such employment, termination or withdrawal to all TRE Certificate Holders and post the same upon the notice board and website of the Exchange.
(e) The responsibility of a Broker for the acts/bargains of his Accredited Agent shall continue until one trading day after the notice of the termination of his employment or the withdrawal of his authorization received by the Exchange. However, the acts/bargains already made by any such Accredited Agent prior to his termination or withdrawal of his authorization shall continue to be the responsibility and binding on the Broker who was the employer of such Accredited Agent.

4.12.5. *UNDERTAKING FROM THE ACCREDITED AGENTS:*

A Broker desirous of appointing an Accredited Agent shall submit an undertaking to the Exchange signed by such Accredited Agent as follows:

(a) I shall maintain strict discipline at all times in the trading hall and the premises of the Exchange.

(b) I shall do business on the Exchange in the name of and on behalf of my appointing TRE Certificate Holder only. I shall not do any business on behalf of other TRE Certificate Holders of the Exchange directly as their constituent or on account of their constituents.

(c) I shall at all times abide by the Regulations of the Exchange and will not act or indulge in any activities which might prejudice the fair name or the interest of the Exchange or my appointing TRE Certificate Holder or other TRE Certificate Holder.

4.13. RESEARCH REPORTS BY THE BROKER AND COMMUNICATION WITH MEDIA:

4.13.1. A broker engaged in preparation, writing and/or publication of a research report or substance of a research report or making a public appearance concerning a listed security or a public offer shall comply with the requirements as specified in the Research Analyst Regulations, 2015.

4.13.2. The sponsors, directors and employees of brokerage houses shall exercise due care and diligence and shall be mindful of their obligations and responsibilities in the capacity of a regulated entity and capital market intermediary while commenting or interacting with the media in any manner.

4.14. REPORT OF VIOLATION OF REGULATIONS:

Every TRE Certificate Holder of the Exchange shall immediately report to the Exchange of any violation of any provisions of PSX Regulations by any TRE Certificate Holder, which may come into its notice.

The Exchange shall take necessary action in respect of such violations in accordance with these regulations.

4.15. PAYMENT OF FEE/DEPOSIT:

Each applicant shall be required to pay a fee, deposit, charges, contribution or any other sums to the Exchange with the application for issuance or transfer of TRE Certificate, as prescribed by the Exchange from time to time with the approval of the Commission.

4.16. REGULATIONS FOR THE MAINTENANCE OF A STANDARDIZED ACCOUNT OPENING FORM:

4.16.1. The Brokers shall adopt the Standardized Account Opening Form (SAOF), attached as Annexure-I to this chapter, as amended from time to time, for all their Account Holders.

Explanation:
SAOF contains the minimum Terms and Conditions which are equally binding on the Broker and Account Holder(s). However, in order to protect the rights of the concerned parties, the Brokers may include additional terms and conditions preferably in separate section to the SAOF, as long as such terms and conditions do not, in any way, negate or undermine any other applicable laws, rules, regulations, directives/notices/circulars of the Commission, the Exchange etc., and the terms and conditions laid down in the said SAOF.

4.16.2. Brokers shall incorporate any amendments in SAOF for their new Account Holders immediately and bring the same into conformity through addendums for their existing Account Holder(s) within 3 months from the publication of such amendments in the Official Gazette of Pakistan or any other time period specified by the Exchange from time to time with prior approval of the Commission. After expiry of such period the Brokers shall not allow any Account Holder to purchase further securities without complying with the above requirement.

4.16.3. Any amendment in the SAOF pertaining to roles and responsibilities of Brokers shall be binding on them after 7 days' notice to market participants by the Exchange, whether or not such amendments have been incorporated in the manner specified above.

4.17. KNOW YOUR CUSTOMER AND CUSTOMER DUE DILIGENCE:

The Brokers shall formulate and implement an effective Know Your Customer (KYC) and Customer Due Diligence (CDD) internal policy and framework in accordance with the guidelines issued by the Exchange, with the prior approval of the Commission and any notices or circulars issued by the Commission from time to time. The KYC and CDD policy should be approved by the Board of Directors of the Broker, if it is a Corporate Brokerage House, and must be appropriately communicated to every agents and branches of the Broker. The Brokers shall also ensure that the above-mentioned policies are effectively disseminated to and understood by the relevant personnel.

4.18. SEGREGATION OF CLIENTS' ASSETS BY THE BROKERS:

4.18.1. 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:

(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;

(b) shall maintain separate sub-accounts under his Participant Account in Central Depository System (CDS) for each of his clients to maintain the custody of margins deposited by the clients in the form of securities and securities bought for clients;

(c) may maintain a Collateral Account under his Participant Account in CDS for all clients. This account shall be used exclusively for instances where outstanding payment has not been received from clients in respect of securities purchased on their behalf and relevant purchase obligation is to be settled. In such cases, the Broker will be allowed to transfer the securities on the respective settlement date from the respective sub-account to the Collateral Account for a maximum period of three (3) settlement days only to the extent of the transaction volume for which the client's payment is outstanding for whatsoever reason and comply with relevant requirements contained in the CDC Regulations. The Broker shall, in addition to the electronic reporting of such transfers through ways and means as specified by the Exchange report the Exchange in writing explaining the reason for utilizing the Collateral Account and/or for holding client's securities immediately after such transfer. The notice from the Broker will be accompanied with following documents:

(i) Non-payment notice served on the client through courier, personal delivery method, facsimile, email or properly recorded telephone line, advising him to make payment by the close of banking hours on the next working day after the settlement day and notifying that, otherwise the Broker shall have a right to dispose of the required securities to cover the shortfall in the client's account at client's risk and cost;
(ii) Client's sub-account and Collateral Account Activity Report of movement date and;
(iii) Documentary evidence substantiating the genuineness and circumstances of the reason for non-payment by the client which may include failure of client to pay in time due to non-clearance of client's cheque, any natural calamity, law and order situation, non or delayed functioning of an automated procedure, e.g., NIFT.

Provided that for a particular client, the Broker is allowed to transfer securities from the sub-account of client to the Collateral Account only once in a calendar month.

4.18.2. Except as permitted above, the clients' funds and securities shall not be used by the Broker for any purpose other than as authorized by the client in writing in the manner and procedure prescribed by the Exchange, NCCPL and/or CDC. The Broker shall be obliged to maintain and furnish documentary evidence to substantiate the compliance with the above regulations as and when required by the Exchange.

4.18.3. On the basis of documents mentioned under sub-clause 4.18.1.(c), the Exchange shall determine if the requisite documents substantiate the transfer of client's securities by the Broker and shall maintain a database of such transfers. Exchange may also carryout enquiry and/or special audit in relation to non-compliance with this regulation.

4.18.4. Deleted

4.18.5. Deleted

4.18.6.(a) The Broker shall submit to the Exchange "Clients' Assets Segregation Statement" as per format prescribed by the Exchange within fifteen (15) days of the end of the latest fortnight.

4.18.6.(b) The Broker within forty five (45) days of the close of its financial year shall submit an annual "Clients' Assets Segregation Statement", duly verified by its Statutory Auditor.

4.19. CONFIRMATION OF CLIENTS' ORDERS BY TRE CERTIFICATE HOLDERS/ BROKERS:

Whenever an order of any client has been executed by a Broker, confirmation of such execution shall be transmitted to the said client by the Broker within 24 hours of the execution of such transaction through any previously agreed mode of communication as specified in the SAOF. The confirmation order shall precisely include the following specific information:

(a) Date on which order is executed;
(b) Name and number of securities;
(c) Nature of transaction (SPOT, Ready, Future, Leveraged Market, Debt Market and also whether bought or sold);
(d) Price;
(e) Commission rate and any other charges ;
(f) Applicable regulatory levies i.e. trade or transaction fee of the Exchange, CDC, NCCPL and SECP etc;
(g) Applicable statutory levies i.e. taxes and duties of federal and provincial government;
(h) Whether the order is executed for the Broker's own account or from the market. {Rule 4(4) of Securities & Exchange Rules, 1971)}.

4.20. GENERAL OBLIGATIONS OF TRE CERTIFICATE HOLDERS/BROKERS RELATING TO LEVERAGED MARKETS:

In addition to any obligation of a Broker/TRE Certificate Holder under the applicable laws, agreements or as specified in the SAOF, the Broker shall ensure the following:

4.20.1. No transaction is executed by the Broker on behalf of a client in the Leveraged Market unless an appropriate agreement has been executed between the broker and such client.

4.20.2. All risks involved in the relevant transactions have been fully disclosed and the broker has obtained a written confirmation from its clients that they have understood and have the ability to bear the risks in such transactions.

4.20.3. The options available to a client in respect of various financing facilities in the securities markets have been fully disclosed and explained to the clients.

4.20.4. All provisions of the Anti-Money Laundering Act, 2010 (Act VII of 2010) and any rules and regulations made there-under are complied with at all times.

4.20.5. The credit worthiness of clients is evaluated through a proper credit risk assessment methodology and credit limits are assigned to each client beyond which the client shall not be allowed to take a position in the Leveraged Market.

4.20.6. Maintenance of records evidencing compliance with the aforesaid obligations and that such records remain available for inspection by the Commission or any other person authorized to do so, at any time.

4.21. TRADING BY EMPLOYEES OF BROKERAGE HOUSES:

4.21.1. The TRE Certificate Holders may allow securities trading to their employees only through their own brokerage houses.

4.21.2. The TRE Certificate Holders shall register their all employees into the UIN database with all registration details including their respective designations and update/modify the registration details whenever any change occurs within five (5) working days from the date of employment or any change in his/her registration details, as the case may be.

4.21.3. The TRE Certificate Holders shall ensure that while trading, the concerned employee strictly observes the Code of Conduct prescribed by the Exchange, which is annexed in Annexure-II to this chapter.

4.21.4. The Exchange will monitor compliance of this Regulation including Code of Conduct. Any breach/violation by the TRE Certificate Holder or its employees will attract penalties on the concerned TRE Certificate Holder as may be prescribed by the Exchange from time to time.

4.21.5. A TRE Certificate Holder shall not allow trading on behalf of another TRE Certificate Holder's employees. TRE Certificate Holders shall use the facility mentioned in Regulation 4.21.2. above for this purpose.

Provided that nothing contained in this Regulation shall be applicable on employees of TRE Certificate Holders not registered as Brokers with the Securities & Exchange Commission of Pakistan under the Brokers and Agents Registration Rules, 2001 at the relevant time, who may trade in the securities through other brokerage houses under intimation to the concerned non-broker TRE Certificate Holders and the Exchange.

4.22. MANDATORY PROVISION OF QUARTERLY ACCOUNT STATEMENT TO CLIENTS:

Every Broker shall provide within 15 working days of end of each quarter a quarterly account statement to each of its clients through acceptable mode of communication as provided under Standardized Account Opening Form prescribed under chapter 4 of PSX Regulations. The statement must include inter alia the following information for the reporting period:

(a) Cash ledger statement showing opening and closing cash balances; all receipts and payments of money and settlement-wise money obligation debited or credited to the client account;

(b) Securities positions as per back office record of the Broker showing status of available and pledged securities and reconciliation for any differences between back office record and CDS record; and

(c) Securities positions as per CDS record.

4.23. STATUTORY AUDIT OF THE BROKERAGE HOUSES:

All Corporate Brokerage Houses shall have their statutory audit conducted from an auditor enlisted within Category 'A' or 'B' of the SBP's Panel of Auditors.

4.24. RECEIPT / PAYMENT OF AMOUNT FROM / TO CUSTOMERS BY THE BROKERAGE HOUSES:

The Brokerage Houses shall receive/make payments of Rs. 25,000/- and above from/to customers drawn on customer's own bank account/in the name of customers only in the manner as provided in Standard Terms and Conditions of Standardized Account Opening Form prescribed under chapter 4 of PSX Regulations.

4.25. MANDATORY TARIFF STRUCTURE:

4.25.1. Every Broker shall provide to its clients a tariff schedule annexed to SAOF which should contain the information as prescribed under Clause 4.19 (e), (f) and (g) above.

4.25.2. The tariff schedule as mentioned above shall be signed by the clients and the Broker.

4.25.3. In case of any change in the tariff mentioned under sub-clauses (f) or (g) of Clause 4.19, the Broker shall communicate the change to its clients within seven working days from the effective date of such change. However, any change in the tariff mentioned under sub-clause (e) shall take effect after the same is agreed and duly signed by the clients and the Broker.

4.26. IT AND INFORMATION SECURITY REQUIREMENTS FOR THE SELECTION OF SOFTWARE VENDORS AND USAGE OF SOFTWARE BY THE TRE CERTIFICATE HOLDERS:

4.26.1. The TRE Certificate Holders shall:

(a) Ensure that the software or application, which means electronic data processing system; excluding network or communications equipment; for the purpose of this clause, used directly or indirectly for the purpose of trading, risk management, clearing and settlement, and preparation and maintenance of books and accounts etc. meet the bare minimum standards/specifications, regular testing including vulnerability assessment and penetration testing and certification requirements prescribed by the Exchange from time to time.

(b) Comply with information technology and information security requirements as prescribed by the Exchange.

(c) Submit to the Exchange an audit report/certificate of the auditor for appropriateness of necessary controls and safeguards put in place in relation to information security arrangements.

(d) Use the software either procured from the eligible vendors or provided by the Exchange or developed in-house by the software development team of the TRE Certificate Holder.

The Exchange shall make available the eligibility criteria and the list of eligible vendors on its website.

(e) Ensure that the Exchange provided endpoint security/antivirus solution remain installed and operational at all times on all trading terminals.

(f) Ensure that only Exchange certified ancillary software are installed on the trading terminals.

4.26.2. The Exchange shall take disciplinary action(s) against a TRE Certificate Holder which fails to comply with requirement of this clause.

4.27. MANDATORY SUBMISSION OF FINANCIAL INFORMATION, STATEMENTS, RETURNS AND OTHER INFORMATION:

Every Broker shall submit:

(a) Hardcopies of its annual financial statements along with audit report to the Exchange within four months after the end of each financial year;

(b) Hardcopies of its half-yearly financial statements to the Exchange within 60 days after the end of each half year;

(c) Quarterly financial information to the Commission through online Financial Reporting System (FRS) within 30 days from the close of each quarter; and

(d) Any other information or reports in such form and manner and within such time as may be specified and required by the Commission and/or the Exchange from time to time or as and when the need arises.

Annexure-I

[NAME OF THE BROKER]
Broker, _____ Stock Exchange
(Address of Head Office and concerned Branch Office)

Broker Registration No. _____

ACCOUNT OPENING FORM

NOTE 1: EACH AND EVERY COLUMN MUST BE FILLED IN
NOTE 2: EACH PAGE OF THIS FORM WILL BE DULY SIGNED BY THE ACCOUNT HOLDER(S) AND THE BROKER

NATURE OF ACCOUNT:			
SINGLE: ☐	JOINT: ☐	CLIENT ID / ACCOUNT NO.	
COMPANY: ☐	FIRM: ☐	CDC ACCOUNT NO.	

ACCOUNT HOLDER	**JOINT ACCOUNT HOLDER**
ACCOUNT TITLE/ NAME:_____ ADDRESS: _____ _____ TEL: _____ E-MAIL: _____ FAX NO: _____ PERMANENT/REGISTERED ADDRESS: _____ _____	ACCOUNT TITLE/NAME: _____ ADDRESS: _____ _____ TEL: _____ E-MAIL: _____ FAX NO: _____ PERMANENT ADDRESS: _____ _____
For individuals only: DATE OF BIRTH: _____ NATIONALITY: _____ STATUS: _____ RESIDENT _____ NON-RESIDENT GENDER: _____ MALE _____ FEMALE FATHER'S/HUSBAND'S NAME: _____ NATIONAL IDENTITY CARD NO. (IN CASE OF NON RESIDENT PASSPORT NO.): _____ OCCUPATION: _____	 DATE OF BIRTH: _____ NATIONALITY: _____ STATUS: _____ RESIDENT _____ NON-RESIDENT GENDER: _____ MALE _____ FEMALE FATHER'S/HUSBAND'S NAME: _____ NATIONAL IDENTITY CARD NO. (IN CASE OF NON RESIDENT PASSPORT NO.): _____ OCCUPATION: _____
For Companies or Firms only: Company Registration No. _____ STATUS: _____RESIDENT _____ NON-RESIDENT	

Declaration of Solvency

The Account Holder hereby declares that:

a) It has not applied to be adjudicated as an insolvent and that it has not suspended payment and that we have not compounded with our creditors;
b) It is not un-discharged insolvent; and
c) It has not been declared defaulter in repayment of loan of a bank/financial institutions.

Name of Authorized Persons to operate the account

The account shall be operated by the following:

	Names	**Specimen Signature**	**Singly/Jointly**
(a)	_____	_____	_____
(b)	_____	_____	_____
(c)	_____	_____	_____

The authority of the person(s) authorized to operate the account will be clearly spelled out in the letter of authorization from the Account Holder.

MARGIN DEPOSIT

The Account Holder(s) hereby undertakes to deposit and maintain ____ % margin against his/her/their outstanding trades/exposure for the purpose of trading in his/her/their account. The broker shall notify the Account Holder(s) about any change in the above margin requirements for the already executed trades at least 3 working days prior to the implementation of the revised margin requirements.

CLIENT BANK DETAILS (OPTIONAL):

NAME OF THE BANK: _____

SAVINGS/CURRENT A/C NO.:_____

BRANCH ADDRESS:_____

ACCOUNT(S) WITH OTHER BROKER(S) (OPTIONAL)

NAME OF THE BROKER(S)	BROKER EXCHANGE	CLIENT ID/ACCOUNT

NOMINATION:

(In the event of death of the Account Holder, the nominee shall be entitled to receive securities/cash available in the account of the account holder after set-off against losses/liabilities in the account.)

Name of Nominee: _____ Surname: _____

NIC Number: _____

Date of Birth: _____ (DD/MM/YYYY)

Postal Address: _____

Tel: _____ E-mail: _____

SPECIAL TERMS AND CONDITIONS

The terms and conditions set herein below shall be equally binding on the Broker and the Account Holder(s).

1. All transactions between the parties shall be subject to the Articles, Rules and Regulations of the Exchange, revised policies, Board Directions and new regulations to be framed in pursuance of Section 34 of the Securities & Exchange Ordinance, 1969. Moreover, all applicable provisions of the Securities & Exchange Ordinance, 1969 read with the Securities & Exchange Commission of Pakistan Act, 1997, Brokers and Agents Registration Rules, 2001, Securities and Exchange Rules 1971 and all directions/directives passed from time to time to regulate the trades between the parties and to regulate Brokers conduct and the Central Depository Companies of Pakistan Act, 1997, Rules framed there under and the National Clearing and Settlement System Regulations and any other law for the time being in force. The Broker shall ensure provisions of copies of all the above Laws, Rules and Regulations at his office for access to the Account Holder(s) during working hours.

1(a). In case any dispute in connection with the trade or transaction between the Broker and the Account Holder is not settled amicably, either party may refer the same to arbitration in accordance with the provisions of PSX Regulations, which shall be binding on both the parties. The Account Holder hereby agrees that he would have no objection if his name and other relevant particulars are placed on Exchange's database accessible by Brokers of the Exchange if he fails or refuses to abide by or carryout any arbitration award passed against him in his dispute with the Broker.

2. The amount deposited as security margin by the Account Holder(s) with the Broker shall only be used for the purposes of dealing in securities, such as trading and/or settlement of deliveries of securities on behalf of the Account Holder(s). The Broker shall not use such amounts for his own use.

2(a). The credit amount of the Account Holder(s) shall be kept by the Broker in a separate bank account titled "Account Holder/Client Account" and shall not be used by the broker for his own business.

3. The Broker shall be authorized to act on the verbal instructions of the Account Holder(s). The Broker shall provide a written confirmation of the executed transactions as required under rule 4(4) of the Securities & Exchange Rules, 1971, and all such transactions recorded by the Broker in his books shall be conclusive and binding upon the Account Holder(s), which shall not be questioned by him/her/them, subject to clause 5 below.

Or

The Account Holder(s) shall give written instructions for the sale/purchase of securities to the Broker. The Account Holder(s) shall not give any verbal/oral instructions. The Broker shall provide a written confirmation of the executed transactions as required under rule 4(4) of the Securities & Exchange Rules, 1971, and all such transactions recorded by the Broker in his books shall be conclusive and binding upon the Account Holder(s), which shall not be questioned by him/her/them, subject to clause 5 below.

4. The Broker shall provide the confirmation of the executed transactions to the _____ (Name of Account Holder) at the above stated address by means of acceptable mode of communication or by hand subject to acknowledgement receipt.

5. In case there are any error(s) in the daily confirmation statement, the Account Holder(s) shall report the same to the Broker within one working day of the receipt of confirmation. In case the Account Holder(s) do not respond within one working day of the receipt of the said daily confirmation statement, the confirmation statement shall be deemed conclusively accepted by the Account Holder(s).
6. In the event that the Account Holder(s) fail(s) to deposit additional cash or securities as margin within one working day of the margin call (in writing), the Broker shall have absolute discretion to and, without further notice to Account Holder(s), liquidate the Account Holder(s) outstanding positions, including the securities purchased and carried in such account, so that the margin is maintained at the required level.
7 (a) The Broker shall be responsible to ensure delivery of CDC eligible securities in the CDC account of the Account Holder(s) subject to full payment by the Account Holder(s). In case of companies which are not on the CDS, the Broker shall ensure delivery of physical shares along with verified transfer deeds against payments, to the Account Holder(s). Further, the Broker shall be responsible for the payment of any credit cash balance available in the account of the Account Holder preferably in form of A/c Payee cross cheque only within 1 working day of the request of the Account Holder(s) (subject to the maintenance of the margin requirements).

(b) In the event of non-receipt of payment from the Account Holder on settlement day against securities bought on account of the Account Holder, the Broker may transfer such securities to his Collateral Account under intimation to the Exchange, after complying with the requirements as mentioned in relevant clause of this chapter.

8. The Broker shall accept from the Account Holder(s) payments through "A/c Payee Only" crossed cheque, bank drafts, pay orders or other crossed banking instruments in case of amounts in excess of Rs. 25,000/-. Electronic transfer of funds to the Broker through banks would be regarded as good as cheque. The Broker shall be responsible to provide the receipt to the Account Holder(s) in the name of the Account Holder(s) duly signed by authorized agents/employee of the Broker and the Account Holder(s) shall be responsible to obtain the receipt thereof. In case of cash dealings, proper receipt will be taken and given to the Account Holder(s), specifically mentioning if payment is for margin or the purchase of securities. The broker shall immediately deposit in its bank account all cash received in whole i.e. no payments shall be made from the cash received from clients. However, in exceptional circumstances, where it becomes necessary for Broker to accept cash in excess of Rs.25,000/-, the Broker shall immediately report within one working day such instances with rationale thereof to the Exchange in accordance with the mechanism prescribed by the Exchange.
9. The Brokers shall make all the payments of Rs.25,000/- and above, through crossed cheques / bank drafts / pay orders or any other crossed banking instruments showing payment of amount from their business bank account. Copies of these payment instruments including cheques, pay orders, demand drafts and online instructions shall be kept in record for a minimum period of five years.
10. The Account Holder(s) shall have a right to obtain a copy of his/her or their ledger statement under official seal and signature of the Broker or his authorized representative on a periodic basis. In case of any discrepancy in the ledger statement, the Account Holder(s) shall inform the Broker within 1 working day of receipt of the ledger statement to remove such discrepancy.
11. The Account Holder(s) shall operate the account and execute transactions himself/herself/themselves unless the Account Holder(s) authorize Mr. /Ms. / _____ I. D. No. _____ to transact in the account. All transactions executed by the authorized person shall be binding upon the Account Holder(s).

12. **For Joint Account Holder(s) only:**

We, the Account Holders shall operate the account jointly or severally and the instructions issued either jointly or severally shall be binding on us as well as upon the Broker in respect of the joint titled account.

Or

Our titled account shall be operated only by _____ who shall be deemed as the authorized person for operating the joint account or issuing any instructions relating thereto.

13. The Broker shall be responsible to append a list of his authorized agents/traders and designated employees, who can deal with the Account Holder(s), with this account opening form and a copy of both the opening form and the list will be provided to the Account Holder(s). Any change therein shall be intimated in writing to the Account Holder(s) with immediate effect.
14. The Broker shall debit the account of the Account Holder(s) for the commission charges or any other charges in connection with the brokerage services rendered, which shall be clearly detailed in the ledger statement/daily confirmations.
15. The Broker shall not disclose the information of the transactions of the Account Holders to any third party and shall maintain the confidentiality of this information. However, in case the Exchange or the Commission, as the case may be, requires any such information, the Broker shall be obliged to disclose the same for which the Account Holder(s) shall not raise any objection whatsoever.
16. In case a Broker converts his individual brokership rights to corporate brokership and vice versa the agreement and conditions laid down herein above shall remain effective unless otherwise agreed by the parties.
17. Acceptable mode of communication between the Account Holder(s) and the Broker shall be through letter (courier/registered post/fax/E-mail) or by hand subject to receipt/acknowledgment. The onus of proving that the e-mail has been received by the recipient shall be on the sender sending the e-mail. Confirmation of orders to clients made through fax or e-mail will have a time record.
18. All orders received telephonically and placed on Trading System shall be supported by recording on dedicated telephonic lines, preferably connected with a computerized taping system so as the orders could possibly be sorted on UIN basis and made user friendly.
19. In case of change of address or contact numbers of either party, the concerned party shall immediately notify the other party of the changes in writing.

20. I/We, the Account Holder(s) acknowledge receipt of this account opening form (signed here by me/us in duplicate) along with the copies of all the annexures and I/we, the Account Holder(s) also undertake that I/we have understood all the above terms and conditions of this agreement which are acceptable to me/us.
21. I/We, the Account Holder(s) understand that the shares trading business carries risk and subject to the due diligence on part of the broker. I/We may incur losses for which I/we, the Account Holder(s) shall not hold the Broker responsible.
22. I/We, the Account Holder(s) further confirm that all information given in this application is true and complete and hereby authorize the Broker to verify any information mentioned above.

_____ Signature of Broker

_____ Signature of Account Holder

_____ Signature of Joint Account Holder

WITNESSES:

1. _____ (I. D. Card No._____)
2. _____(I. D. Card No. _____)

Opened by: _____ Checked by: _____

Date: _____

Enclosures (for individuals):

1. Attested copies of National Identity Card of the applicant.
2. Attested copies of National Identity Card of the Joint Holders and or Nominee(s) (if applicable)
3. Attested copies of passports of the applicant, Joint Holders and or Nominee(s) (in case of non-residents)
4. Copy of the letter of authorization from the Account Holder(s) of the person authorized to trade in my/our accounts (if other than the account holder).
5. A list of Transaction fee, Commission to be charged by the Broker and other CDC charges to be levied.

Enclosures (for corporate entities):

1. Certified true copy of Board Resolution (specimen provided as per Annexure-A below).
2. Certified true copies of Memorandum & Articles of Association.
3. List of authorized signatories.
4. List of nominated persons allowed placing orders.

Annexure-A

Board Resolution

"RESOLVED that an application be made on behalf of _____ (name of entity) to _____ ("broker") for opening an Account and for the afore-said purpose the Account Opening Form including Terms and Conditions as set out herein be executed on behalf of _____ (name of entity).

FURTHER RESOLVED that Mr. /Ms. _____ and Mr. /Ms. _____ be and are hereby authorized and empowered, either singly/jointly for and on behalf of _____ (name of entity) to sign and execute and deliver this Account Opening Form and Terms & Conditions and other documents in connection therewith, and to do any other act, deed or thing for and on behalf of _____ (name of entity) in respect of company's application for opening an Account.

FURTHER RESOLVED that Mr./Ms. _____ and Mr./Ms. _____ be and are hereby authorized and empowered, either singly/jointly to represent to the broker on all matters pertaining to the maintenance and operation of the Account, to deal, liase and correspond with broker and give instructions to fulfill all the responsibilities and obligations to broker under the Law, Rules and Regulations and the Terms & Conditions in relation to the Account from time to time, and to deal with other incidental and ancillary acts, things and deeds".

Signatures of the Directors

1. _____
2. _____
3. _____
4. _____
5. _____

Date of Resolution: _____

Annexure-II

CODE OF CONDUCT FOR TRADING BY EMPLOYEES OF BROKERAGE HOUSES

1. Employees of Brokerage Houses desirous of trading must obtain prior written authorization for such activity from the Broker or authorized officer of the Brokerage house on his trading account opening form.
2. Employee must submit to the Broker or authorized officer of the Brokerage house, a written undertaking of his understanding and willingness to strictly abide by all the relevant rules, regulations, codes and procedures as prescribed by the Exchange, Clearing Company, Depository Company and the Commission at all times while trading on his own account.
3. The provisions of chapter 7 of the PSX Regulations or any other Regulation which may be made from time to time in this regard would be applicable to such trades.
4. All trades on behalf of the employees concerned shall be executed against their own respective UINs and shall be subject to these PSX Regulations.
5. Employees must ensure that investment advice given to clients by them does not result in a conflict of interest with their individual trading activities.
6. The employees should not indulge in buying or selling securities of a company for their own account or any account over which they exercise control if they possess non-public information or inside information of that company or information pertaining to any potential trade/deal which may affect the share price of that company. Further, they will not pass any such information to others.
7. The employees should not buy or sell those securities for their own account in which they are aware of clients' proposed trades, trades by the Brokerage house or forthcoming research report regarding such securities.
8. Brokers shall monitor their employees' trades regularly and the Internal Audit Department will ensure compliance of these PSX Regulations and any violation shall be communicated to Audit Committee/Chief Executive Officer and shall be submitted to the Exchange and/or the Commission as and when demanded.
9. Adherence by Brokers as well as their employees, in letter and spirit, to this Code of Conduct is mandatory.

Chapter 5: LISTING OF COMPANIES AND SECURITIES REGULATIONS

5.1. DEFINITIONS:

5.1.1. In this chapter, unless there is anything repugnant in the subject or context:

(a) "Book Runner", shall mean a Brokerage House or a Scheduled Bank duly licensed by the Commission as an Underwriter and appointed as Book Runner by the Issuer/Offeror;
(b) "Defaulters' Segment", shall mean a separate segment of companies, which have committed irregularities mentioned in clause 5.11.1;
(c) "Final Prospectus", shall mean the prospectus containing all the information & disclosures as required under the Securities Act, 2015 together with disclosure of the Strike Price and results of the Book Building process;
(d) "Floor Price", shall mean the minimum price set by the Issuer/Offeror for offer of shares;
(e) "General Public", shall mean all individual and Institutional Investors including both Pakistani (residents & non-residents) and foreign investors;
(f) "High Net Worth Individual Investor (HNWI)", shall mean an individual investor who applies or bids for shares of the value of Rs.1,000,000/- or above in the Book Building process;
(g) "Investment Finance Company", shall mean an investment finance company as defined in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
(h) "Institutional Investor", shall mean an investor who is not an individual and includes both local and foreign institutional investors;
(i) "Lead Manager", shall mean a Consultant to the Issue duly licensed by the Commission and appointed as Lead Manager by the Issuer/Offeror;
(i).a. "Listing Committee", shall mean a committee comprising of at least seven members including at least three external members for review and approval of the prospectus and the listing application;
(i).b. "Listed Shell Company", shall mean any Listed Company, classified by the Exchange with reasons to be recorded in writing, as a Listed Shell Company for the purposes of Reverse Merger on the basis of erosion of its equity, no or nominal business operations in its principal line of business as per Memorandum of Association or no or nominal assets;
(j) "Member" means a member as defined in the Companies Ordinance, 1984;
(k) "Offeror", shall mean a person who directly or indirectly holds more than 10% of any shares of a public limited company or a body corporate and offer for sale such shares, in full or in part, to the General Public;
(l) "Offer Price", shall mean the price per share at which shares are offered for sale to the General Public. This may either be the Strike Price or a price at a certain discount to the Strike Price;
(l).a. "Operating Unlisted Company", shall mean an unlisted company currently in operation which is intending to merge with a Listed Shell Company;
(m) "Preliminary Prospectus", shall mean the prospectus approved by the Commission under section 87(2) read with section 88(1) of the Securities Act, 2015 and issued to the Institutional Investors and HNWIs for the Book Building process;
(n) "Prescribed", means prescribed by these Regulations or under authority hereof;
(o) "Public Issue/Offer", shall mean issue/offer of shares by an Issuer/Offeror to the General Public;
(p) "Regulations", shall mean this chapter of the PSX Regulations for the time being in force;Unlisted Company' means an unlisted company currently in operation which is intending to merge with a Listed Shell Company;
(p).a. "Reverse Merger", shall mean any transaction pursuant to which an Operating Unlisted Company becomes a Listed Company by merging with and into a Listed Shell Company;
(q) "Step Bid", shall mean a series of limit bids at increasing prices;
(r) "Surviving Company", shall mean the Listed Company survived pursuant to scheme of arrangement of an Operating Unlisted Company with a Listed Shell Company approved by the relevant competent authority;

5.1.2. Words or expressions defined in the Ordinance and the Securities Act, 2015 shall, except those defined herein or where the subject or the context forbids, bear the same meanings as in the Ordinance and the Securities Act, 2015 or either of them and in the case of word or expression bears different meanings under the Ordinance and the Securities Act 2015, that meaning which is carried or included in the Ordinance shall prevail and have preferred application.

5.2. LISTING OF COMPANIES AND SECURITIES:

5.2.1. DEALING IN THE SECURITIES OF A COMPANY AT THE EXCHANGE:

(a) No dealings in securities of a company shall be allowed on the Exchange, either on the Ready Delivery Contract Market or Futures Counter, unless the company or the securities have been listed and approval for such dealing has been granted in accordance with the Regulations.
(b) The approval under sub-regulation 5.2.1.(a) may be granted upon an application made by the company or in respect of the securities in the manner prescribed. The Board itself or through the Listing Committee constituted by the Board for this purpose review and approve the prospectus and the listing application. Prior to granting its approval, the Board or the Listing Committee, as the case may be, examine the proposed issue from various aspects including eligibility requirements and suitability of the issuer or the security for listing considering the interest of the general public and its benefits to the capital market. In order to assess the suitably aspect, the exchange may ask for any additional information from the issuer and the Consultant to the Issue including financial projections, future strategies of the issuer, experts report, etc.

Explanation: The term suitability with regard to the listing of securities includes assessing various risks involved such as sector risk, operational risk, legal risk, etc., track record of the sponsors, quality and capability of the management, past financial performance of the issuer, future strategies of the issuer, dividend pay-out history of the group's listed companies, if any, financial projections, financial viability, dividend policy, etc. among other things, sufficiency of public interest in the company or the securities.

(c) The Exchange shall decide the application within a maximum period of forty-five (45) calendar days from the date of receipt of the additional information and documents required, if any. In case the approval is refused, after providing an opportunity of making a representation before the approving authority, the reasons thereof will be communicated to the applicant and the Commission within two weeks of the decision.

(d) The Board or the Listing Committee will be the sole authority to grant, defer or refuse such approval subject only to two-third majority of the members present at such meeting of the committee or the Board.

Provided that quorum for meeting of the Listing Committee shall be four members comprising at least two external members.

Provided further that in case of refusal by the Listing Committee, the applicant company may file an appeal before the Board against the decision of the Listing Committee.

(e) The Exchange shall maintain a panel of the external experts representing each sector of the economy. At least two experts shall be retained on the panel from each sector.

5.2.2. LISTING PROCESS AT THE EXCHANGE:

(a) The application for approval of listing shall be made on Form-I by the applicant company and shall be accompanied by the documents as mentioned in Appendix-I to this chapter.

Provided that copy of the complete application shall be submitted to the Commission for its record.

(ab) The Exchange has an option to visit the applicant company's head office, factory, plant, and/or premises to know the listing applicant and its business.

(ac) The Exchange shall place the draft prospectus on its website for a period of seven working days and shall notify the same, for seeking public comments. The Exchange shall ensure that all comments received on the draft prospectus are incorporated and suitably addressed by the Consultant to the Issue and the issuing company to its satisfaction.

(ad) The Exchange shall submit the application to the Listing Committee for its consideration and approval.

(ae) The Exchange, before appointing any external expert on the Listing Committee for a specific issue, shall obtain declaration on conflict of interest from such expert.

(b) The Exchange may require such additional evidence declarations, affirmations, information or other forms to be filled up as it may consider necessary and all such requisitions shall be deemed as prescribed requisitions for the purpose of a proper application for consideration by the Exchange for approval of listing.

(c) If an application together with the additional information referred to in sub-clause 5.2.2.(b) is not submitted, the Exchange may defer consideration or decline to consider it in which case such application will stand disposed-off as refused. However, the applicant may move a fresh application after six months from the date of refusal unless the Exchange otherwise decides.

(d) An applicant company or security applying for listing shall furnish full and authentic information in respect thereof and such other particulars as the Exchange may require from time to time. All routine particulars may be called for by the Secretary.

5.2.3. THE EXCHANGE SHALL NOT ENTERTAIN LISTING APPLICATION OF A COMPANY:

(a) If any overdue/past due payment to a financial institution, irrespective of amount, is appearing in the overdue column of the latest CIB report of the company, its chief executive, directors, sponsors/promotors, substantial shareholders, associated and group companies and undertakings and the companies, firms, sole proprietorships, etc. where the chief executive, directors, sponsors/ promotors and substantial shareholders are interested as chief executive, director (other than nominee director), owner or partner, etc. Provided that this condition may be waived of where:

(i) Amount overdue is under litigation and the same is also appearing as amount under litigation in CIB report, or
(ii) No overdue payment appears in the overdue column in the subsequent latest CIB Report.

(b) Whose promoters/sponsors/controlling directors are also promoters/sponsors/controlling directors in other Listed Companies, which are in the Defaulters Segment. Further, no person shall be allowed to act as sponsor/controlling director of the applicant, if such person has remained sponsor/controlling director of a company which was delisted and non-compliant of any provision of this Chapter at the time of its delisting. The company shall also submit a list of its promoters/sponsors/controlling directors containing details of directorship in existing companies as well as the directorship of each director held in the past.

(c) Which is a wholly owned subsidiary company, of a Listed Company which is in the Defaulters' Segment.

(d) Which is an associated company of any other Listed Company which is in the Defaulters' Segment.

Provided that the condition (a), (b) and (d) shall not apply to nominee directors of the Government and Financial Institutions.

5.2.4. The loan amounting to Rs.500,000 or more written-off by a financial institution during last five years be disclosed in the prospectus.

5.3. UNDERTAKING:

5.3.1. No listing of a company or security shall be approved unless the applicant company provides an undertaking on Form-II to abide by these Regulations.

5.3.2. The company and/or the authorized representative, as the case may be, shall further undertake:

(a) that the securities shall be quoted on the Ready Delivery Contract Market and/or the Futures Counter at the discretion of the Exchange;
(b) that the Exchange shall not be bound by the request of the company to remove its securities from the Ready Delivery Contract Market and/or the Futures Counter;
(c) that the Exchange shall be authorized and have the right, at any time and without serving notice if it be deemed proper, to suspend or to remove any shares or securities from the Ready Delivery Contract Market and/or the Futures Counter for any reason which the Exchange considers sufficient in public interest subject to the procedure laid-down in the Securities Act, 2015;
(d) that such provisions in the articles of association of a company or in any declaration or basis relating to any other security as are or otherwise not deemed by the Exchange to be in conformity with the Regulations shall, upon being called upon by the Exchange, be amended forthwith and until such time as these amendments are made, the provisions of these Regulations shall be deemed to supersede the articles of association of the company or the nominee relating to the other securities to the extent indicated by the Board for purpose of amendment;
(e) that none of the directors, sponsors and substantial shareholders of the applicant company has been the sponsor or substantial shareholder in any company, which:

(i). is in the Defaulters' Segment; or
(ii) was delisted by the Exchange due to its non-compliance of any applicable provision of PSX Regulations; or
(iii) whose TRE Certificate has been cancelled or forfeited by the Exchange, PMEX or any other registered stock exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by the Commission due to non-compliance of any applicable rules, regulations, notices, procedures, guidelines etc.

(f) that none of the Sponsors, substantial shareholders, directors or management of the company as well as the company itself or its associated company/entity have been found guilty of being engaged in any fraudulent activity. The company has made full disclosure regarding any/or all cases in relation to involvement of the person named above in any alleged fraudulent activity which is pending before any court of law, regulatory body, investigation agency in or outside of the country;
(g) that the company or the security may be de-listed by the Exchange in the event of non-compliance and breach of undertaking given hereunder.

5.4. OFFER OF CAPITAL BY COMPANIES/MODARABAS TO THE GENERAL PUBLIC:

5.4.1. In case of offer of capital by the issuing company by way of IPO or offer for sale, the allocation to General Public shall be as under:

(a) *FOR COMPANIES SEEKING LISTING:*

(i) In case post-issue paid-up-capital of the company is up to Rs.500 million, the allocation of capital to the General Public, excluding premium amount and Pre-IPO placement, if any, shall not be less than 25% of the post-issue paid-up capital of the company.
(ii) In case post-issue paid-up-capital of the company is above Rs.500 million, the allocation of capital to the General Public, excluding premium amount and Pre-IPO placement, if any, shall be at least Rs.125 million or 12.5% of the post-issue paid-up-capital, whichever is higher. Such company, will however, be required to subsequently enhance the quantum of public shareholding to 25% within next four years of its listing through:

i. Issuance of new shares to public through prospectus; or
ii. Offer for sale of shares held by the promoters to public through prospectus; or
iii. Sale of shares held by the promoters through the secondary market; or
iv. Sale of shares to employees under the Employees Stock Option Schemes; or
v. Any other method as may be allowed by the Exchange with the approval of the Commission.

(b) *FOR COMPANIES ALREADY LISTED:*

In case of an already listed company at the Exchange, the size of offer of capital shall not be less than Rs.100 million.

Explanation: For the purpose of this clause, the term "size of the offer" means the product of the offer price and the number of shares being offered.

5.4.2. The Issuer or the Offeror, as the case may be, may allocate share capital up to twenty percent (20%) of the public offer to overseas Pakistanis. The amount should be subscribed through proper banking channel.

Provided that in case of under subscription in either of the categories i.e., the quota allocated to resident or non-resident Pakistanis, the unsubscribed portion will be allocated to the applicants of other category.

5.4.3. The Issuer or Offeror, as the case may be, may allocate share capital up to five percent (5%) of the public offer to its employees of the company whose shares are offered.

5.4.4. In the case of a Modaraba applying for listing on the Exchange, thirty percent (30%) of the total Paid-up capital shall be subscribed by the sponsors or their associates or friends, relatives and associated undertakings and the balance of seventy percent (70%) shall be offered to the General Public.

Provided that the Exchange, if it is satisfied that it is not practicable to comply with the requirements of any of the above regulations in a particular case or class of cases may, for reasons to be recorded, relax the regulations subject to approval of the Commission.

5.4.5. THE ALLOCATION OF SHARE CAPITAL:

The shares shall be allotted or allocated to any persons including sponsors or employees in the manner and with such terms and conditions as prescribed under the Public Offering Regulations, 2016.

5.4.6. OFFER/ISSUE THROUGH BOOK BUILDING:

In case where the shares of the company are issued/offered through Book Building, it shall comply with the requirements as prescribed in the Public Offering Regulations 2016.

5.5. PROSPECTUS, ALLOTMENT, ISSUE AND TRANSFER OF SHARES:

5.5.1. No Company will be listed unless it is registered under the Ordinance as a public limited company and its minimum paid-up capital is Rs.200 million.

5.5.2. The Companies registered in Northern Areas and Azad Jammu and Kashmir will be eligible for listing and will be treated at par with Companies registered in Pakistan.

5.5.3. Despite receiving the application for approval of listing and any preliminary actions thereon, no company shall be listed unless it has made a public issue which is subscribed by not less than 500 applications.

5.5.4. The requirements of sub-section 5.5.1. or 5.5.3. shall not apply to listing of Securities other than shares of Companies unless any law so requires or the Federal Government in the exercise of its powers under the Securities Ordinance so directs.

5.5.5. The Companies may make a public offer of securities to be eligible securities in the CDS.

5.5.6. In all the prospectuses/offer for sale, the following disclosures must be made:

(a) The audited accounts to be incorporated in the Prospectus / Offer for sale document which shall not be older than 6 months from the date of publication of the Prospectus / Offer for sale document.
(b) Break-up value of the shares on the basis of the latest audited account supported by a certificate from the auditors.
(c) In the financial plan, the amount of interest/mark-up/financial charges during pre-production period shall be shown separately.
(d) A brief write-up of each of the directors and CEO of the company along with academic qualification and relevant experience.
(e) Detail of project, if any, like status of civil work, break up of plant and machinery, its cost, made, supplier, status i.e. new or used, ordered, shipped, reached at site, installed, etc. Total project cost, means of financing, cost incurred, Project implementation schedule, expected date of trial production and commercial production etc.
(f) Any other disclosure which the Exchange may require for the benefit of the investors.

5.5.7. APPROVAL OF PROSPECTUS:

(a) The prospectus shall be submitted to and approved by the Exchange before an application for its approval is made to the Commission. The Exchange may require additional information, data, certification or requirement to be included in the prospectus. If any applicant fails to comply with such requirements, the Exchange may refuse to issue approval under these Regulations.
(b) The prospectus shall conform to and be in accordance with the requirements and provisions of the Securities Act, 2015 and any other law or legal requirement for the time being applicable. The application made to the Commission shall, amongst other things, be accompanied by the approval given by the Exchange under sub-regulation 5.5.7.(a) above.
(c) Without prejudice to the foregoing, the prospectus or the offer for sale shall fulfill all requirements of the law and instructions of the Commission as well as the criteria for listing and the guidelines laid down by the Exchange from time to time, not being inconsistent with law or instructions of the Commission.
(d) The prospectus with the proforma application form shall be published by the company in at least one widely circulated English and Urdu daily newspaper each at Karachi, Lahore and Islamabad or as the Exchange may in addition require, at least 7 (seven) days in advance but not more than 30 (thirty) days before the date of the opening of the subscription list.
(e) The issuer shall make available to the Exchange and to bankers to the issue for distribution printed copies of prospectus or offer for sale and application forms for shares in the quantity to be determined by the Exchange and the bankers. The company shall also accept applications on identical forms.
(f) The applications for shares shall be accepted only through bankers to the issue, whose names shall be included in the prospectus or the offer for sale.
(g) The directors or the offerors, as the case may be, shall not participate in subscription of shares offered to the general public.

(h) The company shall, where required, submit, progress report on implementation of the project, with breakup of the proceeds utilized, on quarterly basis till commencement of the commercial production or operation of the project, to the securities exchange for public dissemination.

5.5.8. The share certificates shall be issued in such marketable lots or in any other manner as may be determined or approved by the Exchange.

5.5.9. The application money shall be refunded, within such time as is prescribed in regulation 5.5.10.(d), if the company is not listed at the Exchange for any reason whatsoever or the listing is refused.

5.5.10. SUBSCRIPTION PROCESS:

(a) The company shall inform the Exchange of the subscription received which information shall be communicated in writing under the hand of an authorized person with certificate(s) from bankers to the issue, within three (3) working days of the closing of subscription.
(b) Within 10 days of the close of public subscription period, the company shall allocate shares against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be refunded.
(c) In case the application for listing is refused by the Exchange, for any or whatsoever reasons, the company shall forthwith pay without surcharge all moneys received from applicants in pursuance of the prospectus or the offer for sale and any such director of the company shall be, jointly and severally, liable to repay that money with surcharge at the rate of one and half percent (1-1/2%) for every month or part thereof from the expiration of the fifteenth (15) day.
(d) In case of over-subscription, the company, or the Offerors, as the case may be, shall immediately submit to the Exchange copies of the ballot register of successful applications.
(e) The company shall credit and dispatch all shares certificates, in marketable lots, within ten (10) days of the closing of subscription list to all the successful applicants under intimation to the Exchange.

Provided that where the security has been declared to be an eligible security, share certificates shall be issued by the company and deposited directly into the CDS in such manner as may be prescribed by the CDC provided the applicant has provided his CDC account on the application form.

5.5.11. BROKERAGE TO TRE CERTIFICATE HOLDERS:

The Company or the Offeror, as the case may be, shall, within thirty (30) days of closing of subscription list, pay brokerage to the TRE Certificate Holders of the Exchange at a rate not more than one percent (1%) of the value of the shares actually sold through them.

5.5.12. SPLIT/CONSOLIDATION OF PHYSICAL INSTRUMENTS:

(a) The Company shall split allotment letters and letters of right into marketable lots within seven (7) days of receipt of such application.
(b) The Company shall consolidate or split, as may be required by a Security holder in writing certificates into marketable lots within thirty (30) days of receipt of such application. In case the split/consolidation results in lots other than marketable lots, the company may charge an amount, which shall not exceed Rs.100/- for each certificate.

5.5.13. VERIFICATION OF SIGNATURE AND PHYSICAL TRANSFER:

(a) The Company shall verify the signature of shareholders within forty eighty (48) hours of such a request.
(b) The Company shall complete shares transfer and have ready for delivery the share certificates lodged for registration of transfer within forty five (45) days of the application for such transfer and its registration.

5.5.14. CLOSURE OF SHARE TRANSFER BOOKS:

(a) A company, excluding open-end mutual funds, may close its share transfer books for any purpose and shall give a minimum of fourteen (14) days' notice to the Exchange prior to closure of Share Transfer Books.

Provided that the Companies quoted on the Futures Counter shall intimate to the Exchange the dates of their book closure and corporate actions, if any, on or before twentieth (20th) day of the month with a notice period of at least twenty one (21) days after the said twentieth (20th) day for commencement of book closure.

(b) The Company shall treat the date of posting as the date of lodgment of shares for the purpose for which shares transfer register is closed, provided that the posted documents are received by the Company before relevant action has been taken by the Company.
(c) The Company shall issue transfer receipts immediately on receiving the shares for transfer.
(d) The Company shall not charge any transfer fee for transfer of shares.
(e) The Company shall provide a minimum period of seven (7) days but not exceeding fifteen (15) days at a time for closure of Shares Transfer Register, for any purpose, not exceeding 45 days in a year as a whole.

5.5.15. No listed Company shall exercise any lien whatsoever on fully paid shares and nor shall there be any restriction on transfer of fully paid shares. The same shall apply to all listed Securities.

5.6. DIVIDENDS, ENTITLEMENTS AND DISCLOSURE OF PRICE-SENSITIVE INFORMATION:

5.6.1. DISCLOSURE OF PRICE-SENSITIVE INFORMATION TO THE EXCHANGE:

(a) Every listed Company shall immediately disseminate to the Commission and the Exchange all price-sensitive information relating to the business and other affairs of the listed company that may affect the market price of its

shares in the manner prescribed by the Exchange from time to time. The said information shall be communicated to the Exchange prior to its release to any other person or print / electronic media.

The price-sensitive information may include but shall not be limited to:

(i) any material change in the nature of business of the company due to technical, strategic, manufacturing, or marketing related changes, opening of new line of business or closure of any existing line of business, either partly or fully;
(ii) information regarding any joint ventures, merger, demerger, restructuring, acquisition or any material contract entered into or lost;
(iii) all decisions of the Board of Directors of the company relating to cash dividend, bonus issue, right issue or any other entitlement or corporate action, buy back of securities or voluntary delisting;
(iv) purchase or sale of significant assets, franchise, brand name, goodwill, royalty, financial plan, etc.;
(v) any undisclosed revaluation of assets including impairment of assets due to any reason;
(vi) delay or loss of production due to strike, fire, natural calamities, major breakdown, etc.;
(vii) a major change in borrowings including projected gains to accrue to the company;
(viii) issue or redemption of securities or any change in the terms of issued securities;
(ix) material change in ownership of the company;
(x) any default in repayment, rescheduling or restructuring of loans or breach of loan agreement by the company;
(xi) change in directors, Chairman, CEO or auditors of the company;
(xii) fraud/default by the company or fraud/default/arrest of its directors, CEO or executives;
(xiii) initiation of winding up proceedings against the company or any of its associated/subsidiary company;
(xiv) non-renewal of license by the Commission or any other relevant licensing authority along with reason(s) of the non-renewal; and
(xv) any other information that is deemed price sensitive information.

Explanation: Such information shall be disseminated to the Commission and the Exchange as soon as any decision about above referred matters or any other significant issue is taken by the board or a significant matter requiring disclosure has come into the knowledge of the company's management**.**

(b) Whenever a listed Company becomes aware or is made aware of any rumor or report containing material information that is likely to affect market price of its listed Securities or trading volume, which is in any form whatsoever and howsoever, including that of being broadcasted/presented through the electronic media and not limited to an article/news or otherwise, published in a newspaper, newswire, magazine, or any other publication, the Company should clarify / confirm or deny the rumor or false information and set forth the facts sufficient to clarify the same in writing to the Exchange, within one (1) day of such publication / broadcast.

In the event that the Exchange enquires from the Issuer concerning unusual movements in the price or trading volume of its Securities or any related matters, the Issuer shall respond promptly to the Exchange by giving sufficient information as is available to the Issuer in order to clarify its position.

(c) Intimation of dividend and of all other entitlements shall be sent to the Exchange not later than fourteen (14) days prior to commencement of the book closure.

(d) Where any director, CEO, substantial shareholder or executive of a Listed Company or their spouses sell, buy or take any beneficial position, whether directly or indirectly, in shares of the Listed Company of which he/she is a director, CEO, substantial shareholder or executive, as the case may be, he/she shall immediately notify in writing to the Company Secretary. Such director, CEO, substantial shareholder or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates, (i.e., whether physical or electronic into Central Depository System), and nature of transaction to the Company Secretary within two days of effecting the transaction. The Company Secretary shall immediately forward the same to the Exchange for its dissemination to all concerned. The notice of the director, CEO, substantial shareholder or executive, as the case may be, shall also be presented by the Company Secretary at the meeting of the board of directors immediately subsequent to such transaction. In the event of default by a director, CEO or executive to give a written notice or deliver a written record, the Company Secretary shall place the matter before the board of directors in its immediate next meeting.

Provided that each listed company, excluding open-end mutual funds, shall determine a closed period prior to the announcement of interim/final results and any business decision, which may materially affect the market price of its shares. No director, CEO or executive shall, directly or indirectly, deal in the shares of the listed company in any manner during closed period. The closed period shall start from the day when any document/statement, which forms the basis of price sensitive information, is sent to the board of directors and terminate after the information is made public. Every listed company shall advise its directors about the closed period at the time of circulating agenda and working papers for the board meetings, along with sending intimation of the same to the Exchange.

Explanation: For the purpose of clause 5.6.1 (a) and 5.6.1 (d), the expression "executive" means the CEO, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary by whatever name called, and other employees of the company for whom the board of directors will set the threshold to be reviewed on an annual basis and disclosed in the annual report.

(e) Where Exchange receives any information from an acquirer under section 110 of the Securities Act 2015, the Exchange, upon receipt of such information, shall immediately disseminate the same to all concerned.

5.6.2. NON COMPLIANCE WITH DISCLOSURE OF MATERIAL INFORMATION TO THE EXCHANGE:

(a) In case a Listed Company or Issuer of a Listed Security fails to communicate the complete financial results timely, or any other price sensitive information immediately, it will make the company liable to pay penalty at a minimum of

Rs.100,000/- (Rupees one hundred thousand only) and maximum up to Rs.1,000,000/- (Rupees One million only) to be determined by the Exchange.

(b) In case a Listed Company or Issuer of a Listed Security fails to communicate the accurate/complete financial results, or any other price sensitive information, the Chief Executive Officer (CEO) as well as Chief Financial Officer (CFO) of such Listed Company or Issuer will be liable to pay a penalty to be determined by the Exchange. Provided that the amount of such penalty shall not be less than Rs.100,000/- (Rupees one hundred thousand only) and shall not exceed Rs.1,000,000/- (Rupees one million only).

5.6.3. Every Listed Company and Issuer of Listed Security shall send to the Exchange its quarterly and annual financial results, in the manner prescribed by the Exchange from time to time.

5.6.4. PROVISION OF STATUTORY REPORTS, AUDITED ACCOUNTS, NOTICE, RESOLUTION AND QUARTERLY REPORTS TO THE EXCHANGE:

(a) The Company shall send/transmit to the Exchange its statutory report, annual report containing therein the audited financial statements, auditors' report, directors' report and the chairman's review report, in the manner prescribed by the Exchange not later than twenty one (21) days before a meeting of the shareholders is held to consider the same.

(b) The Company shall transmit to the Exchange all notices as well as resolutions prior to their publication and dispatch to the shareholders and also file with the Exchange certified copies of all such resolutions as soon as these have been adopted and become effective.

(c) The Company shall send/transmit to the Exchange its quarterly accounts in the manner prescribed by the Exchange from time to time and within the time stipulated under the Companies Act, 2017.

5.6.5. DISPATCH OF DIVIDEND WARRANTS:

(a) Every listed Company shall:

(i) dispatch the interim and final dividend warrants to the shareholders concerned within the time lines specified in section 251 of the Ordinance;

(ii) dispatch the interim and final dividend warrants to the shareholders by registered post or through courier services unless those entitled to receive the dividend require otherwise in writing;

(iii) intimate the Exchange immediately as soon as all the dividend warrants are posted to the shareholders.

(b) All dividend warrants, in addition to the place of the Registered office of the issuing companies, shall be en-cashable at Karachi, Hyderabad, Sukkur, Quetta, Multan, Lahore, Faisalabad, Islamabad, Rawalpindi and Peshawar for a period of three (3) months from the date of issue.

5.7. ANNUAL GENERAL MEETINGS/ANNUAL REVIEW MEETINGS, ETC:

5.7.1. HOLDING OF MEETING:

(a) All listed companies shall obtain prior approval of the Exchange in respect of the date and time of holding of its annual general meetings.

(b) A listed Company shall hold its annual general meetings and lay before the said meetings its financial statements within four (4) months following the close of financial year. Each Modaraba shall hold an annual review meeting of its certificate holders and lay before the said meeting its financial statements within four (4) months following the close of its financial year.

Provided that it shall be mandatory for a Company to notify the Exchange of any extension in time of holding the Annual General Meeting by furnishing to the Exchange a copy of the letter of approval from the Commission allowing such extension, within 48 hours of receipt of the same.

5.7.2. FURNISHING OF MINUTES OF MEETING AND OTHER INFORMATION:

(a) The company shall furnish certified true copies of minutes of its Annual General Meeting and of every extraordinary general meeting to the Exchange within sixty (60) days of such meeting.

(b) The Company shall furnish to the Exchange a complete list of all its security holders as at 31st December in each calendar year, duly affirmed to be correct as and up to that date, within thirty (30) days thereof.

(c) Every listed company or issuer of a listed security shall:

(i) ensure that requisite input into the CDC free-float functionality is entered in a timely manner to enable the Exchange to access the number and break-up of Free-Float shares of the company on quarterly basis i.e. as on March 31, June 30, September 30 and December 31 each year, within fifteen (15) days of close of each quarter.

(ii) submit directly to the Exchange along with the annual audited accounts as prescribed in clause 5.6.4.(a) of the PSX Regulations, an annual Free-Float certificate duly verified by the auditor, in the format specified by the Exchange.

The CDC shall notify to the Exchange late/non-submission of quarterly Free-Float information by any listed company within the timeframe specified in clause (i) above, for initiating necessary action as provided in the PSX Regulations.

(d) A company or an issuer of a Listed Security which fails to communicate the correct details of Free-Float of shares shall be liable to pay a penalty of Rs. 5,000/- per day from the date of first communication of such details till the correct details are communicated.

5.8. INCREASE OF CAPITAL AND ALLIED ISSUES:

Every listed Company shall immediately advise the Exchange of all decisions taken by its board of directors regarding any change in authorized, issued or paid-up capital, by issue of bonus shares, right shares or reduction of capital, etc.

5.8.1. THROUGH ISSUING OF ENTITLEMENT LETTERS OR RIGHT OFFERS:

(a) A listed Company shall issue entitlement letters or right offers in marketable lots to all the Security holders within a period of thirty (30) days from the date of re-opening of security transfer register of the company closed for this purpose.

Provided that this regulation shall not apply on the Security which is eligible to be deposited into CDS. In such cases, the procedure as prescribed by the CDC shall be complied with.

(b) The company shall pay the following fees for extension granted by the Exchange with regard to issuance of entitlement letters, etc.

(i) for the first fifteen (15) days Rs. 250/- per day
(ii) for the next fifteen (15) days Rs. 500/- per day

Failure to seek extension from the Exchange shall make the company liable to a penalty at double the rate of extension fee provided above.

Provided that extension shall not be granted beyond 30 days.

5.8.2. THROUGH ISSUING OF BONUS SHARES:

(a) A listed Company shall issue bonus shares certificates within a period of thirty (30) days from the date of re-opening of the share transfer register closed for this purpose:

(i) Bonus shares shall be credited into the respective CDS Accounts of shareholders maintained with the CDC or dispatched to the shareholders concerned by registered post or through courier services unless those entitled to receive the bonus share certificates require otherwise in writing;
(ii) The Exchange shall be immediately intimated as soon as the bonus shares are credited / dispatched to the shareholders;

Provided that in case of Book-Entry Securities deposited into the CDS, in addition to the above, procedure as prescribed by the CDC shall also be complied with.

5.9. LISTING OF SUBSIDIARY COMPANY AND OTHER MATTERS:

5.9.1. SPECIE DIVIDEND OF SUBSIDIARY COMPANY:

(a) A listed company distributing shares of its unlisted subsidiary company in the form of specie dividend, right shares or any similar distribution, shall get such subsidiary Company listed on the Exchange within a period of one hundred twenty (120) days from the date of approval of such distribution by the shareholders at a meeting of such company.
(b) In case of failure of such subsidiary company to apply for listing or refusal by the Exchange for such listing on account of insufficient public interest, or for any other reason whatsoever, the Company distributing specie dividend shall en-cash the shares of the subsidiary company at the option of the recipients at a price not less than the current break-up value, or face value, whichever is higher, within thirty (30) days from the expiry of one hundred twenty 120 days or from the date of refusal of listing whichever is earlier, failure in which behalf shall be default in which event the trading in the shares of the listed Company be suspended by the Board or the company de-listed.

5.9.2. A listed Company shall obtain prior clearance of the Exchange for any amendment proposed to be made in its memorandum and articles of association before the same are placed for the approval of the shareholders.

5.9.3. Every listed company shall advise the Exchange of:

(a) the decision to issue Participation Term Certificates and the purpose thereof notwithstanding that application is to be made to the authorities later;
(b) submit copy of the application made to authorities with relevant details and certified copy of the consent order.

All material particulars of the Participation Term Certificates including conditions governing the issue, details of guarantee/ securities, trustees and name of the subscribing institution(s).

5.9.4. Every listed company and issuer of listed security shall notify to the Exchange at least 1 week in advance the date, time and place of its board meeting specially called for consideration of its quarterly and annual accounts or for declaration of any entitlement for the security holders in the manner prescribed by the Exchange from time to time.

5.9.5. Where no trading has taken place on the Exchange in the securities of a listed company for a continuous period of 180 days, the Exchange, if it is satisfied that the prices quoted are not in accordance with the market realities, may except in cases where the earlier quotation is below par value and, with the prior approval of the Commission, quote such companies at par from the one hundred and eighty first day irrespective of the price earlier prevalent.

5.10. QUALITY OF AUDIT:

5.10.1. All listed companies shall facilitate the Quality Control Review (QCR) of the audit working papers of practicing chartered accountants, carried out by the Institute of Chartered Accountants of Pakistan (ICAP) and, therefore, shall authorize their auditors to make available all the relevant information including the audit working papers to the QCR Committee of ICAP.

5.10.2. (a) No listed company shall appoint or continue to retain any person as an auditor, who has been found guilty of professional misconduct, by the Commission or by a Court of Law, for a period of five years unless a lesser period is determined by the Commission. In case a firm has been appointed as an auditor, and if any of its partners has been held guilty of professional misconduct, the firm shall only be eligible for appointment as an auditor provided a written confirmation is given by the firm to all the stock exchanges of the country and the Commission with a copy to ICAP to the effect that such a partner shall not be engaged in the audit of any listed company for the specified period.

(b) A person appointed as an auditor shall be guilty of "professional misconduct" if he:

(i) fails to report a material misstatement or fact known to him and non-disclosure of which may render the financial statements misleading or disclosure of which is necessary in his professional capacity;
(ii) fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion;
(iii) makes a statement which is misleading, or deceptive;
(iv) incites any one to commit a criminal offence, or helps or encourages anyone in planning or execution of a criminal offence which is committed;
(v) agrees with anyone to prevent or obstruct the course of justice by concealing, destroying or fabricating evidence by a misleading statement which he knows to be untrue;
(vi) deceives any person, either by making a statement, which he knows to be false, or by suppressing matters relevant to a proper appreciation of its significance;
(vii) expresses his opinion on financial statements of any business or enterprise in which he, his firm or a partner in his firm has substantial interest;
(viii) is penalized under any of the provisions of the Companies Ordinance, 1984 in relation to his function as an auditor of a listed company; and
(ix) is guilty of any other act which is determined as professional misconduct by the Commission in relation to his function as an auditor of a listed company.

5.10.3. A listed company shall not appoint or continue to retain any person as an auditor, who is engaged by the company to provide services that are prohibited or if a person associated with the auditor is, or has been, at any time during the preceding one year engaged as a consultant or advisor or to provide any services that are prohibited.

Explanation:
For the purposes of this regulation, the expression "associated with" shall mean any person associated with the auditor, if the person:

(a) is a partner in a firm, or is a director in a company, or holds or controls shares carrying more than twenty percent of the voting power in a company, and the auditor is also partner of that firm, or is a director in that company or so holds or controls shares in such company; or
(b) is a company or body corporate in which the auditor is a director or holds or controls shares carrying more than twenty percent of the voting power in that company or has other interest to that extent.

Explanation:
For the purposes of this regulation the services that are "prohibited services" shall mean the following:

(a) Preparing financial statements, accounting records and accounting services;
(b) Financial information technology system design and implementation, significant to overall financial statements;
(c) Appraisal or valuation services for material items of financial statements;
(d) Acting as an Appointed Actuary within the meaning of the term defined by the Insurance Ordinance, 2000;
(e) Actuarial advice and reviews in respect of provisioning and loss assessments for an insurance entity;
(f) Internal audit services related to internal accounting controls, financial systems or financial statements;
(g) Human resource services relating to:

(i) Executive recruitment;
(ii) Work performed (including secondments) where management decision will be made on behalf of a listed audit client;

(h) Legal Services;
(i) Management functions or decisions;
(j) Corporate finance services, advice or assistance which may involve independence threats such as promoting, dealing in or underwriting of shares of audit clients;
(k) Any exercise or assignment for estimation of financial effect of a transaction or event where an auditor provides litigation support services as identified in paragraph 9.187 of Code of Ethics for Chartered Accountants;
(l) Share Registration Services (Transfer Agents); and
(m) Any other service(s) which the Council with the prior approval of the Commission, may determine to be a "prohibited service".

The Commission may on the recommendation of ICAP or in its sole discretion and to the extent deemed fit and proper exempt one or more services from the restriction aforesaid.

5.11. DEFAULTERS' SEGMENT, SUSPENSION AND DE-LISTING:

5.11.1. A listed company may be placed in the Defaulters' Segment if:

(a) It has not commenced its commercial production in the case of a manufacturing company or business operations in the case of any other company within ninety (90) days of the date of commencement of commercial production/ business operations as disclosed in its Prospectus;

(b) It has suspended commercial production/ business operations in its principle line of business for a continuous period of one year;

(c) It has failed to hold its one Annual General Meeting as per law;

Upon placement of such company on the Defaulters' Segment, the Exchange shall only initiate actions under Regulation 5.11.2(a) and 5.11.2(b). However, if such company fails to hold its Annual General Meeting for two consecutive years, trading in shares of the company shall be suspended immediately by the Exchange and the company shall be given 90 days to rectify the non-compliance, failing which, the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

(d) It has failed to submit its annual audited accounts for the immediately preceding financial year as per law;

Upon placement of such company on the Defaulters' Segment, the Exchange shall only initiate actions under Regulation 5.11.2(a) and 5.11.2(b). However, if such company fails to submit its annual accounts for two consecutive years, trading in shares of the company shall be suspended immediately by the Exchange and the company shall be given 90 days to rectify the non-compliance, failing which, the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

(e) It has failed to pay within the time specified by the Exchange:

(i) the annual listing fees for two (2) years; or
(ii) any penalty imposed by the Exchange under these Regulations though final order; or
(iii) any other dues payable to the Exchange under these Regulations;

(f) It for any reason whatsoever has failed to join CDS after its security has been declared eligible security;

Trading in shares of such company shall be suspended by the Exchange for a period not exceeding 90 days, immediately upon its placement on the Defaulters' Segment, following which the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

(g) Its CDS eligibility has been suspended by the CDC;

(h) Its CDS eligibility has been revoked by the CDC;

Trading in shares of such company shall be suspended by the Exchange for a period not exceeding 90 days, immediately upon its placement on the Defaulters' Segment, following which the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

(i) Its statutory auditor has issued a qualified opinion on the going concern assumption or has issued a disclaimer or an adverse opinion in the audit report;

Upon placement of such company on the Defaulters' Segment, the Exchange shall only initiate actions under Regulation 5.11.2(a) and 5.11.2(b). However, if the audit report for the following year also contains any of the above concern(s)/opinion(s), trading in shares of the company shall be suspended immediately by the Exchange and the company shall be given 90 days to rectify the non-compliance, failing which, the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

(j) License of the listed regulated person or listed company, as the case may be, has been cancelled or revoked by the Commission or licensing authority;

Trading in shares of such company shall be suspended immediately by the Exchange and the company shall be given 90 days to rectify the non-compliance, failing which, the Exchange shall initiate further actions against the company commencing from Regulation 5.11.2(e).

(k) It has failed to comply with any provision of this Chapter or where, in the opinion of the Exchange, it is necessary to do so in the interest of protecting investors and maintaining a fair, orderly and transparent market;

(l) A show cause notice for winding up has been issued to the company by the Commission;

Upon placement of such company on the Defaulters' Segment from the date on which the Exchange receives information from the Commission regarding issuance of show cause notice for winding-up of the company, the Exchange shall initiate actions under Regulation 5.11.2(a) and 5.11.2(b).

Provided that the Exchange upon receiving information that the Commission has passed order for winding-up of the company, shall immediately disseminate such information to the general public as per format of notice agreed with the Commission under Regulation 5.11.2(a).

Provided further that upon receipt of information regarding filing of winding-up petition against the company in Court by the Commission, the Exchange shall provide the company with notice of 14 trading days to rectify its default by obtaining clearance from the Commission. Upon failure of the company to rectify its default within 7 trading days from the date of such notice, trading in shares of the company shall be allowed only on T+0 (SPOT) for next 7 days, and upon continued failure of the company to rectify its default, the Exchange shall suspend trading in the shares of the

company from the 15th trading day from receipt of information regarding filing of winding-up petition against the company in Court by the Commission. The Exchange shall proceed to delist such company upon appointment of official liquidator by Court, without providing the company with opportunity for compulsory buy-back.

(m) Winding-up petition is filed by creditor(s) or shareholder(s) in the Court subject to the following conditions:

(i) such creditor or creditors, either severally or jointly, have a claim against the company which is equivalent to at least ten percent of the equity of the company as per the latest accounts available with the Exchange; or
(ii) such shareholder or shareholders, either severally or jointly, own at least ten percent of the company's paid-up capital;

Upon placement of such company on the Defaulters' Segment from the date on which the Exchange receives information regarding commencement of its winding-up, the Exchange shall initiate actions under Regulation 5.11.2(a) and 5.11.2(b) and provide the company with notice of 14 trading days for submitting reasons as to why trading in its shares may not be suspended by the Exchange. Upon failure of the company to rectify its default within 7 trading days from the date of such notice, trading in shares of the company shall be allowed only on T+0 (SPOT) for the next 7 days, and upon continued failure of the company to rectify its default, the Exchange shall suspend trading in the shares of the company from the 15th trading day of its placement on the Defaulters' Segment.

The Exchange shall proceed to delist such company upon appointment of official liquidator by Court, without providing the company with opportunity for compulsory buy-back.

Provided that where winding-up proceedings are initiated by creditor(s) or shareholder(s) who do not meet the conditions specified in sub-clause (i) or (ii) above, the Exchange may place the company in the Defaulters' Segment and suspend trading in its shares after expiry of two years from the date of commencement of the winding-up proceedings, if the matter is yet to be disposed-off by the Court.

(n) Voluntary winding-up proceedings have commenced through passing of special resolution;

Upon placement of such company on the Defaulters' Segment from the date of receipt of information from such company regarding passing of special resolution for voluntary winding-up, the Exchange shall initiate actions under Regulation 5.11.2(a) and 5.11.2(b) and immediately suspend trading in the shares of such company. The Exchange shall proceed to delist such company upon appointment of liquidator/official liquidator as the case may be, without providing the company with opportunity for compulsory buy-back.

5.11.2 Upon placement of a Company or its Security on the Defaulters' Segment pursuant to sub-clause 5.11.1, the Exchange shall initiate the following actions unless specific actions are provided under any of the sub-clauses to Regulation 5.11.1 above:

(a) Issue notice(s) for the general public disclosing the information available with the Exchange regarding placement of the company or its securities on the Defaulters' Segment as per the format of notice agreed with the Commission;

(b) Advise the CDC and/ or Registrar in case of physical shares to freeze the shares of the company placed on the Defaulters' Segment in the CDS accounts or in the name of the sponsors, directors and senior management of the Company, as per relevant information to be provided to the CDC/ Registrar by the Exchange;

Provided that in case of change of management/ revival of the company, the Exchange may request CDC/ Registrar to allow transfer of such blocked shares to any other person(s) in the same form upon submission of a valid scheme of revival including supporting documents and agreements to the Exchange.

(c) Instruct the Company to rectify the non-compliance(s) within the specified time not exceeding 90 days from the date of placement of the Company on the Defaulters' Segment;

Provided that upon placement of a Company on the Defaulters' Segment under sub-clause 5.11.1 (a) and (b), the Exchange may in addition to taking action as above instruct such Company to take necessary measures to commence/ resume commercial production or business operations, as the case may be, within 90 days from the date of such placement and submit monthly progress report to the Exchange for dissemination to market participants.

(d) In case a Company fails to rectify the non-compliance(s) within the timeframe specified in sub-clause 5.11.2 (c) or as otherwise specifically provided under sub-clauses to Regulation 5.11.1 above, the Exchange shall suspend trading in the shares of such Company and provide it further period not exceeding 90 days to rectify the non-compliance(s);

(e) In case a Company still fails to rectify the non-compliance(s) within the timeframe specified in sub-clause 5.11.2 (d) or as otherwise specifically provided under sub-clauses to Regulation 5.11.1 above, the Exchange shall issue compulsory buy-back directions to the majority shareholders/sponsors having control of the Company in the manner as provided under clause 5.13 within the time specified by the Exchange, not exceeding 90 days from the date of such direction or rectify the non-compliance(s) within such period;

(f) Upon completion of the buy-back process of shares by majority shareholders/ sponsors of the Company or failure to comply with the compulsory buy-back directions or failure to rectify the non-compliance(s) within the timeframe specified under sub-clause 5.11.2 (e) or as otherwise specifically provided under sub-clauses to Regulation 5.11.1 above, the Exchange shall delist such Company within 90 days through a notice in writing under intimation to the Commission;

(g) Submit complete details of the case to the Commission for further action as deemed appropriate under relevant provisions of the Securities Act, 2015 and the Companies Act, 2017.

5.11.3. Any information/ notices issued in relation to actions taken against any company under Regulation 5.11.1 and 5.11.2 or restoration of such company to the normal ready market counter shall be disseminated by the Exchange to the market participants prior to opening of market on the next trading day.

5.11.4. For companies already placed on the Defaulters' Segment due to any previous non-compliance(s), the Exchange shall from the effective date of Regulation 5.11.1 and 5.11.2, initiate such further actions against the company under relevant sub-clause of Regulation 5.11.1 or Regulation 5.11.2 that are yet to be taken against the company, subject to fresh notice(s) being issued under sub-clause (a) of Regulation 5.11.2.

5.11.5. No company which has been de-listed under these Regulations, shall be restored and its shares re-quoted until it removes the causes of de-listing and receives the assent of the Board for the restoration.

5.11.6. No company shall be de-listed under these Regulations, unless such company has been provided an opportunity of being heard. In case of failure of the company to avail the hearing opportunity, the Exchange shall proceed to delist the company on ex-parte basis.

5.11.7. In case of a company having more than one ground for placement on Defaulters' Segment, the Exchange shall follow the steps prescribed for the ground that leads to earlier suspension or delisting of the company, as the case may be.

5.12. EFFECTS OF SUSPENSION OF TRADING:

EFFECTS OF SUSPENSION OF TRADING IN THE SHARES OF A COMPANY SUSPENDED AT ALL THE STOCK EXCHANGES ON WHICH IT IS LISTED:

5.12.1. Transfer in the physical shares of such company shall be restricted. However, such restriction shall not be applicable in cases where:

(a) the Share Registrar/ Transfer Agent/ the company has received transfer request from a shareholder prior to the date of suspension; or
(b) the shares have been purchased prior to the date of suspension of trading and the shareholder provides proper instrument of transfer, evidencing purchase of such shares prior to the date of suspension, to the Share Registrar/ Transfer Agent/ the company.

5.12.2. It shall be mandatory upon the company to ensure that no transfers in physical shares, other than as specified in Regulation 5.12.1.(a) and 5.12.1.(b) above, take place during the period of suspension. The company shall provide the Exchange with a copy of its Share Transfer Register, as of the day prior to the day of suspension, and details of any transfers registered under Regulation 5.12.1.(a) and 5.12.1.(b) subsequent to suspension in trading of its shares shall also be submitted to the Exchange within 48 hours of registration of such transfer.

5.13. VOLUNTARY DE-LISTING:

5.13.1. Any company intending to seek voluntary de-listing from the Exchange shall intimate to the Exchange, immediately, of the intention of the majority security holders/sponsors to purchase all securities, without exception, from all the security holders with the purpose to de-list the security along with the reasons thereof. Such intimation shall also include minimum price at which the securities are proposed to be purchased.

Provided that the minimum purchase price proposed by the sponsors will be the highest of the benchmark price based on any of the following:

(a) Current Market Price as of the date the exchange receives the sponsors/ majority security holders' intimation under 5.13.1
(b) Average Market Price (Annualized)
(c) Intrinsic value per share (estimated net realizable value of assets of the company)
(d) Earnings Multiplier approach (for profitable companies)
(e) The maximum price at which the Sponsors had purchased these shares from the open market in the preceding one year

Explanation:

Intrinsic value per share:
The intrinsic value per share will be determined on the basis of revaluation of assets, carried out by professional evaluator approved by Pakistan Banks' Association (PBA), any Investment Bank or Valuers having relevant expertise and duly certified by the Auditors falling in Category 'A' or 'B' of SBP list. The revaluation of assets carried out by the evaluators shall not be older than six months from the date of receipt of buy-back application. The intrinsic value may also include any other factor in addition to tangible and intangible assets of company, which may be considered appropriate by the Exchange, while fixing the price of shares.

Earning Multiplier approach (for profitable companies):
A profitable company is a company that declares an after tax profit for the three years preceding the date of the application for voluntary de-listing as reported in its annual audited accounts.

Fair value = Estimated Earnings * P/E ratio:
Estimated earnings should be arrived at using the weighted average earning per share of the last three years audited accounts. For this purpose, higher of, weights of 45%, 35% and 20% assigned to preceding three years respectively or

latest earning per share should be used. The P/E ratio to be used may be of the date the Exchange receives the application under 5.13.1.

This approach is based on the identity that a stock's current price is the product of its actual earnings per share and the P/E ratio. The P/E ratio is calculated by dividing the current price by the actual earnings per share. To determine the value of stock, both the earnings and the P/E ratio will have to be estimated.

Price may be determined as a multiple of the P/E ratio of the related sector as on the date of application for the voluntary buy-back of shares. Earnings per share may be based on the latest audited accounts of the companies in that sector or a weighted average earning per share of last 3 years of those companies.

Average Market Price:
Daily closing price of the three years proceeding the date the Exchange receives the intimation under 5.13.1 should be used to calculate the Average Market Price.

5.13.2. The final minimum purchase price of the securities to be de-listed shall be fixed with the approval of the Exchange.

At the same time the Exchange shall determine the minimum percentage of securities to be purchased by sponsors to qualify for de-listing and the same will be communicated to the company.

5.13.3. In case of disagreement of sponsors on minimum percentage of securities to be purchased as determined by the Exchange, the sponsors will file an appeal with the Commission within 10 days of receipt of communication of such determination under intimation to the Exchange. The decision taken by the Commission will be final and binding.

5.13.4. The sponsors/majority shareholders shall submit an undertaking that they will abide by these Regulations, which pertain to purchase of shares/voluntary de-listing of securities.

5.13.5. The sponsors/majority shareholders shall submit an undertaking to the effect that all material disclosures relating to the affairs of the company have been made to the shareholders of the company and the Exchange and that they do not have any information which will constitute an offence under Section 15-A of the Securities Ordinance.

5.13.6. The sponsors/majority security holders shall not withdraw their offer to purchase all securities from all the security holders with the purpose to de-list the security after such proposal has been approved by the company in a general meeting as required under 5.15.2.

5.14. VOLUNTARY DE-LISTING OF A SECURITY SHALL BE SUBJECT TO THE FOLLOWING:

5.14.1. Approval of the proposal in general meeting of the company by not less than ¾ of the security holders present in person or by proxy at such general meeting.

5.14.2. Compliance by the company with the prescribed procedure, guidelines/criteria and other terms and conditions as may be laid down by the Exchange.

The Exchange may for any reason whatsoever refuse to accept the proposal of the company, the purchase price and/or the request to de-list the securities.

5.15. PROCEDURE FOR VOLUNTARY DE-LISTING:

5.15.1. A formal application shall be made by the company for de-listing supported by reasons thereof and the proposed purchase price along with non-refundable application fee of Rs. 250,000/- (Rupees two hundred and fifty thousand only) to be paid by the sponsors.

Provided, in case of satisfactory fulfillment of the requirements of the Regulation and delisting of the company from the Exchange, Rs.150,000/- (Rupees one hundred and fifty thousand only) will be refunded by the Exchange.

5.15.2. On approval by the Exchange of the application, the company shall call a general meeting of its security holders and pass a special resolution approved by not less than ¾ of their number present at such meeting resolving that the securities be de-listed on the terms stipulated by the Exchange.

5.15.3. A copy of special resolution referred to above shall be sent to the Exchange immediately along with a complete list of holders of the security to be de-listed, containing information with regard to securities held by the majority security holders and others, their names/category, the number of securities and addresses.

5.15.4. Together with the application for delisting made under Regulation 5.15.1, the company must submit an undertaking from a Purchase Agent (who may be a commercial bank, or an investment bank or a Broker of the Exchange) on behalf of the majority security holders, in the format specified by the Exchange, which will constitute an irrevocable open offer to purchase securities from the other security holders at the purchase price approved in the general meeting of the security holders called under Regulation 5.15.2. The said offer shall remain valid at least for a period of 60 days or as may be fixed by the Exchange from the date of commencement of purchase.

5.15.5. Upon approval of the minimum purchase price in the general meeting of the shareholders, the Company shall submit the bank guarantee of the Purchase Agent in an amount and such format as is demanded by the Exchange to secure its obligation. The said bank guarantee shall remain valid for a period not less than 15 days from the expiry date of the initial buy back period or when all outstanding shares have been purchased by the majority shareholders, whichever is earlier.

Provided that where a Broker of the Exchange is appointed as Purchase Agent and the total purchase amount does not exceed Rs. 2.5 million, the requirement of Bank Guarantee can be replaced with the undertaking of such Broker of the Exchange on the prescribed format.

Provided further that in case of appointment of purchase agent other than a Broker of the Exchange, all trades shall be routed through a Broker of the Exchange.

Provided further that all the trades during the initial period of 60 days will be conducted on KATS only irrespective of marketable lot. The purchase agent will be required to maintain a live bid in the System at the minimum purchase price approved by the Exchange. The purchase price shall be based on market forces, subject to minimum purchase price determined by the Exchange.

5.15.6. The application for de-listing shall be supported by a written consent of the purchase agent to act as agent for purchase of the securities to be de-listed on behalf of the majority security holders as contemplated by these Regulations.

5.15.7. The company shall convey to all the holders of the securities other than majority security holders on their addresses available in the records of the company through registered post the decision taken in their General Meeting to purchase the securities together with a copy of the special resolution and also publish a notice in this behalf duly approved by the Exchange through two widely circulated newspapers including one of Karachi.

5.15.8. The company shall also submit the following information on completion of the period of purchase of securities to be de-listed:

(a) Total number of issued securities (with percentage)
(b) Securities owned by majority security holders before the offer (with percentage)
(c) Securities bought under the offer (with percentage)
(d) Total securities currently owned by majority security holders (with percentage)
(e) Securities still outstanding with minority holders (with percentage)
(f) Amount of Bank Guarantee required @ Rs._____ (at the purchase price approved by the Exchange/Commission) per outstanding security.

5.15.9. BUY-BACK PROCESS:

(a) With regard to the outstanding securities identified in para 5.15.8.(e). above, the sponsors shall continue to remain obliged to purchase the same at the relevant price (purchase price approved by the Exchange/Commission) for a period of 12 months from the day following the expiry of initial buy-back period of 60 days and the sponsors shall submit a Bank Guarantee valid for 12 months in an amount and format acceptable to the Exchange to secure such obligation.

Provided that the requirement of submission of Bank Guarantee will not be applicable where a Broker of the Exchange act as purchase agent on behalf of the sponsors. In such a situation, the purchase agent will be required to submit an undertaking in the format prescribed by the Exchange.

(b) The company once allowed delisting under these Regulations will not be allowed relisting of any of its securities which have been de-listed at least for a period of five years from the date of delisting. However, the Exchange may allow, on case to case basis, listing of such securities on the Over-the-Counter (OTC) market.

5.16. TIME FRAME FOR COMPLETION FOR REQUIREMENTS:

5.16.1. The company shall immediately intimate (if the decision of its Board of Directors is made during trading hours or before the beginning of the opening of trading, then intimation to the Exchange must be made during trading hours and otherwise if the decision is made after trading hours then the intimation must be made to the Exchange before the opening of trading of the Exchange on the next working day) the decision of its Board of Directors to de-list the securities, including a copy of the relevant resolution passed in this regard.

5.16.2. Within one week of the aforementioned intimation, the company will furnish its sponsors'/majority shareholders' undertaking in such format as specified by the Exchange, to purchase the securities owned by persons other than the sponsors at the purchase price approved in the general meeting of the security holders called under Regulation 5.15.2.

5.16.3. The Exchange shall be empowered to ask for any additional information or details, which shall be provided by the company within 15 days of the date of such request by the Exchange.

5.16.4. The Board on its own or on the basis of recommendations of the Special Committee will determine/approve the purchase price. The decision of the Board will be communicated to the sponsors/company and shall also be notified and announced immediately.

Provided that any member of the Board and/or Special Committee holding 2% or more shares of the company applying for voluntary de-listing will not participate in the deliberations while the case of the company is considered by the Board/Committee.

5.16.5. The sponsors/majority shareholders will be required to convey their acceptance/refusal to the purchase price approved by the Board within 7 days of conveying of the relevant decision to them.

If the company wishes to appeal this decision to the Commission it must do so within 10 days of the decision in which case no further steps will be taken on the delisting application until the Commission determines the purchase price.

5.16.6. Once the purchase price has been finalized either by determination by the Commission in appeal or by the sponsors accepting the price stipulated by the Exchange, the company will be required to comply with the following procedure:

(a) To obtain approval of the proposal of voluntary de-listing in the general meeting of the holders of the securities within 30 days of the acceptance of sponsors.
(b) After approval of the general meeting, the requirements under Voluntary De-listing Regulations shall be completed within 7 days of the general meeting to commence the purchase of shares.
(c) The sponsors will purchase the securities for a period of 60-days.
(d) Upon expiry of the said purchase period, the company will submit the relevant documents/information to the Exchange within a period of 21 days.
(e) After receipt of the required documents/information and compliance of the relevant requirements as stipulated by the Exchange, the securities of the company shall stand de-listed after a period of 30 days.

5.17. RELAXATION:

Where the Exchange is satisfied that it is not practicable to comply with any requirement pertaining to voluntary delisting under these Regulations, in a particular case or class of cases, the Exchange may, for reasons to be recorded, relax such requirement subject to such conditions as it may deem fit.

5.18. LISTING AND ANNUAL FEES:

5.18.1. *LISTING FEE SCHEDULE*:

(a) A company applying for listing on the Exchange, shall pay an initial listing fee equivalent to one tenth of one percent of the PAID-UP-CAPITAL subject to a maximum of rupees one million and five hundred thousand.

Provided that in case of Open-Ended Mutual Funds, the initial listing fee shall be charged at the rate of one twentieth of one percent of the amount of total fund size of Mutual Fund subject to a maximum of Rupees 0.5 million.

(b) Whenever, a listed company increases the paid-up capital of any class or classes of its shares, or securities listed on the Exchange, it shall pay to the Exchange a fee equivalent to one tenth of one per cent of increase in paid-up capital at par value or 0.4% of the actual amount of additional capital raised, whichever is lower.
(c) Every listed company shall pay, in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, an annual listing fee calculated on the basis of the company's *market capitalization, which shall be payable by or before the 30th September in each calendar year, as per following schedule, subject to a maximum of Rupees three million:

* **Explanation:** For the purpose of this sub-clause, the market capitalization shall be calculated by multiplying the last one year's volume weighted average price with the company's outstanding ordinary shares as on June 30, of the preceding year.

Rate of Fee applicable for FY2018-2019:

COMPANIES HAVING MARKET CAPITALIZATION AS ON JUNE 30	RATE OF FEE PER ANNUM
Up to Rs.100 million	Rs. 100,000
Above Rs.100 million & up to Rs. 250 million	Rs. 100,000+0.075% on excess over Rs.100 million
Above Rs. 250 million & up to Rs.500 million	Rs. 212,500+0.045% on excess over Rs. 250 million
Above Rs. 500 million & up to Rs.1,000 million	Rs. 325,000+0.02% on excess over Rs. 500 million
Above Rs. 1,000 million & up to Rs. 2,000 million	Rs. 425,000+0.01% on excess over Rs.1,000 million
Above Rs. 2,000 million & up to Rs.10,000 million	Rs. 525,000+0.0045% on excess over Rs.2,000 million
Above Rs.10,000 million & up to Rs.20,000 million	Rs. 885,000+0.001% on excess over Rs.10,000 million
Above Rs. 20,000 million & up to Rs.50,000 million	Rs. 985,000+0.0004% on excess over Rs.20,000 million
Above Rs.50,000 million	Rs. 1,105,000+0.0003% on excess over Rs.50,000 million

Rate of Fee applicable for FY2019-2020 and onwards:

COMPANIES HAVING MARKET CAPITALIZATION AS ON JUNE 30	RATE OF FEE PER ANNUM
Up to Rs.100 million	Rs. 100,000
Above Rs.100 million & up to Rs. 250 million	Rs. 100,000+0.075% on excess over Rs.100 million
Above Rs. 250 million & up to Rs.500 million	Rs. 212,500+0.06% on excess over Rs. 250 million
Above Rs. 500 million & up to Rs.1,000 million	Rs. 362,500+0.025% on excess over Rs. 500 million
Above Rs. 1,000 million & up to Rs. 2,000 million	Rs. 487,500+0.015% on excess over Rs.1,000 million
Above Rs. 2,000 million & up to Rs.10,000 million	Rs. 637,500+0.0065% on excess over Rs.2,000 million
Above Rs.10,000 million & up to Rs.20,000 million	Rs. 1,157,500+0.0025% on excess over Rs.10,000 million
Above Rs. 20,000 million & up to Rs.50,000 million	Rs. 1,407,500+0.00075% on excess over Rs.20,000 million
Above Rs.50,000 million	Rs. 1,632,500+0.0005% on excess over Rs.50,000 million

Provided that in case of Open-Ended Mutual Funds, the annual listing fee shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30th September in each calendar year, as per following schedule:

SIZE OF INSTRUMENT	RATE OF FEE
Up to Rs.150 million	Rs. 20,000
Above Rs.150 million	Rs. 25,000

Provided further that the Board may revise the above fees or any of the slabs or add new slabs with the approval of the Commission.

Provided further that every company applying for listing shall not be charged annual listing fee for twelve (12) months from the date of its listing.

(d) The above Listing fee or any other sum fixed by the Board shall be payable by 30th September in advance for every financial year.
(e) Failure to pay the annual fee by 30th September shall make the company liable to pay a surcharge at the rate of 1.5 per cent (one and a half per cent) per month or part thereof, until payment. However, if reasonable grounds are adduced for nonpayment or delayed payment of annual fee, the Exchange may, reduce or waive the surcharge liability.
(f) A company applying for enlistment on the Exchange shall, in addition to other fees, pay a sum of Rs. 50,000/- (Rupees fifty thousand only) as non-refundable service charges. An open-end mutual fund applying for listing on the Exchange shall pay a sum of Rs. 25,000/- (Rupees twenty five thousand only) as non-refundable service charges.
(g) A company applying for revalidation of approval earlier granted by the Exchange for issue, circulation and publication of prospectus upon lapse of its validity shall pay to the Exchange a revalidation fee at the rate of one twentieth of one percent of paid up capital subject to a maximum of Rs.1 million.

Provided that such fee shall be charged only in cases where validity of approval of the Commission for issue, circulation and publication has also lapsed.

5.18.2. *LISTING FEE PAYMENT PROCESS*:

(a) All Exchange dues shall be paid by cheques, pay orders or bank drafts payable to the Exchange at any Bank Branch located in Karachi.
(b) Without prejudice to the action which the Exchange may take under these Regulations in the event of default in payment of its dues, nothing shall prevent the Exchange from recovering such dues through posting defaulters names on the notice board of the Exchange or by invoking the process of law and obtaining order of a competent court.

5.18.3. *DISCIPLINARY ACTIONS AGAINST NON-PAYMENT OF PENALTIES*:

(a) Without prejudice to various specific or other Penalties provided or available under these Regulations, the Exchange shall have powers to place the company in the Defaulters Segment, suspend or delist it, if in the opinion of the Exchange, such company has defaulted or contravened any of these Regulations.
(b) The placement of a company in the Defaulters Segment, its suspension or de-listing under Regulations 5.11. or the preceding sub-regulation shall be communicated to the Commission, such company and simultaneously notified to the market participants, inter-alia by posting it on the notice board and website of the Exchange and publishing it, if deemed necessary, in the Daily Quotations of the Exchange.
(c) Trading in the securities of a suspended or de-listed company shall forthwith cease and shall not commence until the suspension is withdrawn or the de-listing is restored by the order of the Board.
(d) Trading in the securities of a company placed in Defaulters' Segment, if allowed, shall be affected separately and the prices shall also be quoted separately in the Daily Quotations until such company is removed from the Defaulters' Segment and restored to the ready market of the Exchange.
(e) No listed company shall appoint a person as an external auditor or a person involved in the audit of a listed company who is a close relative, i.e., spouse, parents, dependents and non-dependent children, of the CEO, the CFO, an internal auditor or a director of the listed company.
(f) Every listed company shall require external auditors to furnish a Management Letter to its board of directors within 45 days of the date of audit report:

Provided that any matter deemed significant by the external auditor shall be communicated in writing to the Board of Directors prior to the approval of the audited accounts by the Board.

5.19. COMPLIANCE WITH ACCESS TO INSIDE INFORMATION REGULATIONS, 2016:

(a) All Listed Companies shall maintain and regularly update a register to enlist persons employed under contract or otherwise, who have access to inside information, in the manner as provided in Access to Inside Information Regulations, 2016 as may be amended from time to time.
(b) For the purpose of sub-clause (a), a Listed Company shall designate a senior management officer who shall be responsible for entering or removing names of persons in the said register in a timely manner. The said designated officer shall be obliged to keep proper record including basis for inclusion or exclusion of names of persons in the said list and make the same available as and when required by the Commission.

5.20. PENALTY:

5.20.1. Any Company and whoever fails or refuses to comply with, or contravenes any provision of these Regulations, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to penalty as specified below:

REGULATION NO.	AMOUNT OF PENALTY	AMOUNT OF PENALTY FOR EVERY DAY DURING WHICH THE DEFAULT CONTINUE
5.7.2.(b), 5.7.2.(c)	-	Rs.1,000
5.5.10., 5.6.4., 5.6.5., 5.7.1., 5.8.2.(a)	-	Rs. 5,000
5.8.1.(a)	-	Rs. 10,000
5.7.1.	Rs. 10,000	-
5.13., 5.14., 5.15., 5.16.	Rs. 200,000	Rs. 10,000

5.20.2. In cases where specific Penalty provisions have not been provided in these Regulations, then whoever fails or refuses to comply with, or contravenes any provision of these Regulations, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to fine not exceeding five hundred thousand rupees for each default, and, in case of continuing failure, refusal or contravention, to a further fine not exceeding Rs.10,000/- (Rupees ten thousand only) for every day after the first day during which such contravention continues.

Provided that no such penalty shall be imposed unless an opportunity of being heard has been granted.

5.20.3. The amount of penalty shall be paid to the Exchange.

5.20.4. The name of company which is in default of Regulation 5.5.10. shall be notified to the TRE Certificate Holders of the Exchange and placed on the website of the Exchange.

5.20.5. The Exchange may also notify the fact of default and the name of defaulting company, for Regulation 5.6.5., 5.7.1. by notice and also by publication in the Daily Quotations of the Exchange.

5.20.6. The Board may suspend or if it so decides, delist any company which makes a default in complying with the requirements of Regulation 5.6.5., 5.7.1., 5.8.2. and 5.9.1.

5.20.7. Any action under this Regulation shall be without prejudice to the action or steps taken by any other person or Commission.

No company which has been suspended or de-listed, as the case may be, shall be restored and its shares shall be re-quoted on Exchange until it has paid the full amount of penalty for the days of the default and receives the assent of the Board for the restoration.

5.21.1 REVERSE MERGER REGULATIONS:

5.21.1. The following clauses shall be applicable on the Listed Company in relation to Reverse Merger transactions, for ensuring timely disclosure of information and compliance with all applicable requirements of this Chapter.

5.21.2 Every Listed Company, in order to enable the Exchange to determine its status as Listed Shell Company and assess applicability of the provisions prescribed in relation to Reverse Merger, shall intimate the Exchange immediately upon approval by its board of directors to consider the proposal received from Operating Unlisted Company for merger. The Listed Company shall also obtain from the Operating Unlisted Company and submit to the Exchange, confirmation that the Operating Unlisted Company has received the approval by the board of directors of the Listed Company to initiate merger negotiations with the Operating Unlisted Company.

5.21.3 The Exchange may require the Listed Company to provide any additional information as deemed appropriate, for determining the proposed transaction as a Reverse Merger. The Exchange shall communicate in writing, within a maximum period of 15 days from the date of receipt of such intimation, if the proposed transaction is a Reverse Merger or otherwise. In case the Exchange confirms that the proposed transaction is a Reverse Merger, the Listed Shell Company shall ensure compliance with all applicable requirements as provided for herein below.

5.21.4 The Listed Shell Company shall submit to the Exchange the information / documents as mentioned in Appendix-2 to this Chapter and give an undertaking on non-judicial stamp paper confirming that the proposed Surviving Company shall fulfill the following conditions:

(a) The minimum paid-up capital shall not be less than Rs. 200 million;

(b) The minimum Free Float shall not be less than 25% of the issued share capital and 5 million Free Float shares within one year from the date of approval of the scheme of arrangement by the competent authority;

(c) The Promoters/ Sponsors/ Controlling Directors / Majority Shareholders are / were not also the Promoters/ Sponsors/ Controlling Directors / Majority Shareholders in a:

i. Listed Company, which is in the Defaulters' Segment; or
ii. Listed Company, which was delisted due to noncompliance of any applicable provision of PSX Regulations within the past five years; or
iii. Corporate Brokerage House whose TRE Certificate has been cancelled/forfeited by the Exchange or any other stock exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by the Commission; or declared defaulter by the Exchange or any other stock exchange of Pakistan that existed prior to January 11, 2016 or the NCCPL, due to noncompliance

of any applicable rules, regulations, notices, procedures, guidelines etc. but shall not include any TRE Certificate surrendered voluntarily to the Exchange, if such TRE Certificate Holder does not have any pending investor claims.

(d) It is not an associated company or a wholly owned company of any other Listed Company, which is in the Defaulters' Segment or trading in its shares is suspended due to violation/non-compliance of laws.

(e) There are no overdue loan/payments to any financial institution against the CEO/Promoters/ Sponsors/ Directors/ Major Shareholders of the Surviving Company either in their individual capacity or as CEO, Director, Partner or Owner in any Company / Firm / Sole Proprietorship;

(f) There are no overdue loan/payments to any financial institution against the Operating Unlisted Company, its associated / group companies and undertakings;

(g) None of its Sponsors, Major Shareholders, Directors and Management, Associated Company/Entity has been declared involved in any fraudulent activity by the Commission, SBP or any other investigation agency or court of law;

(h) None of the Sponsors, Major Shareholders, Directors and Management, Associated Company/Entity of the Listed Shell Company has been declared involved in any fraudulent activity by the Commission, SBP or any other investigation agency or court of law;

(i) The shares of sponsors shall be inducted into CDS in freeze status for a period of not less than three years and the sponsors shall not be allowed to sell their shares during this period;

(j) It shall ensure compliance with all requirements of the PSX Regulations.

Provided that the condition (d), (e) and (f) shall not apply to nominee directors of the Government and Financial Institutions.

5.21.5 The Listed Shell Company shall obtain confirmation from the Exchange that it has complied with the requirements of this Clause and any other condition specified by the Exchange before seeking the shareholders' approval for a scheme of Reverse Merger.

5.21.6 If a Listed Shell Company enters into a scheme of Reverse Merger without complying with any requirement(s) of this Clause and any other specified condition, the Exchange shall place such Company or the Surviving Company, as the case may be, in the Defaulters' Segment and/or initiate any other actions including suspension of trading in its shares or delisting as determined by the Exchange.

5.21.7 Where the Exchange is satisfied that it is not practicable to comply with any requirement pertaining to Reverse Merger as provided in the PSX Regulations, in a particular case or class of cases, the Exchange may, for reasons to be recorded, relax such requirement subject to such condition(s) as it may deem fit.

5.22 POWER TO OBTAIN DOCUMENTS:

The Exchange may, by issuing a notice in writing, require a Listed Company/management company, trustee, or its directors, officers, employees or advisers to produce any documents/information (whether in documentary or electronic form) for investigating into a matter of possible breach of any relevant provision of PSX Regulations.

Appendix-1

DOCUMENTS TO BE SUBMITTED WITH LISTING APPLICATION

The following documents and information shall be submitted by the applicant company to the Exchange along with application for listing under Sub-Regulation (a) of Regulation 5.2.1:

1. An application for Listing on Form I.
2. Undertakings on Form-II and Form-III.
3. Copy of the certificate of incorporation.
4. Copy of the conversion certificate from private to public company; if applicable.
5. Copy of the certificate of commencement of business.
6. Copy of the certificate for change of name of the company, if applicable.
7. Copy of the Feasibility Report, in case of a new project. The report shall contain a letter from the Chief Executive Officer (CEO)/Partner of the Institution including a Chartered Accountant Firm who has prepared the report, brief profile of such institution, scope of work of the institution for conducting feasibility study and preparing the report. The report shall be dated and each page of it shall carry signature or initial of CEO/Partner or any other officer authorized to do so by the Board of Directors of such institution by way of a Resolution.
8. Copy of the resolution passed by the Board of Directors and members of the company with respect to listing and issue of shares to the general public.
9. Copy of the certificate of registration of Modaraba Management Company, if required.
10. Copy of the license, consent, approval, NOC etc. from the concerned regulatory authority for undertaking / carrying on the business.
11. Copy of authorization for flotation of Modaraba by the Registrar of Modarabas.
12. Pay Orders/Bank Drafts/Cheques in favor of the Exchange for payment of initial listing fee, annual listing fee and service charges at the rate as mentioned in Regulation No. 5.18.
13. Auditor's Certificate, separately indicating the amount subscribed by the sponsors/ directors/associates/ relatives/friends and shares subscribed by the foreign / local investors under private placement. The certificate shall be supported by copies of Form-3 i.e., return of allotment of shares.
14. Auditors' Certificates under Clause 28(1) of Section 2 of Part-I of the Second Schedule to the Companies Ordinance, 1984. The certificate shall also state Earning Per Share (EPS) of the company for the last five years or for a shorter period if five years of the commencement of business are not completed.

    The audited accounts disclosed in the Prospectus / Offer For Sale shall not be older than six months from the date of publication of the Prospectus / Offer For Sale Document.
15. Auditor's certificate on the Break-up value of shares on the basis of the latest audited accounts along with its calculation.
16. Copy of Information Memorandum prepared for placement of shares to local and foreign investors;
17. Names of directors/shareholders common to the company and the institutions/funds, which have subscribed the shares under private placement.
18. No Objection Certificates from the Underwriter(s) to the Issue/Offer, if any, on Form-IV.
19. Copies of all material contracts and agreements relating to the public issue/offer of shares and project, if any.
20. Copies of the Consent Letters from Bankers to the issue/offer. The letter shall state that:
    (i) the Bank has given its consent to act as one of the Bankers to Issue/Offer;
    (ii) this consent has not been withdrawn;
    (iii) it has no objection on publication of its name in the prospectus/offer for sale document;
    (iv) the bank has undertaken that the subscription money shall be kept in a separate bank account and shall not be released to the company/the Offeror without prior written approval of the Exchange and/or until the company is formally listed.
21. Copies of the title deeds of land duly attested by a gazetted officer;
22. Copy of the consent from the auditor, expert, legal advisors to the Issue/Offer, if any.
23. Copy of letter jointly signed by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the company confirming that they have reviewed the contents of the draft prospectus/offer for sale/Information memorandum and to the best of their knowledge and belief these have been stated/disclosed correctly and fairly.
24. Copies of individual consent letters from all directors, CEO and secretary of the company for publishing their names in their respective capacity in the Prospectus/Offer for dale document/Information memorandum. The consent letters shall be dated and contain full name, father's name, CNIC Number & latest postal address of respective person.
25. Copy of consent from the Ballotters to the Issue/Offer.

    The Ballotters to the Issue/Offer shall not be associated company or associated undertaking of the issuing company/the Offeror..
26. 20 copies of draft full Prospectus/Offer for Sale/Information Memorandum draft abridged prospectus and advertisement, if any, with last page signed in original by directors of the company or the Offeror, as the case may be.

27. 20 copies of audited annual accounts of the company for the last 5 years and its latest half yearly and quarterly accounts, if any or for a shorter period if five years of the commencement of business are not completed.
28. A List of employees, who have been allocated shares out of the present issue along with their full particulars i.e., names, addresses and number of shares offered to each of them;
29. Copy of application submitted with CDC for declaration of such company as CDC eligible security.
30. Credit Information Bureau (CIB) Report of State Bank of Pakistan of:
    - Issuer, sponsors/ promoters, chief executive, directors, substantial shareholders, associated/group companies and undertakings;
    - The companies/firms/sole proprietorship where the sponsors/promoters, chief executive, directors, substantial shareholders are interested as chief executive/ director (other than nominee director)/owner/partner.
31. • Affidavit from the company affirming, under oath, that the company, its associated/ group companies and undertakings have no overdue payment to any financial institution.
    - Affidavit from company's sponsors/promoters, chief executive, directors, and major shareholders affirming, under oath, that they and the companies/firms/sole proprietorship where they are interested as chief executive/director/owner/partner have no overdue payment to any financial institution.
      (Specimen attached as Form V)
32. Printed copy of share certificate duly cancelled.
33. Names of controlling directors/promoters/sponsors/substantial shareholders/associated companies/group companies and undertakings with their names, addresses, % of shareholding and the shares held by each.
34. Undertaking regarding details of restrictions placed by any regulatory body, lender, stakeholder, on distribution of profits, transfer of securities, pledging of assets, issuance of corporate guarantee etc.
35. Copy of the Memorandum and Articles of Association of the company and, in case of debentures, a copy of the trust deed.
36. Copies of prospectus issued by the company in respect of any security already listed on the Stock Exchange.
37. A brief history of the company since incorporation giving details of its activities including any re-organization, changes in its capital structure and borrowings.
38. A statement showing:
    (a) cash dividends and bonuses paid during the last 10 years or such shorter period as the company may have been in existence.
    (b) dividends or interest in arrears, if any.
39. A statement containing particulars, dates of and parties to all material contracts, agreements (including agreements for technical advice and collaboration), concessions and similar other documents except those entered into in the normal course of the company's business or intended business together with a brief description of the terms of such agreements.
40. Particulars of the security listing of which is sought.
41. Undertaking on Non-Judicial Stamp Paper from the sponsors of the issuing company that they shall retain their shareholding in the company for such time periods as prescribed under Companies (Issue of Capital) Rules, 1996.
42. Certificate from lead manager/advisor to the issue regarding compliance by the company of requirements of Listing of Companies & Securities Regulations of PSX and disclosure/regulatory requirement of SECP.
43. Confirmation from the issuer regarding compliance with all the eligibility criteria of the Exchange and other regulatory requirements/disclosure requirements of SECP.
44. Declaration from the issuer under clause 5.2.2(b) of PSX Regulations.

    Declaration from the issuer about the loan amounting to Rs. 500,000 or more written-off by a financial institution during last five years.

    (Specimen attached as Form VI)
45. Any other document/material/information as may be required by the Exchange for its own record or for inclusion in the prospectus/offer for sale document/Information memorandum.

Notes:

i) Please note that copies of all the documents are certified by the company secretary/CEO.
ii) Please note that all documents relating to regulatory authority are duly certified from the concerned Company Registration Office or concerned Regulatory Authority.
iii) Please note that in addition to the above-mentioned documents, the following shall be also be submitted:
    a) Soft copy of the draft prospectus/offer for sale document;
    b) Scanned copy of the Memorandum & Articles of Association; and
    c) Scanned copy of the audited annual accounts of the company for the last 5 years or for a shorter period if five years of the commencement of business are not completed and its latest half yearly and quarterly accounts.

FORM I

FORM OF APPLICATION FOR LISTING A SECURITY ON A STOCK EXCHANGE UNDER REGULATION 5.2.

To:
The General Manager
Pakistan Stock Exchange Limited
Karachi.

Dear Sir,

1. We hereby apply for the listing of our _____ on your Stock Exchange.
   (Name of company)

2. Necessary information and documents as required under Regulation 5.2.2.(a) are enclosed herewith.

Yours faithfully,

_____

SIGNATURE & ADDRESS

Cc. to:

The SECP
ISLAMABAD as required under Sub-Section (1) of Section 9
of the Securities & Exchange Ordinance, 1969

FORM II

FORM OF UNCONDITIONAL UNDERTAKING UNDER REGULATION NO. 5.3. ON NON-JUDICIAL STAMP PAPER OF RS.20/-

Dated: _____

The Board of Directors
Pakistan Stock Exchange Limited
KARACHI.

U N D E R T A K I N G

We undertake, unconditionally, to abide by the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited, which presently are, or hereinafter may be in force.

We further undertake:

(1) That our shares and securities shall be quoted on the Ready Delivery Contract Market and/or the Futures Counter at the discretion of the Exchange;

(2) That the Exchange shall not be bound by our request to remove the shares or securities from the Ready Delivery Contract Market and/or the Futures Counter;

(3) That the Exchange shall have the right, at any time to suspend or remove the said shares or securities for any reason which the Exchange consider sufficient in public interest;

(4) That such provisions in the articles of association of our company or in any declaration or agreement relating to any other security as are or otherwise not deemed by the Exchange to be in conformity with the Listing Regulations of the Exchange shall, upon being called upon by the Exchange, be amended to supersede the articles of association of our company or the nominee relating to the other securities to the extent indicated by the Exchange for purposes of amendment and we shall not raise any objection in relation to a direction by the Exchange for such amendment;

(5) That none of the directors, sponsors and substantial shareholders of the company has been sponsor or substantial shareholder in any company, which:
   (i) is in the Defaulters' Segment;
   (ii) was de-listed by the Exchange due to its non-compliance of any applicable provision of PSX Regulations; or
   (iii) whose TRE Certificate has been cancelled or forfeited by the Exchange, PMEX or any other registered stock exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by the Commission due to non-compliance of any applicable rules, regulations, notices, procedures, guidelines etc.

(6) That none of the sponsors, substantial shareholders, directors or management of the company as well as the company itself or its associated company/entity have been found guilty of being engaged in any fraudulent activity. The company has made full disclosure regarding any/or all cases in relation to involvement of the person named above in any alleged fraudulent activity which is pending before any Court of Law/Regulatory Body/Investigation Agency in or outside of the country; and

(7) That our company and/or the security may be delisted by the Exchange in the event of non-compliance and breach of this undertaking.

Yours faithfully,

(Signature of Authorized Person) Common Seal of the Company

FORM III

Dated: _____

To:
The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
KARACHI.

U N D E R T A K I N G

We, M/s_____ have applied for Listing of our Company on your Exchange. In case our application is approved, we hereby undertake as under:-

(1) That we will issue shares either in scripless form in the Central Depository System (CDS) or in the shape of physical scrip along with computerized transfer deeds on the basis of option exercised by the successful applicants within 30 days from the date of close of public subscription.

(2) That shares in the physical scrip shall be dispatched through the bankers to the issue whereas scripless shares shall be directly credited through book entry into the respective CDC accounts of the allottees maintained with Central Depository Company of Pakistan Limited (CDC).

(3) That we will arrange to verify the signature on Transfer Deeds in Karachi atleast for a period of 30 days after Official Listing of our Company.

(4) That we will return the Transfer Deeds duly verified within 48 hours Lodged for verification of signatures.

_____

MANAGING DIRECTOR/CHIEF EXECUTIVE

FORM IV

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
KARACHI.

Dear Sir,

Re: **NO OBJECTION CERTIFICATE**

We the undersigned have entered into an Underwriting Agreement with M/s._____ on_____. The terms of which are as follows:

i)	Total Number of Shares Underwritten	_____
ii)	Face Value	Rs._____ per share
iii)	Premium Value (if any)	Rs._____ per share
iv)	Total Value (Including Premium)	Rs._____ per share
v)	Amount of Underwriting	Rs._____
vi)	Underwriting Commission	_____%
vii)	Take-up Commission	_____%
viii)	The Underwriting Agreement is Valid up to	_____

We have no objection for offering of shares to the general public and publication of Prospectus/Offer For Sale of the company in the newspapers.

We further confirm that we have not entered into any buy back or repurchase agreement in respect of the shares underwritten with the sponsors or any other person under the said agreement.

Yours truly,

_____

Name and Designation of the Underwriter

FORM V

Dated: _____

AFFIDAVIT

We hereby affirm under the oath that _____, the Company's Chief executive, directors sponsors/promoters and major shareholder themselves and the companies, firms, sole proprietorship etc. where the chief executive, director, sponsor/promoters and major shareholders are interested as chief executive, director (other than nominee director), owner or partner etc. has no overdue payment to any financial institutions.

_____ Authorised Signatories

_____ Authorised Signatories

FORM VI

Dated: _____

DECLARATION

We, the undersigned, hereby declare, represent and warrant pursuant to Regulation 5.2.2 (b) of PSX Regulations:

(1) that Company complies with the governing laws and regulations while carrying out its operations; and

(2) that all of the permissions, authorizations and licenses required for carrying out the business activities of our Company and all of the certificates which we are liable to hold pursuant to the laws and regulations applicable on our Company are existing; and

(3) that there does not exist any material legal disputes which may affect the production and activities of our Company; and

(4) that loan amounting to Rs. 500,000 or more written-off by a financial institution during last five years was Rs. _____.

_____ Authorised Signatories

_____ Authorised Signatories

APPENDIX- 2

DOCUMENTS TO BE SUBMITTED PURSUANT TO REVERSE MERGER

The following documents and information shall be submitted by the Listed Shell Company to the Exchange under Clause 5.21.4 of PSX Regulations:

A. PRE SHAREHOLDER APPROVAL:

A Listed Shell Company, prior to seeking shareholders' approval to a scheme of Reverse Merger, shall submit to the Exchange all the relevant information including but not limited to the following:

(i) Copies of resolutions along with the draft Scheme of Reverse Merger approved by the Board of Directors of Listed Shell Company and the Operating Unlisted Company;
(ii) Complete report of Valuation of both the Listed Shell Company and the Operating Unlisted Company by an independent firm of practicing chartered accountants having satisfactory Quality Control Review awarded by the Institute of Chartered Accountants of Pakistan and Swap Ratio duly verified by the said Auditor;
(iii) Corporate profile of both the Listed Shell Company and the Operating Unlisted Company;
(iv) Name and profile of each member of the Board of Directors of Listed Shell Company and the Operating Unlisted Company;
(v) Detail of directorships of the directors of both the Listed Shell Company and the Operating Unlisted Company in other companies;
(vi) Pattern of shareholding of both the Listed Shell Company and the Operating Unlisted Company;
(vii) Complete group structure including subsidiaries and associates, if any, of the Listed Shell Company and the Operating Unlisted Company;
(viii) Business plan of the proposed Surviving Company including its financial projections for at least five years;
(ix) Name and profile of each member of the Board of Directors of the proposed Surviving Company;
(x) List of Promoters / Sponsors / Controlling Directors of the proposed Surviving Company;
(xi) Proposed capital structure of the proposed Surviving Company;
(xii) Profile of key management employees including relevance of their experience for running the Surviving Company;
(xiii) Latest financial statements including financial highlights along with key financial ratios of both the Listed Shell Company and the Operating Unlisted Company duly audited by a QCR rated audit firm;
(xiv) 20 printed copies of Scheme of Reverse Merger to be placed for Shareholders' approval and email scanned copy of the Scheme of Reverse Merger;
(xv) Due diligence of the transaction conducted by an independent financial institution, audit firm, law firm, company registered with the Pakistan Engineering Council as consultant and whose name appears as a valuer on the panel of Pakistan Banks Association companies, other company whose name appears as a valuer on the panel of Pakistan Banks Association, and company registered with the Commission as a valuer, or any other expert having relevant expertise and experience;
(xvi) Affidavit, under oath, that the CEO/Promoters/ Sponsors/ Directors/ Major Shareholders of the Surviving Company, either in their individual capacity or as CEO, Director, Partner or Owner in any Company / Firm / Sole Proprietorship, have no overdue payment to any financial institution;
(xvii) Affidavit, under oath, that the proposed Surviving Company, its associated/ group companies and undertakings have no overdue loan/payment to any financial institution;
(xviii) All risk factors associated with the proposed Surviving Company, its management, operations, industry it belongs to, capital market, law and order situation etc.
(xix) Any other document/ information as may be required by the Exchange

B. POST SHAREHOLDER APPROVAL:

A Listed Shell Company, after seeking shareholders' approval to a scheme of Reverse Merger, shall submit to the Exchange the following documents / information:

(i) Certified true copy of resolution adopted by the shareholders along with copy of Scheme of Reverse Merger approved by the shareholders;
(ii) Certified true copy of Order of the Commission / Court / any other competent authority, sanctioning the Scheme of Reverse Merger;
(iii) Certified true copy of Form-3 i.e. Return of Allotment as filed with the Registrar of Companies;
(iv) Auditor's Certificate confirming any required increase in the paid-up capital of the Surviving Company;
(v) Payment of additional listing fee on the increase in paid-up capital of the Surviving Company;
(vi) Any other document/ material information as may be required by the Exchange.

Chapter 5A: REGULATIONS GOVERNING LISTING AND TRADING OF EQUITY SECURITIES OF SMALL AND MEDIUM ENTERPRISES (SMEs)

5A.1. DEFINITIONS:

5A.1.1. In this chapter, unless the subject or context otherwise requires:

(a) “Advisor and Consultant to the Issue” means an advisor and consultant to the issue as defined in the Rules made under section 175 of the Securities Act, 2015;
(b) "Bid Price" means the price a Market Maker is willing to pay for the purchase of equity securities of an SME;
(c) “Designated Institution” means an institution as defined in the Book Building Regulations, 2015;
(d) "High Net Worth Individual Investor (HNWI)" means an individual investor who applies or bids for shares of the value of rupees one million or above;
(e) "Information Memorandum" means a document outlining the salient features, risks and terms of equity securities offered/issued to QIBs and HNWIs through private placement;
(f) "Market Maker" has the same meaning as defined in chapter 12 of the PSX Regulations relating to the Market Makers Regulations;
(g) "Market Making" means the continuous tender of two-way quotes by a Market Maker i.e. Bid Price and Offer Price for the purchase and sale of the equity securities of an SME;
(h) "Offer Price" means the price a Market Maker is willing to receive for the sale of the equity securities of an SME;
(i) "Qualified Institutional Buyers (QIBs)" for the purpose of these regulations means:

(i) Any of the following entity:
a. a financial institution as defined in the Companies Ordinance, 1984.
b. an insurer as defined in the Insurance Ordinance, 2000.
c. a company licensed by the Commission as securities broker under the Securities Act, 2015.
d. a fund established under the Collective Investment Scheme under the Non-Banking Companies (Establishment and Regulation) Rules 2003.
e. a pension fund as defined in the Voluntary Pension System Rules, 2005.

(ii) Any other company as defined in section 2(1)(7) of the Companies Ordinance, 1984 meeting the criteria prescribed by the Exchange with prior approval of the Commission.

(j) "Small and Medium Sized Enterprise (SME)" means a public company, registered under the Companies Ordinance, 1984, having a post issue paid up capital not less than Rs. 25 million and not more than Rs. 200 million;
(k) "SME Board" means the board developed by the Exchange for listing and trading of equity securities of SMEs;
(l) "Spread" means the difference between the Offer Price and the Bid Price of an equity security to be quoted by a Market Maker.

5A.1.2. Words and expressions used but not defined in this chapter shall, unless there is anything repugnant in the subject or context, have the same meanings as are assigned to them in the Companies Ordinance, 1984 and the Securities and Exchange Ordinance, 1969.

5A.2. ELIGIBILITY CRITERIA FOR LISTING OF EQUITY SECURITIES OF SMEs:

An SME shall be eligible to apply for listing of its equity securities under this chapter provided that:

(a) the Memorandum and Articles of Association of the SME authorize it to list its equity securities/raise capital on/through stock exchanges;
(b) not less than 20% of the post issue paid-up capital of the SME is offered only to QIBs and HNWIs entirely through private placement by circulation of Information Memorandum;
(c) the offer is made through fixed price method, the book building method or any other method acceptable to the Exchange.

Provided that the book building method shall only be allowed in case the post issue paid up capital of the SME is not less than Rs. 100 million and the offer size is not less than 2 million shares and 20% of the post issue paid up capital of SME.

For the book building of equity securities of SMEs, book building system of the Designated Institution shall be used in accordance with the criteria prescribed by the Exchange in Annexure-II of this Chapter.

(d) the number of initial subscribers in private placement is not less than five (05);
(e) the bid size for each initial subscriber is not less than rupees one million;
(f) its sponsors hold not less than 25% of the post issue paid up capital of the SME for a lock-in period of not less than three years;
(g) its sponsors retain their entire shareholding in SME and subsequent right and bonus shares issued thereon for a lock-in period of not less than twelve months.

(h) For the purpose of clause (f) and (g) above, the lock-in periods shall start from the date of listing of the SME or from the date of commencement of commercial operation or production by the SME whichever is later, or till such additional period as may be specified by the Exchange;

(i) Subject to clauses (f) and (g) above, the sponsors may sell their shareholding through block-sale and shall report the sale of shares, on same trading day, to the Exchange and notify to the Commission change in particulars of their shareholdings in the form and manner as specified in section 103 of the Securities Act, 2015 and regulations made thereunder.

(j) The equity securities to be listed are issued only in Book-Entry form through CDS and this information is disclosed in Information Memorandum;

(k) It has appointed at least one Advisor and Consultant to the Issue to perform functions in accordance with this chapter;

(l) It has developed its own website and disseminated the basic information about the SME and its business activities including the Information Memorandum, its annual and half-yearly financial statements and quarterly accounts and monthly progress report on implementation of the project, where required. The monthly progress report shall also be submitted to the Exchange for public dissemination;

(m) The promoters/sponsors/controlling directors are not also promoters/sponsors/ controlling directors in other listed companies, which are in default of any Listing Regulation of the Exchange. None of its promoters, sponsors, or controlling directors is sponsor/controlling director of a company which was delisted during last five years due to non-compliance with any of the Listing Regulations. However, this will not apply to nominee directors of the Government and Financial Institutions. The company shall also provide a list of Controlling Directors;

(n) The company is not an associated company of any other listed company which has violated the Listing Regulations of the Exchange and is still in default of any Listing Regulation. However, this will not apply to nominee directors of the Government and Financial Institutions;

(o) its Chief Executive has not served or is not serving as Chief Executive of a listed company which has significantly violated and/or failed to comply with any provision of chapter 5 relating to "Listing of Companies and Securities Regulations" during his tenure as the Chief Executive; and

(p) its Promoters/sponsors/controlling directors are not in the defaulters list of the State Bank of Pakistan either in their individual capacity or in the capacity as directors of other listed companies. This will not apply to the directors nominated by the Federal Government or any Provincial Government and the Financial Institutions.

5A.3. ISSUE OF EQUITY SECURITIES AT PREMIUM:

An SME may issue its equity securities at premium subject to the following conditions:

(a) The SME has commenced commercial operations and based on its latest audited financial statements for not less than twelve months, it has earned:
  (i) profit from its principal operations; and
  (ii) positive earnings per share.

(b) The premium on offer to QIBs and HNWIs shall not exceed the amount of premium charged on placements with foreign or local Investors/institutions, if such placement has been made within a period of six months preceding the commencement of the subscription/bidding period and the names and addresses of such Investors/institutions shall be disclosed in Information Memorandum;

(c) The SME shall justify the amount of premium and such justification shall be disclosed in the Information Memorandum;

(d) The sub-clauses (a) and (b) shall not apply where the equity securities are issued/offered through book building process.

5A.4. LISTING PROCEDURE:

5A.4.1. An SME that fulfils the eligibility criteria specified in clause 5A.2. may apply for listing of its equity securities on the SME Board by making an application to the Exchange on Form-I attached to this chapter accompanied with such information and documents as mentioned at Annexure-I to Form-I along with payment of initial listing fee as prescribed under this chapter.

5A.4.2. The Exchange may reject a listing application, at its sole discretion if it deems that listing of the SME is not in the interest of the market or the SME does not meet any of the eligibility criteria prescribed above.

Provided that the SME shall be given an opportunity of hearing by the Exchange before the listing application is rejected.

5A.5. CONTENTS OF INFORMATION MEMORANDUM:

5A.5.1. The Information Memorandum, to be circulated to QIBs and HNWIs for issuance/offer of equity securities of an SME, shall contain at least such information as provided in Schedule-I of this chapter.

5A.5.2. The SME shall place the Information Memorandum on its own website and ensure that the Information Memorandum is also placed on the websites of the Exchange and the Advisor and Consultant to the Issue.

5A.5.3. The SME shall not use the Information Memorandum as a document inviting the general public for subscription of equity securities and shall include a statement to this effect on the cover page of the Information Memorandum.

5A.6. APPOINTMENT AND DUTIES OF ADVISOR AND CONSULTANT TO THE ISSUE:

Prior to applying for listing on the Exchange, the SME shall, through an agreement in writing, appoint an Advisor and Consultant to the Issue till the date of its formal listing. The Advisor and Consultant to the Issue shall perform the following duties:

The Advisor and Consultant to the Issue shall appraise the SME and its project, either on its own or in consultation with other expert(s), and submit a feasibility report containing financial plan, if required, and at least five years financial projections to the Exchange and state in the feasibility report that the Advisor and Consultant to the Issue:

(i) has examined the technical, managerial, commercial, economic and financial aspects of the project and/or the SME;
(ii) has reviewed all the material contracts/agreements relating to issue/offer of equity securities by the SME;
(iii) has reviewed all the contents of the Information Memorandum and found them true and complete to the best of its knowledge and belief;
(iv) is satisfied that the SME has or will have the necessary operational infrastructure to carry out its business;
(v) is satisfied that the SME and its project are viable and investment worthy;
(vi) ensures that the SME complies with its obligations under this chapter;
(vii) shall act honestly, impartially and with due care and skill; and
(viii) shall comply with the applicable regulatory and contractual obligations.

5A.7. APPOINTMENT AND FUNCTIONS OF MARKET MAKERS:

5A.7.1. *APPOINTMENT OF MARKET MAKER:*

The SME may, through an agreement in writing, appoint a Market Maker for a period of not less than three years from the date of listing of the SME.

In case a Market Maker is not available at any time or discontinues to act as Market Maker upon completion of initial period of three years or due to any reason, the SME may immediately appoint another person eligible to act as Market Maker and shall notify the same to the Exchange and through its website on the same day.

5A.7.2. *FUNCTIONS OF MARKET MAKER:*

The Market Maker shall be responsible for performing the following functions:

(i) The Market Maker shall provide two-way quotes in all equities securities of SMEs for which it is appointed as a Market Maker.

(ii) The Market Maker shall not quote beyond the maximum Spread of 10% which shall be disclosed in the Information Memorandum.

(iii) Market Maker shall hold a minimum inventory per security equivalent to 5% of free float of the security.

(iv) Market Maker shall purchase or arrange purchase of the equity securities of respective SME from any holder that tenders such equity securities for sale.

(v) Market Maker shall sale or arrange sale of the equity securities of respective SME to any Investor who intends to purchase such securities.

5A.8. TRADING OF SECURITIES ON EXCHANGE, RISK MANAGEMENT AND ALLIED MATTERS:

5A.8.1. *TRADING THROUGH KATS:*

(i) Any Broker can trade under SME Board either on his own account or on account of his clients subject to prior notification in writing to the Exchange.

(ii) Trading in SME Board shall take place through KATS.

5A.8.2. *MINIMUM ORDER SIZE (MARKETABLE LOT):*

The minimum order size for trading in equity securities of SME on the Exchange shall be Rs. 100,000/-

5A.8.3. *CIRCUIT BREAKERS OR MARKET HALT:*

(i) There shall be a security-wise circuit breaker or market halt in SME Board in a manner as may be prescribed by the Exchange from time to time.

(ii) No trade in any equity security of an SME shall be allowed beyond the above prescribed upper and lower limits.

5A.8.4. *MINIMUM FREE FLOAT:*

The SME shall maintain at all times the minimum Free Float of 20% of its post issue paid up capital.

5A 8.5. *EXPOSURE MARGINS:*

Exposure margin on equity security of an SME shall be 25% or VaR, whichever is lower, of the total Exposure.

5A.8.6. *TRADING FEE (LAGA):*

The Exchange shall prescribe, from time to time, trading fee on the value of the transaction and other contribution/charges payable by the Broker. However, there shall be no trading fee for 1 year from the applicability of this chapter.

5A.8.7. *CLEARING AND SETTLEMENT:*

Clearing and settlement of the transactions executed at the SME Board shall be done under T+2 settlement system through the NCCPL.

5A.8.8. *PROHIBITION OF SHORT SALE AND BLANK SALE:*

Short Sale and Blank sale of equity securities of SMEs shall not be permissible.

5A.9. NON-APPLICABILITY OF THE LISTING OF COMPANIES AND SECURITIES REGULATIONS OF THE EXCHANGE:

An SME listed under this chapter shall not be subject to compliance with the provisions of chapter 5 relating to "Listing of Companies and Securities Regulations" of the PSX Regulations. The SME shall be required to disclose this fact in the Information Memorandum and all the subsequent annual and half-yearly financial reports.

5A.10. APPLICABILITY OF SUBSTANTIAL ACQUISITION LAWS:

Any person who, directly or indirectly, intends to acquire voting shares of an SME, shall be subject to compliance with the provisions of the Securities Act, 2015 and with all the relevant requirements laid therein including the requirements laid in the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2008.

5A.11. AUDITED FINANCIAL STATEMENTS AND INFORMATION REQUIREMENT:

5A.11.1. The SME shall prepare its periodic financial statements as required under the applicable laws and shall get the same audited by a QCR rated chartered accountant.

5A.11.2. The SME shall place its periodic financial statements on its website. The SME shall also immediately notify the Exchange about the placement of such information on its website.

5A.12. REPORTING AND DISCLOSURE BY SME:

An SME listed under this Chapter shall be required to disseminate the following information:

(a) *DISCLOSURE OF PRICE SENSITIVE INFORMATION:*

Every listed SME shall communicate to the Exchange any non-public material information about the SME such as all decisions of its Board of Directors relating to cash dividend, bonus issue, right issue or any other entitlement or corporate action, change of management, significant change in its financial condition, sphere of activity and current and expected business performance or any other price-sensitive non-public information which if made public will likely cause a substantial change in the market price of its equity securities. Such information must be notified without delay to the Exchange according to the procedure laid down in the Exchange's Correspondence Manual.

(b) *DISCLOSURE OF RELATED PARTY TRANSACTIONS:*

Every listed SME shall communicate to the Exchange all related party transaction, without delay as soon as the terms of a transaction with a related party are agreed, according to the procedure laid down in the Exchange's Correspondence Manual. Such information should including the following:

(i) Nature of the transaction and amount involved;
(ii) Name of the related party(ies) and the nature and extent of their interest in the transactions;
(iii) Effect of the transaction on the SME;
(iv) Any other information necessary to enable Investors to evaluate the effect of the transaction on the SME; and
(v) A statement that the directors, excluding those who are involved in the transaction as a related party, consider that the terms of the transaction are fair and reasonable in so far as its shareholders are concerned.

(c) *REPORTING OF REGULATORY COMPLIANCE:*

The Chief Executive Officer/Managing Director of the SME shall:

(i) be responsible for ensuring compliance by the SME with all the requirements of these Regulations and all other applicable rules, regulations, notices, guidelines, orders and the directives issued by the Commission or the Exchange from time to time;
(ii) report status of the compliance mentioned in sub-clause (i) above to the Board of Directors of the SME and the Exchange within 15 days from the end of each half year;
(iii) act with due skills, diligence and care at all times.

(d) *DISCLOSURE OF MISCELLANEOUS INFORMATION:*

An SME shall notify, without delay, to the Exchange the information relating to:

(i) change of its Market Maker (if any);
(ii) any change in its accounting reference date;
(iii) any change in its registered address;
(iv) the resignation, dismissal or appointment of any director giving the date of such occurrences; and;
(v) any other information in such form and within such timeframe as may be required by the Exchange.

5A.13. SUSPENSION OF TRADING:

The Exchange may suspend trading in the equity securities of an SME in case:

(a) trading in the shares is not being conducted in an orderly manner;
(b) the SME fails to comply with any provision of this chapter;
(c) it is required to do so in the best interest of the market and the protection of Investors; or
(d) the integrity and reputation of the market has been or may be impaired by dealings in the equity security of SME.

5A.14. DISCIPLINARY ACTIONS:

If the Exchange considers that an SME has contravened any of the provisions of this chapter, it may take one or more of the following measures:

(a) Censure the SME;
(b) Impose a fine on the SME or the promoters/ sponsors/directors/CEO of the SME;
(c) Publicly disclose the fact that the SME has been fined or censured;
(d) Disclose the names of the directors and CEO of the SME through its website;
(e) Place the SME in the defaulters' segment; or
(f) Suspend trading in the shares of the SME.

5A.15. EXIT FROM THE SME BOARD:

An SME may be excluded from the SME Board in the following events:

(a) Voluntary de-listing
(b) Compulsory de-listing
(c) Migration from SME Board to the Exchange's main board.

5A.16. VOLUNTARY DE-LISTING OF SME FROM THE SME BOARD:

5A.16.1. The SME may apply to the Exchange for delisting from the SME Board supported by reasons thereof and the proposed purchase price of equity security to be delisted after obtaining approval in general meeting of the SME by not less than ¾ of the security holders present in person or by proxy at such general meeting.

The purchase price may be determined either through the reverse book building process, to be prescribed by the Exchange, or through the mechanism given in the following clause.

5A.16.2. The purchase price proposed by the sponsors will be the highest of the benchmark price based on any of the following:

(a) Current market price as of the date the Exchange receives the intimation under para 5A.16.1. above;
(b) Average Market Price: calculated based on the daily closing price of the three years preceding the date the Exchange receives the intimation under para 5A.16.1. If the SME has been in existence less than three years, the average shall be based on the period since the listing of the SME on the SME Board;
(c) The intrinsic value per share: determined on the basis of revaluation of assets, carried out by professional evaluator approved by Pakistan Banks' Association (PBA) or any Investment Bank. The revaluation of assets carried out by the evaluators shall not be older than six months from the date the Exchange receives the intimation under para 5A.16.1. above;
(d) The maximum price at which the sponsors had purchased these shares from the open market in the preceding one year.

5A.16.3. While evaluating the SME application for the delisting, the Exchange may require the SME to take precautions in order to avoid the infringement of the investors' rights. In any case voluntary de-listing of an SME shall be subject to compliance by the SME with the prescribed procedure, guidelines/criteria and other terms and conditions as may be laid down by the Exchange.

5A.16.4. The Exchange may for any reason whatsoever refuse to accept the proposal of the company, the purchase price and/or the request to de-list the securities.

5A.17. COMPULSORY DE-LISTING OF SME FROM THE SME BOARD:

5A.17.1. An SME may be delisted from the SME Board, if:

(a) Disciplinary action has been taken against the SME by the Exchange under para 5A.14. and the SME fails to rectify the default for a period of six months;
(b) The independent audit report on the annual financial statement of the SME sets forth an adverse opinion or the disclaimer of opinion by an auditor for two consecutive periods.

Provided that the Exchange shall issue a warning to the SME for correcting the problems prior to taking a decision to delist the SME from the SME Board.

5A.17.2. If it fulfills the criteria for migration to the main board and its application for the listing to the main board is accepted by the Exchange;

5A.17.3. Where an SME is delisted under clause 5A.17.1.(a) above, no company promoted by promoters and directors of such delisted company shall be permitted to be listed on SME board for a period of five years from the date of such delisting.

5A.18. MIGRATION FROM SME BOARD TO THE MAIN BOARD:

5A.18.1. Where paid-up capital of an SME exceeds Rs200 million or its equity, excluding surplus on revaluation of fixed assets, exceeds Rs300 million, such SME shall, within twelve months of such increase, seek its listing on main board of the Exchange.

Provided that at least three annual audited financial statements are published before SME could migrate to the Main Board.

Explanation: In case of paid up capital, the time period of twelve months shall be reckoned from the date of issue of shares causing increase in the paid up capital beyond Rs.200 million and in case of equity it shall be reckoned from the last date of the closing of the financial year in which the equity has exceeded the threshold of Rs300 million;

5A.18.2. An SME applying for listing on the main board of Exchange shall, in addition to the requirements laid down in chapter 5 of PSX Regulations, comply with the additional requirements as may be prescribed by the Exchange with the approval of the Commission.

5A.18.3. The Exchange, with prior approval of the Commission, may waive any listing requirements of chapter 5 of PSX Regulations for an SME migrating to the main board.

5A.18.4. The Exchange shall waive initial and annual listing fee for listing on main board in the first year of migration of an SME to the main board.

5A.19. INITIAL AND ANNUAL LISTING FEE:

5A.19.1. An SME applying for listing of its equity securities under this chapter shall be required to pay an initial listing fee equivalent to 0.05% of its post issue paid-up capital subject to a maximum of Rs. 50,000/-.

5A.19.2. Whenever the SME increases its paid-up capital, it shall be required to pay to the Exchange an additional listing fee equivalent to 0.05% of increase in the paid-up capital subject to a maximum of Rs. 50,000/-.

5A.19.3. The SME shall pay an annual listing fee for each subsequent financial year of the Exchange, commencing from 1st July and ending on 30 June , which shall be payable by or before the 30th September in each calendar year, as per the following schedule:

S.#	SMEs having Paid-Up Capital	Amount of fee
(i)	Up to Rs. 50 million	Rs. 20,000/-
(ii)	Above Rs. 50 million & up to Rs.100 million	Rs. 30,000/-
(iii)	Above Rs.100 million	Rs. 40,000/-

Provided that the Exchange may relax/revise the above fees or any of the slabs or add new slabs as it may deemed appropriate, subject to prior approval of the Commission.

Provided further that every SME applying for listing shall pay annual listing fee for the entire financial year of the Exchange along with listing application irrespective of the date of its listing during the financial year.

FORM I

FORM OF APPLICATION FOR SEEKING LISTING OF AN SME ON THE EXCHANGE UNDER SECTION 9 OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969

To:

The Secretary,

Pakistan Stock Exchange Limited,

Karachi.

Dear Sir,

1. We hereby apply for the listing of our (Name of the SME) _____ on your Stock Exchange.

2. Necessary information and documents as required under the Regulations and mentioned at Annexure-I to Form I are enclosed herewith.

Yours faithfully,

_____

SIGNATURE & ADDRESS

c.c. to:

The Securities & Exchange Commission of Pakistan
ISLAMABAD - as required under Sub-Section (1) of Section 9 of the Securities & Exchange Ordinance, 1969.

Annexure-I

LIST OF DOCUMENTS REQUIRED TO BE SUBMITTED ALONGWITH APPLICATION FOR SEEKING LISTING OF AN SME ON THE EXCHANGE UNDER SECTION 9 OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969

An SME along with application on Form-I for listing under section 9 of the Securities and Exchange Ordinance, 1969 shall furnish the following documents/information:

1. Memorandum and Articles of Association containing copy of the certificate of incorporation and copy of the certificate of commencement of business.
2. A brief history of the SME since incorporation giving names of the sponsors/promoters and all directors, details of its activities including any re-organization, changes in its capital structure and borrowings.
3. Names and addresses of the directors and persons holding ten per cent or more of any class of equity security as on the date of application together with the number of shares and other securities convertible into ordinary shares held by each of them.
4. A statement showing cash dividends and bonuses paid (if any) during the last 3 years or such shorter period as the company may have been in existence.
5. A statement containing particulars, dates of and parties to all material contracts, agreements (including agreements for technical advice and collaboration), concessions and similar other documents except those entered into in the normal course of the company's business or intended business together with a brief description of the terms of such agreements.
6. Particulars of the security listing of which is sought.
7. An undertaking on the format as prescribed in Form-II.
8. Auditors' Certificates on the SME's latest balance sheet, five years income statement containing EPS as well, paid up capital and the break-up value per share on the basis of latest audited accounts. The certificate must contain calculation of the Break-up value.
9. Copy of the resolution passed by the Board of Directors of the SME with respect to issue and listing of the shares.
10. Copy of the appraisal report prepared by the Market Advisor and Consultant to the Issue.
11. Consent of Market Maker appointed by the SME under this Chapter.
12. Undertaking by the Market Maker, on the format provided in Form-III, for compulsory Market Making in the share of the SME, in case the SME has apppointed the Market Maker.
13. Copies each of Information Memorandum, audited annual accounts of the SME for the last 5 years or for a shorter period if five years of the commencement of business are not completed.
14. Copy of application submitted to the CDC for declaration of the share of the SME as an eligible security for its CDS.
15. Report of State Bank of Pakistan that name of the SME as well as names of other companies in which directors of the SME are holding directorship and name of promoters/sponsors/controlling directors, of the SME are not in the Defaulter's List of SBP either in their individual capacity or in the capacity of Directors of other companies. (This will not apply to nominee Directors of the Federal Government, Provincial Governments and Financial Institutions).
16. Pay Order/Bank Draft/Cheque in favour of the Exchange for payment of initial listing fee, annual listing fee and service charges as prescribed under the Regulations.

Annexure-II

CRITERIA FOR ISSUE/OFFER OF SHARES OF SMALL AND MEDIUM ENTERPRISES (SMEs) THROUGH BOOK BUILDING.

Under Regulation 5A.2(c) of the Regulations Governing Listing and Trading of Equity Securities of Small and Medium Enterprises (SMEs), it is required that "the offer is made through fixed price method, the book building method or any other method acceptable to the Exchange".

For the purpose of above Regulation, Privately Placed Book Building will be conducted amongst the Institutional Investors and HNWIs subject to following conditions:

i. The post issued paid up capital of the SME is not less than Rs. 100 million, and the offer size is not less than two million shares and 20% of the post issue paid up capital of SME.
ii. Under Book Building mechanism, bids are collected from the QIBs and HNWIs and a book is built which depicts demand for the shares at different price levels. Price at which shares are issued is based on Dutch Auction method.
iii. Dutch Auction method means the method through which price is determined by arranging all the bid price in descending order along with the number of shares and the cumulative number of shares bid for at each bid price. The strike price is determined by lowering the bid price to the extent that the total number of shares offered under the Book Building portion is subscribed.
iv. The Book Runner shall be appointed to perform the function of Book Building.
v. The Issue is being made through the Book Building process at a floor price.

BOOK BUILDING PROCEDURE:

A bid by an Eligible Investor can be a "Limit Bid" or a "Step Bid".

Limit Bid: Limit bid is at the Limit Price, which is the maximum price an investor is willing to pay for a specified number of shares.

Step Bid: A series of Limit Bids at increasing prices. The aggregate amount of Step Bid shall not be less than PKR 1,000,000/- and the amount of any individual step shall not be less than PKR 1,000,000/-.

- An eligible investor shall not make more than one bid severally or jointly.

- The Book Runner to the Issue shall be responsible to:

i. ensure that necessary infrastructure and electronic system is available to accept bids and to undertake the whole Book Building in a fair, efficient and transparent manner;
ii. use the software provided by the Designated Institution for the Book Building on such terms and conditions as may be agreed through an agreement in writing;
iii. ensure that the software used for Book Building is based on Dutch Auction Method for display of the order book and determination of the strike price;
iv. ensure that the bidders can access to the System and can revise their bids electronically using the user ID and the password;
v. maintain record of all the bids received;
vi. the Book Runner has established bid collection centers.

ELIGIBILITY TO PARTICIPATE IN BIDDING:

Eligible Investors who can place their bids in the Book Building shall be those whose Bid Amount is not less than PKR 1,000,000/- (Rupees One Million only).

INFORMATION FOR BIDDERS:

- The bids should be submitted on the prescribed bidding form in person or through fax numbers.

- Investors can place, revise or withdraw their bids by accessing the Designated Institution's online portal for book building by using the user id and password communicated to them.

PROCEDURE FOR BIDDING:

i) Bids can be placed at "Limit Price" or "Step Bid". In case of Limit Bid the minimum size of the bid is not less than PKR 1,000,000/- (one million rupees) and in case of a Step Bid, the amount of any step shall not be less than PKR 1,000,000/- (one million rupees).

ii) The persons at the Bid Collection Centers shall vet the bid applications and accept only such bid applications that are duly filled in and supported by pay order, demand draft or a bank receipt evidencing transfer of the bid money into the Issuer's designated bank account;

iii) The bidding shall commence from 09:00 a.m. and close at 05:00 p.m. on all days of the Bidding Period. The bids shall be collected and entered into the system by the Book Runner till 05:00 p.m. on the last day of the bidding period; and

iv) The Book Runner shall collect full amount of the bid money as margin money in respect of bids placed by the individual investors and institutional investors.

v) Once the Strike Price is determined, all those bidders whose bids are found successful shall become entitled for allotment of shares.

vi) The bidders who have made bids at prices above the Strike Price shall be allotted shares at the Strike Price and the differential shall be refunded.

vii) The bidders who have made bids below the Strike Price shall not qualify for allotment of shares and their margin money shall be refunded within five working days of the close of the bidding period.

viii) The successful bidders shall be issued shares only in the form of book-entry to be credited in their respective CDS accounts. All the bidders shall, therefore, provide their CDC account numbers in the bid application.

Schedule-I

CONTENTS OF INFORMATION MEMORANDUM

The Information Memorandum (IM) prepared with respect to issue of shares for listing under this Chapter shall contain at least the following information/disclosures:

i. On cover page, the following shall be disclosed:

   a) A disclaimer in bold letters stating that, "This is not a prospectus for issue of shares to the general public but a document prepared for the purpose of offering shares of an SME only to Qualified Institutional Buyers(QIBs) and High Net Worth Individual Investors (HNWIs). This IM has not been approved by the Securities & Exchange Commission of Pakistan (the Commission) or the Pakistan Stock Exchange Limited (the Exchange)";

   b) A disclaimer in bold letters stating that, "This is an IM by … [Name of the issuing SME which is an SME. SMEs being small capital based companies exposed to the risk of high volatility in its share market price at the Exchange after listing. The investors are strongly advised to evaluate their risk tolerance and sustainability capability prior to investing in the equity of this company. PSX or SECP shall not be held responsible for any direct or indirect losses incurred due to investment in the equity of this SME."

   c) A statement in bold letters stating that, "The SME Board is designed primarily for emerging of small capital based companies. Companies listed at SME Board are comparatively exposed to higher investment risk as compared the companies listed at the main Board of the Exchange. The prospective investor should, therefore, be aware of the risk of investing in such companies and should make the decision to invest only after careful diligence of the issue and consideration. It is advisable to consult any independent investment advisor before making investment in the equity of this SME."

   d) A statement in bold letters stating that, "The Board of Directors of … (Name of the issuing SME) … accepts responsibility for accuracy of the information contained in this document"; and

   e) Name of the SME, name of the entity that has prepared the IM and date of the IM.

ii. Table of contents, Executive summary by the entity that has prepared the IM, purpose of preparation of the IM and their scope of work;

iii. Glossary of technical terms and acronyms should be provided after the table of contents;

iv. The capital structure of the SME.

v. Information about the SME like its name, date of its incorporation, registration number, addresses of its registered & head offices, names of its sponsors, major shareholders and associated companies/undertakings etc.;

vi. Organization structure of the SME and its principle business;

vii. Latest pattern of shareholding of the SME.

viii. Names of the directors of the SME and their directorships in other companies;

ix. Profile of the management of the SME including all the members of the Board of Directors excluding the nominee directors, the Chief Financial Officer and the Company Secretary;

x. Future outlook/ business strategy of the SME.

xi. Highlights of major restructuring, if any, like merger, demerger, amalgamation, acquisition, reorganization, financial restructuring etc.;

xii. Five years financial highlights relating to cash flows and financial & operating position of the SME including key financial ratios like debt/equity ratio (pre & post issue), current ratio, return on equity, return on assets, earning per share, Break-up value per shares (pre & post issue) etc. in tabular form;

xiii. Salient features of the Issue like issue size, face value of share, offer price etc.

xiv. Justification for premium, if any;

xv. Terms & conditions for investment in the SME's shares;

xvi. Rights of the shareholders like right to vote, dividend etc.;

xvii. Purpose of the issue & breakup of the utilization of the proceeds of the Issue;

xviii. In case the proceeds of the Issue are to be utilized for project financing, detail of such project like project cost & means of financing (i.e. Financial Plan), project implementation schedule, latest status of the implementation of the project, expected date of completion of the project, expected date of trial & commercial production etc.;

xix. Five years financial projections (i.e. Balance Sheet, Income Statement, cash flow statement and statement on changes in equity) including key financial ratios;

xx. All the risk factors associated with the investment in the shares of the SME and their mitigants;

xxi. Basic information about the industry the SME belongs to, key players in the industry, basic raw material used by the SME, if any, and list of supplier thereof, main clients of the SME, competitors of the SME, etc.;

xxii. Summary of all the material contracts relating to the Issue and the project, if any;

xxiii. Any other material fact, information and disclosure as required under any agreement, rules, regulations or the law for the time being enforced which may affect the investor's decision to invest;

xxiv. Names of all the stock exchange(s) where the SME will be listed;

xxv. Tentative subscription dates;

xxvi. Tentative date of allotment of shares to the investors.

FORM II

FORM OF UNCONDITIONAL UNDERTAKING BY THE SME

Date: _____

The Board of Directors,

Pakistan Stock Exchange Limited,

Karachi.

U N D E R T A K I N G

We undertake, unconditionally, to abide by the Regulation(s) of the Pakistan Stock Exchange Limited applicable to the company which presently are, or hereinafter may be in force.

We further undertake:

1. That our shares shall be quoted on the _____ at the discretion of the Exchange;

2. That the Exchange shall not be bound by our request to remove shares from the _____;

3. That the Exchange shall have the right, at any time to suspend or remove the said share for any reason which the Exchange consider sufficient in the interest of the market;

4. That such provisions in the Articles of Association of our company or in any declaration or agreement relating to any other security as are or otherwise not deemed by the Exchange to be in conformity with the Listing of Companies and Securities Regulations of the Exchange shall, upon being called upon by the Exchange, be amended to supersede the Articles of Association of our company or the nominee relating to the other securities to the extent indicated by the Exchange for purposes of amendment and we shall not raise any objection in relation to a direction by the Exchange for such amendment; and

5. That our company and/or the share may be delisted by the Exchange in the event of non-compliance and breach of this undertaking.

Yours sincerely,

_____

SIGNATURE OF AUTHORIZED PERSON

Common Seal of the Company

FORM III

FORM OF UNCONDITIONAL UNDERTAKING BY THE MARKET MAKER

To:

The Head of Operations,

Pakistan Stock Exchange Limited,

Karachi.

U N D E R T A K I N G

We (Name of Market Maker), have been appointed by … (Name of SME) … as the Market Maker for Market Making in its shares applied for listing at SME Board of the Exchange.

We the Market Maker hereby undertake as under:-

1. That we shall abide by all the applicable provisions of the Regulations Governing Listing and Trading of Equity Securities of Small and Medium Enterprises (SMEs) which presently are, or hereinafter may be in force.

2. That we will compulsorily make market in the scrip of the SME at least for a period of three years from the date of commencement of trading on the Exchange i.e. from the date of listing and shall not withdraw from such Market Making obligation until another Market Maker is appointed under the Regulations and the Exchange has given its consent for such withdrawal.

3. That we will quote bids and offer in the share of the SME within the spread which shall not be more than 10%.

Yours faithfully

_____

(Signature of Authorized Person)

Common Seal of the company

Chapter 5B: LISTING OF DEBT SECURITIES REGULATIONS

5B.1. APPLICABILITY OF REGULATIONS:

5B.1.1. All the provisions provided in the chapter 5 of PSX Regulations relating to Listing of Companies and Securities Regulations, presently in force or as amended from time to time, shall be applicable unless otherwise provided in this chapter.

5B.1.2. The provisions of this chapter shall not apply to the matters relating to Government Debt Securities Regulations as provided in chapter 6 of PSX Regulations.

5B.2. DEFINITIONS

In this chapter, unless the subject or context otherwise requires:

(a) "Bid Price" shall mean the price for which a Market Maker is willing to pay for the purchase of Debt Securities;
(b) "Debt Security" shall mean any instrument creating or acknowledging indebtedness which is issued or proposed to be issued by an Issuer including, in particular, debentures, debenture stock, loan stock, bonds, notes, commercial paper, sukuk or any other debt security of an Issuer, whether constituting a charge on the assets of the company or not;
(c) "Debt Securities Trustee" shall mean a person as defined in the Debt Securities Trustee Regulations, 2012;
(d) "Information Memorandum" for the purpose of this chapter shall mean a document outlining the salient features, risks and terms of Debt Securities circulated to pre-IPO Investors to assess demand for the Debt Securities and to enable the prospective Investors to make an informed investment decision;
(e) "Market Maker" for the purpose of this chapter means a person appointed by the Issuer for Market Making of its Debt Security;
(f) "Market Making" shall mean the display of two-way quotes i.e. Bid Price and Offer Price on continuous basis during the designated market making period by the Market Maker for the purchase and sale of the concerned Debt Securities" in accordance with this chapter;
(g) "Offer Price" shall mean the price for which a Market Maker is willing to sell Debt Securities;
(h) "Short Term" shall mean a period of one or less than one (1) year;
(i) "Spread" shall mean the difference between the Bid Price and the Offer Price.

5B.3. ELIGIBILITY FOR LISTING

5B.3.1. Any Issuer may apply for listing of its Debt Securities offered to the General Public under this chapter provided it fulfills the following criteria:

(a) it has commenced commercial operations ;
(b) it is allowed by the Commission to issue, circulate and publish prospectus for issue of such Debt Security;
(c) its paid up capital is not less than Rs. 200 million and the total issue size including pre-IPO placement if any, is not less than Rs. 200 million;
(d) its entity rating and the instrument rating is not less than BBB. Instrument rating in case of Short Term instruments may not be required;
(e) any of its Securities is not on the Defaulter's Segment of the Exchange, if it is already listed;
(f) it and its sponsors and directors has/have no overdue loans of any bank or financial institution.

5B.3.2. The Exchange shall not entertain listing application of an Issuer:

(a) Whose Chief Executive has been found to have violated any provision of this chapter or chapter 5 of PSX Regulations of any others/listed company on the Exchange in which he had been the Chief Executive.
(b) Whose promoters/sponsors/controlling directors are in the defaulters list of State Bank of Pakistan either in their individual capacity or in the capacity of directors of other companies. Or there is an overdue payment reflected against the name of promoters/sponsors/controlling directors in the latest CIB report. Provided that such person will be allowed if he clears his name after settling his dues. However, this will not apply to nominee directors of the Government and Financial Institutions. The Issuer shall also provide a list of its Controlling Directors.
(c) Whose promoters/sponsors/controlling directors are also promoters/sponsors/controlling directors in other listed companies, which are in default of any provision of this chapter or chapter 5 of PSX Regulations. Further, no person shall be allowed to act as sponsor/controlling director of a company which was delisted during last five years and non-compliant of any provision of this chapter or chapter 5 of PSX Regulation at the time of its delisting. However, this will not apply to nominee directors of the Government and Financial Institutions. The Issuer shall also provide a list of Controlling Directors.
(d) Which is a wholly owned subsidiary company of a Listed Company which has violated any provision of this chapter or chapter 5 of PSX Regulations and is still in default of any such provision.
(e) Which is an associated company of any other Listed Company which has violated the Listing Regulations of the Exchange and is still in default of any provision of this chapter or chapter 5 of the PSX Regulations. However, this will not apply to nominee directors of the Government and Financial Institutions.
(f) If any of its directors/sponsors/substantial shareholders had been declared defaulter by the stock exchange or has been the promoter/sponsor/substantial shareholder of a Brokerage House which was expelled or whose TRE Certificate was cancelled/forfeited by a stock exchange.
(g) A running company for one full year or more, reflecting losses in their last audited accounts, shall not qualify for listing its equity is eroded by 40% or more.

5B.4. CONDITIONS FOR LISTING OF DEBT SECURITIES

The Issuer that intends to list any of its Debt Securities on the Exchange shall comply with the following conditions:

5B.4.1. Minimum allocation of capital to the General Public excluding the Pre-IPO investors shall be as under:

(i) in case issue size is up to Rs. 500 million, the allocation of capital to the General Public shall not be less than Rs. 100 million or 25% of the issue size, whichever is higher;
(ii) in case issue size is above Rs. 500 million and up to Rs. 2 billion, the allocation of capital to the General Public shall not be less than Rs. 125 million or 15% of the issue size, whichever is higher;
(iii) in case issue size is above Rs. 2 billion and up to Rs. 10 billion, the allocation of capital to the General Public shall not be less than Rs. 300 million or 10% of the issue size, whichever is higher;
(iv) in case issue size is above Rs. 10 billion, the allocation of capital to the General Public shall not be less than Rs. 1,000 million or 5% of the issue size, whichever is higher.

The Exchange, while keeping in view appetite for the Debt Securities being offered, may change the above allocation in any manner it may deem fit.

5B.4.2. The Issuer shall appoint a Debt Securities Trustee for a period not less than the tenure of the Debt Security.

5B.4.3. The Issuer shall appoint, through agreement in writing, a Market Maker for a period not less than the tenure of the Debt Security.

5B.4.4. The Company Secretary or any other officer of the Issuer shall be designated as Compliance Officer who shall perform such functions as mentioned in regulation 5B.12.

5B.4.5. The Issuer, before publication of prospectus, shall obtain CDC's notice with respect to declaration of its Debt Security as CDS eligible Security.

5B.4.6. The Debt Securities shall be issued only in Book-Entry form;

5B.4.7. All Debt Securities other than Short Term shall be rated from a credit rating company registered with the Commission. The credit rating report of the entity and the instrument shall be prepared on the basis of the Issuer's latest audited accounts or on the basis of the Issuer's reviewed accounts if the audited accounts are older than six months. In case where the instrument and entity rating is obtained from more than one credit rating agencies, all the ratings, including the unaccepted rating(s), shall be disclosed in the prospectus.

5B.4.8. In case of secured Debt Security, the Issuer shall give an undertaking in the prospectus to the effect that the assets on which charge has been created are free from any encumbrances and if the charged assets are already charged to secure any other debt, consent of the creditors having charge on the charged assets has been obtained.

5B.4.9. Save as provided in the Trust Deed, the Issuer shall not make any change in the charged assets i.e. the assets backing the Debt Security;

5B.4.10. Trading in Debt Securities listed under this chapter shall commence one trading day after the date of their formal listing;

5B.4.11. The Debt Securities shall be traded at the Exchange's Bond Automated Trading System (BATS);

5B.4.12. The Issuer shall make available to the Exchange and to the bankers to the issue for distribution printed copies of the prospectus and application forms in the quantity to be determined by the Exchange and the bankers to the issue and the distribution agent, if any. The Issuer shall also accept applications on identical forms;

5B.4.13. The sponsors and directors of the Issuer shall not participate in subscription of Debt Securities offered to the General Public.

5B.4.14. In case there is any allocation of capital, out of the pre-IPO placement, if any, to the associated companies or associated undertakings of the Issuer, such allocation shall not in aggregate exceed 25% of the total issue;

5B.4.15. The prospectus with the proforma application form shall be published by the Issuer in at least one widely circulated English and Urdu daily newspaper each at Karachi, Lahore and Islamabad or as the Exchange may in addition require, at least seven (7) days in advance but not more than thirty (30) days before the date of the opening of the subscription list.

5B.4.16. The prospectus and proforma application form shall be placed on the website of the Issuer and the consultant/Lead Manager to the issue.

5B.4.17. Allocation of capital, out of the pre-IPO placement, if any, to any single investor shall not exceed 25% of the total issue;

5B.4.18. The Issuer shall inform the Exchange, in writing, of the subscription received under the hand of an authorized person with certificate(s) from the bankers to the issue, within five (05) working days of the closing of subscription.

5B.4.19. The Issuer shall take a decision within ten (10) days of the closure of subscription list as to which applications have been accepted or are successful and submit allotment register to the Exchange within ten (10) days of such decision.

5B.4.20. The Issuer shall refund the application money in case of unaccepted or unsuccessful applications within 10 days of the date of such decision.

5B.4.21. The Issuer shall ensure credit of the Debt Security in CDS, to the successful applicants within twenty one (21) days of the closing of public subscription, under intimation to the Exchange.

5B.4.22. The Issuer shall ensure completion of the relevant requirements of formal listing of the Debt Security within twenty one (21) days from the date of closure of public subscription.

5B.4.23. The Issuer shall, within twenty one (21) days of closing of subscription list, pay brokerage to the TRE Certificate Holders of the Exchange at a rate not more than one per cent of the value of the Debt Securities actually sold through them.

5B.4.24. Any Issuer which makes a default in complying with the requirements of regulations 5B.4.21., 5B.4.22. and 5B.4.23., shall pay to the Exchange a penalty of Rs. 5,000/- (Rupees five thousand only) for every day during which the default continues. The name of Debt security may be notified to the TRE Certificate Holders of the Exchange and placed on the website of the Exchange.

5B.4.25. In case the Debt Security is not listed on the Exchange or the listing is refused by the Exchange, for any reason, whatsoever, the Issuer shall forthwith pay without surcharge all moneys received from the applicants in pursuance of the prospectus and every director of the Issuer, other than the nominee directors shall be, jointly and severally, liable to repay that money with surcharge at the rate of one and half percent for every month or part thereof from the expiration of the fifteenth day.

5B.4.26. An Issuer may issue Debt Securities which are convertible or exchangeable into ordinary shares provided such ordinary shares are listed on any recognized stock exchange.

5B.5. PROCEDURE FOR LISTING OF DEBT SECURITIES UNDER THIS CHAPTER

For listing of Debt Securities under this chapter the following procedure shall be followed:

5B.5.1. The Issuer shall for listing of any of its Debt Securities, make an application on **Form-A** to the Exchange along with the documents/information as mentioned in **Annexure-I**.

5B.5.2. The Issuer shall pay an initial listing fee of such amount as mentioned in regulation 5B.9.

5B.5.3. The Exchange may reject any application, made under this chapter at its sole discretion if it deems that listing of the Debt Securities is not in the interest of the market, the Issuer does not meet the minimum eligibility criteria set out in this chapter or the Issuer is in contravention of these Regulations:

Provided that, the Issuer shall be given an opportunity of hearing by the Exchange before the listing application is rejected.

5B.6. ISSUE OF DEBT SECURITIES

5B.6.1. Issue of Debt Securities to the General Public by the Issuer shall be made through prospectus which shall be issued, circulated and published after approval of the Commission as required under the Ordinance. The prospectus shall contain such information, material and disclosures as required under the Ordinance; and

5B.6.2. The Issuer shall also comply with the guidelines for listing of Debt Securities as laid down by the Exchange and/or Commission from time to time.

5B.7. CONTENTS OF INFORMATION MEMORANDUM

5B.7.1. The Information Memorandum, if any, to be circulated to pre-IPO investors for offer of Debt Securities shall contain at least such information as provided in **Annexure-II** to this chapter.

5B.7.2. Information Memorandum shall be a private document and shall be circulated only to pre-IPO investors. Information Memorandum shall not be used as a document inviting the General Public or a class of the General Public for subscription of Debt Securities and shall include a statement to this effect.

5B.8. POST LISTING REQUIREMENTS

5B.8.1. Payment of markup, profit, interest or rent, as the case may be, and repayment of principal amount to Debt Security holders shall be credited in their respective bank accounts electronically;

5B.8.2. The instrument rating shall be reviewed annually based on the latest audited accounts from the credit rating agency registered with the Commission and revision in the rating shall be intimated promptly by the Issuer to the Exchange and the Debt Securities Trustee.

5B.8.3. The Issuer shall provide access to the Debt Securities Trustee to the books of accounts and record relating to the Debt Security.

5B.8.4. The Issuer shall submit to the Exchange and the Debt Securities Trustee minutes of the meeting of Debt Security holders within fourteen days of the date of such meeting.

5B.8.5. The Issuer shall maintain a register of Debt Security holders and inform the Exchange and the Debt Securities Trustee of the address where the register is kept.

5B.8.6. The Issuer shall provide to the Exchange and the Debt Securities Trustee the following documents/information:

(i) A statement regarding the payment of markup, profit, interest or rent, as the case may be, on Debt Securities and redemption of the principal amount, on semi-annual basis till complete redemption of such Debt Security;
(ii) Copy of its latest audited annual, half-yearly and quarterly accounts as and when finalized along with key financial ratios. The key financial ratios must include at least the debt/equity ratio, current ratio, return on equity, return on assets, earning per share, debt service coverage ratio;
(iii) Copy of any notice, circular, resolution, letter etc. including notice for meeting of the Debt Security holders, letter/circular issued to the Debt Security holders in connection with the Debt Security and resolution relating to new issue of Debt Securities by the Issuer;
(iv) Certificate from its auditors regarding maintenance of 100% security cover in respect of the Debt Security, if it is secured. The certificate should be submitted on annual basis along with submission of the annual accounts;
(v) Certificate from its auditors regarding maintenance of redemption reserve, where required on annual basis;
(vi) Decision of the Board of Directors of the Issuer regarding prepayment of any debt obligation, if any.

5B.8.7. The Issuer shall, in addition to the documents/information mentioned above, submit to the Exchange the following information, documents and reports:

(i) any delay/default in payment of profit/mark up/interest and principal amount on any other debt obligation and reasons thereof;
(ii) the date, at least five working days in advance, of the meetings of its Board of Directors at which recommendation or declaration of issue of any Debt Security or any other matter affecting the rights or interests of holders of the Debt Security is proposed to be taken up;
(iii) change, if any, of the Debt Security Trustee on same day;
(iv) change, if any, subject to the provisions of the prospectus and the Trust Deed, in the nature and features of the Debt Security or in the rights or privileges of its holders as and when occurred;
(v) change, if any, in its accounting policies;
(vi) change, if any, in the credit rating of the Issuer;
(vii) change, if any, in its management and address of its registered office;
(viii) change, if any, that may have effect on the rights and privileges of the Debt Security holders;
(ix) change, if any, in the nature of business of the Issuer due to any reason;
(x) prohibitory order, if any, restraining the Issuer from transferring the Debt Security from the name of any Debt Security holder;
(xi) any transaction whether related party or otherwise that adversely affect interest of the Debt Security holders;
(xii) any action against or by the Issuer which will result in the redemption, conversion, cancellation, retirement in whole or in part of the Debt Security;
(xiii) any action against or by the Issuer that would adversely affect payment of principal amount and profit/mark up/interest on the Debt Security;
(xiv) any other information that is not in the public domain but necessary to be known to the holders of Debt Security to enable them to avoid creation of a false market in the Debt Security; and
(xv) any other information/documents as required by the Exchange.

5B.8.8. The Issuer, till complete redemption of the Debt Security, shall ensure that:

(i) The unclaimed profit/mark-up/interest, if any, is not forfeited and is kept under a separate head of account namely, “Unclaimed Profit/Mark-up/Interest”;
(ii) Proper book closure is announced for the purpose of payment of profit/mark-up/interest, redemption of the principle amount, meeting of the security holders or for such other purposes as the Exchange may deem fit; and
(iii) No modification has been made in the features of the Debt Security like in its term, coupon rate, conversion, redemption, security etc. by any manner otherwise than that as disclosed in the prospectus and the Trust Deed;

5B.8.9. Upon request, copies of its annual audited accounts and quarterly accounts are provided to the Debt Security holders;

5B.8.10. The Issuer shall provide a minimum period of 7 days but not exceeding 15 days at a time for closure of Security Transfer Register, for any purpose, not exceeding 45 days in a year in the whole.

5B.8.11. Book closure for entitlement of the Debt Security holders shall be intimated to the Exchange not later than 14 days prior to commencement of the same.

5B.8.12. No Issuer shall exercise any lien whatsoever on listed Debt Securities and nor shall there be any restriction on their transfer.

5B.8.13. In case the Issuer fails to pay its repayment obligations including interest, mark-up, profit or rent, as the case may, on the due date, it shall promptly inform the Exchange of such a default and call a meeting of the Debt Securities holders within 15 days of the due date to explain the reasons for default. Senior level representation from the Issuer, including Chief Executive, shall attend this meeting. The Exchange may notify the fact of such default and the name of the defaulting company by notice and also by publication of the same in the Daily Quotations of the Exchange.

5B.8.14. The Issuer shall furnish to the stock exchange soft copy of the complete list of its Debt Security holders within 30 days of the end of each calendar year.

5B.9. PAYMENT OF LISTING FEE

The Issuer shall pay to the Exchange initial listing fee and annual listing fee at the rate as mentioned below:

(i) an initial listing fee equivalent to 0.05% of the total issue size of the Debt Security subject to a maximum of Rs. 0.5 million.
(ii) an annual listing fee shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30th September in each calendar year, as per following schedule:

S. No.	Total Issue Size	Amount of fee
i.	Up to Rs. 500 million	Rs. 30,000/-
ii.	Above Rs. 500 million & up to Rs.1000 million	Rs. 40,000/-
iii.	Above Rs. 1000 million	Rs. 50,000/-

The Exchange with prior written approval of the Commission may revise the above mentioned initial and annual listing fees.

5B.10. FUNCTIONS OF A DEBT SECURITIES TRUSTEE

The Debt Securities Trustee shall be responsible to perform such functions and duties as prescribed in the Debt Securities Trustee Regulations, 2012.

5B.11. APPOINTMENT AND FUNCTIONS OF MARKET MAKER

5B.11.1. For the purpose of this chapter, Market Maker shall be appointed by the Issuer

5B.11.2. A person shall be eligible to be appointed as a Market Maker if such person:

(a) Is:

i. A Corporate Brokerage House; or
ii. A financial institution which satisfies the eligibility criteria devised by the Exchange with prior approval of the Commission. In such case, the application shall be accompanied with prior written consent from the concerned designated Broker.

(b) Has a minimum equity (net of provisions and capitalized losses if any) of Rs. 100 million as per the latest audited financial statements.

5B.11.3. A Market Maker may resign after three months of commencement of its term by providing the Issuer and Exchange at least two months' prior written notice along with the reasons for resignation and specifying the effective date of resignation, provided that a substitute Market Maker in the Debt Security which fulfills the eligibility criteria is ready to take the outgoing Market Maker's role and responsibilities for the remaining period of the term of such Debt Security.

5B.11.4. The Market Maker shall be responsible to perform the below mentioned functions:

(a) The spread charged by the Market Maker shall not be more than the one as disclosed in the prospectus for issue of the Debt Security.
(b) The Market Makers must at all times hold at least one percent of the outstanding amount of the Debt Security.
(c) The Market Maker shall mandatorily make available two way quotes on continuous basis during Market Making period; Market Maker shall be bound to purchase or sell a maximum of one percent of total principal outstanding of the issue in the Debt Security during a trading day or such other percentage as may be prescribed by the Exchange;
(d) Market Marker shall make available copy of the prospectus to the investors at all times;
(e) It shall be obligatory for a Market Maker to replenish its orders/quotes within 90 seconds following full execution, withdrawal, expiration or any change in the price of either bid or offer;
(f) The Market Making Orders/Quotes are to be maintained on both sides during Market Making period as per Market Making agreement which shall be for the tenure of the Debt Security.
(g) The Market Maker shall be allowed to Blank Sale in Debt Security subject to sufficient pre-existing interest at the end of each Blank Sale day to validate that the Market Maker can deliver the quantity sold blank during the trading day.

5B.12. FUNCTIONS OF THE COMPLIANCE OFFICER

5B.12.1. The compliance officer shall be responsible for ensuring compliance by the Issuer with all the requirements of this chapter and the directives issued, if any, by the Exchange.

5B.12.2. The compliance officer shall report status of the compliance mentioned in regulation 5B.12.1 above at every meeting of the Board of Directors of the Issuer till complete redemption of the issue; and

5B.12.3. The compliance officer shall also report status of the compliance, mentioned in regulation 5B.12.1. above, directly to the Exchange and the Debt Securities Trustee.

5B.13 CIRCUIT BREAKERS AND SUSPENSION OF TRADING

5B.13.1. The security-wise circuit breakers imposed by the Exchange from time to time shall also be applicable on Debt Securities.

Further, the Market Maker may not be required to enter two-way quotes where the relevant Debt Security continuously trades for fifteen minutes within one percent below the applicable circuit breakers.

5B.13.2. The Exchange may suspend trading in any Debt Security where:

(a) the integrity and reputation of the market has been or may be impaired by dealings in the Debt Security;
(b) it considers that the Issuer has failed to comply with any provision of these Regulations including post listing requirements as provided under regulation 5B.8 or if payment of profit/mark-up/interest or redemption of principal amount is delayed ; or
(c) the protection of investors so requires.

5B.14. DISCIPLINARY ACTION

If the Exchange considers that the Issuer of any listed Debt Securities has defaulted or contravened any provision of this chapter, it may take any or all of the following measures:

5B.14.1. It may impose a fine on the Issuer to the extent not exceeding Rs. 100,000 for each default or contravention, and, in case of continuing default, failure, refusal or contravention, to a further fine not exceeding Rs. 10,000/- (Rupees ten thousand only) for every day after the first day during which such contravention continues:

Provided that no such penalty shall be imposed unless an opportunity of hearing has been granted;

5B.14.2. Publish the fact that the Issuer has been fined or warned; and

5B.14.3. It may place the Debt Security on the Defaulters' Segment and may suspend its trading if payment of profit/mark-up/interest or redemption of principal amount is delayed.

FORM A

FORM OF APPLICATION UNDER SECTION 9 OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969 FOR LISTING OF DEBT SECURITIES UNDER THIS CHAPTER

[Regulation 5B.5.1.]

[This shall be on the Letterhead of the Issuer]

Dated: _____

The General Manager,
Pakistan Stock Exchange Limited,
Karachi.

Dear Sir,

1. We hereby apply for listing of (Name of the Debt Security) of (Name of the Company) on your Stock Exchange under Section 9 of the Securities and Exchange Ordinance, 1969 read with 5B.5.1. of these Regulations.

2. Necessary documents/information as required under 5B.5.1. of the Regulations and mentioned in **Annexure-I** thereof are enclosed herewith.

[Name, designation and signature of the CEO, CFO or the Company Secretary duly authorized by the Board of Directors of the Company by way of resolution to make an application on behalf of the Company]

Copy for information to:

The Securities and Exchange Commission of Pakistan, Islamabad.

Annexure-I

DOCUMENTS / INFORMATION REQUIRED TO BE SUBMITTED ALONG-WITH APPLICATION FOR LISTING OF DEBT SECURITIES UNDER THIS CHAPTER

[Regulation 5B.5.1.]

An Issuer applying for listing of its Debt Securities under this chapter shall provide the following documents/information along with application:

(i) Copy of the full and abridged prospectus for clearance of the Exchange before submission of the same to the Commission for approval under section 57 of the Companies Ordinance, 1984;

(ii) Copy of the resolution passed by the Board of Directors of the Issuer approving issuance of the Debt Securities to the General Public and submission of application to the Exchange for listing along with minutes of the meeting of the Board of Directors.

(iii) Copy of the license, consent, approval, NOC etc. in case of specialized companies from the concerned regulatory authority for undertaking/carrying on the business.

(iv) Copy of the Information Memorandum, if any, prepared for circulation among the pre-IPO investors.

(v) Pay Order/Bank Draft/Cheque in favour of the Exchange for payment of non-refundable initial listing fee at the rate as mentioned in this chapter.

(vi) An unconditional undertaking on non-judicial stamp paper by the Issuer on the format as given at **Annexure-III**.

(vii) In case of secured Debt Securities, an **undertaking** on non-judicial stamp paper by the Issuer stating that appropriate and sufficient security has been created in favour of the Debt Securities Trustee, that the assets on which charge has been created in favour of the Debt Securities Trustee are free from any encumbrances and that permission/NOC/consent of the existing creditors who have charge on such assets have been obtained for creation of charge on these assets in favour of the Debt Securities Trustee.

(viii) In case a part of the issue is allocated to pre-IPO investors, an **undertaking** on non-judicial stamp paper by the Company stating that pre-IPO investors shall subscribe to the Debt Security at least three days prior to the commencement of the public subscription and that it shall provide a certificate from its auditors testifying receipt of the subscription money from all the pre-IPO investors.

(ix) Copy of power of attorney in favour of the consultant to the issue, if any.

(x) Copy of the consent letter from the consultant to the issue, if any. The letter shall state that the consultant has given its consent to act as consultant to the issue and that this consent shall not be withdrawn till the formal listing of the Debt Security and if withdrawn any time before the formal listing, the Exchange will be informed immediately.

(xi) A letter from the consultant to the issue, if any, stating that:

(a) to the best of their knowledge and belief the disclosures made in the prospectus are true, fair, correct and adequate;
(b) the Issuer fulfills all the requirements of this chapter of these Regulations;
(c) the Debt Security, if required, created in favour of the Debt Securities Trustee is appropriate and sufficient; and
(d) the assets on which charge has been created in favour of the Debt Securities Trustee are free from any encumbrances and that permission/NOC/consent of the existing creditors who have charge on such assets has been obtained for creation of charge on these assets in favour of the Debt Securities Trustee.

(xii) Copy of the consent letter from the Legal Advisor to the issue.

(xiii) Latest pattern of shareholding of the Issuer.

(xiii) Copy of the complete Credit Rating Report of the entity and the instrument obtained from any Credit Rating Issuer registered with the Commission.

(xv) Copy of the Trust Deed executed between the Issuer and the Debt Securities Trustee.

(xvi) Copy of the Letter of Hypothecation along with detail of assets hypothecated, if applicable.

(xvii) Copy of CDC notice with respect to declaration of its Debt Security as CDS eligible security.

(xviii) CIB Report from State Bank of Pakistan in respect of the Issuer, member of its Board of directors, holding company and associated companies, if any of the Issuer. (This will not apply to nominee Directors of the Government and Financial Institutions).

(xix) Copy of underwriting agreement(s), where applicable, along with No Objection Certificate(s) from the underwriter(s) for publication of the name(s) in the prospectus and confirmation of non-execution of any buy-back/repurchase agreement(s) with the sponsors and/or with any other person(s).

(xx) Auditors' Certificates of the Issuer under section 53(I) read with Clause 28(1) of Section 2 of Part-I of the second schedule to the Companies Ordinance, 1984 also showing the break-up value per ordinary share on the basis of latest audited accounts along with its calculation and copy of the consent of the auditor as required under Section 57(5) of the Companies Ordinance, 1984.

(xxi) Copies of the consent letters from Bankers to the Issue along with undertaking of the banks concerned, confirming that the subscription money shall be kept in a separate bank account, which shall not be released to the Issuer without prior written approval of the Exchange and /or until the Debt Security is formally listed.

(xxii) Consent of the Debt Securities Registrar to the Issue.

(xxiii) Copies of all the material contracts related to the Debt Security issue.

(xxiv) Any other documents/material contract and such other particulars as may be required by the Exchange.

(xxv) In case of an Issuer whose equity shares are not listed on the Exchange, following additional documents shall also be provided:

(a) Copy of memorandum and articles of association of the Issuer.

(b) Copy of the certificate of incorporation of the Issuer.

(c) Copy of the certificate of commencement of business of the Issuer.

(d) Copy of the certificate for change of name of the Issuer, if applicable.

(e) Copy of the conversion certificate from private to public company; if applicable.

(f) Audited annual accounts of the Issuer for the last 3 years and its latest quarterly accounts, if any or for a shorter period if three years of the commencement of business are not completed.

Notes:

(i) Please note that copies of all the documents are certified by the Company Secretary.

(ii) Please note that all documents relating to regulatory authority are duly certified from the concerned regulatory authority.

(iii) In addition to one copy in hard form, scanned copies one each of the following documents shall be provided:

a. Memorandum and Articles of Association where applicable;

b. Information Memorandum, if any; and

c. Audited annual accounts of the Issuer for the last 3 years and its latest quarterly accounts or for a shorter period if five years of the commencement of business are not completed.

Annexure-II

CONTENTS OF INFORMATION MEMORANDUM

[Regulation 5B.7.1]

1. The Information Memorandum, if any, prepared for circulation to pre-IPO investors shall contain at least the following information/disclosures:

(i) On cover page the following shall be disclosed:

A. a disclaimer in bold letters stating that, "This is not a prospectus for issue of securities to the general public but a document prepared for the purpose of offering the Debt Security only to pre-IPO investors. This Information Memorandum has not been approved by the Securities & Exchange Commission of Pakistan (the Commission) or the Pakistan Stock Exchange Limited (the Exchange)";

B. a disclaimer in bold letters stating that, "The Board of Directors of … (Name of the Company) … accepts responsibility for accuracy of the information contained in this document"; and

C. name of the Issuer, name of the entity preparing the Information Memorandum and date of the Information Memorandum.

(ii) Table of contents, glossary of technical terms and acronyms, executive summary by the entity preparing the Information Memorandum, purpose of preparation of the Information Memorandum and their scope of work;

(iii) Information about the Issuer like its name, date of its incorporation, registration number, addresses of its registered & head offices, date of its listing, if applicable, name of the stock exchange where it is listed, if applicable, its sponsors and major shareholders, associated companies/ undertakings etc.;

(iv) Latest pattern of shareholding of the Issuer;

(v) Names of the directors of the Issuer and their directorships in other companies;

(vi) Profile of the management of the Issuer including all the members of the Board of Directors excluding the nominee directors, the Chief Financial Officer and the Company secretary

(vii) Organization structure of the Issuer and its principle business;

(viii) Future outlook/business strategy of the Issuer;

(ix) Highlights of major restructuring, if any, like merger, demerger, amalgamation, acquisition, reorganization, financial restructuring etc;

(x) Five years financial highlights relating to cash flows and financial & operating position of the Issuer including key financial ratios like debt/equity ratio (pre & post issue), current ratio, return on equity, Earning Before Interest, Tax, Depreciation and Amortization (EBITDA),return on assets, earning per share; debt service coverage ratio, interest service coverage ratio etc. in tabular form;

(xi) Salient features of the Issue and the Debt Security like issue size, tenure, rate of mark-up/ return/interest, nature of the instrument whether it is secured or un-unsecured, redeemable or perpetual, convertible or non-convertible, options like put option, call option/early redemption option, partial call option etc.;

(xii) Redemption schedule;

(xiii) Detail of the redemption reserve, if any;

(xiv) Terms & conditions for investment in the Debt Security;

(xv) Purpose of the issue & breakup of the utilization of the proceeds of the Issue;

(xvi) In case the proceeds of the Issue are to be utilized for project financing, detail of such project like project cost & means of financing (i.e. Financial Plan), project implementation schedule, latest status of the implementation of the project, expected date of completion of the project, expected date of trial & commercial production etc.;

(xvii) In case of issuance of the Debt Security by a Special Purpose Vehicle, detail of the securitization transaction, parties to the transaction and role of each of such party, etc.;

(xviii) Five years financial projections (i.e. Balance Sheet, Income Statement, cash flow statement and statement on changes in equity) including key financial ratios;

(xix) Complete credit rating report of the entity and the instrument based on the Issuer's latest audited accounts and duly reviewed if older than six months. In case where the instrument and entity rating is obtained from more than one credit rating agencies, all the ratings, including the unaccepted rating(s), shall be disclosed;

(xx) Detail of security, if applicable, backing the instrument like nature of assets hypothecated, book value of such assets, nature of charge created in favour of the Debt Securities Trustee (i.e. exclusive, parri passu or ranking), nature and

amount of the existing charge(s) on the assets, names of the creditors who hold charge on these assets and status of NOC/consent of the existing creditors, creditor-wise and nature-wise break up of total existing debts etc.;

(xxi) Name of the Debt Securities Trustee, date of execution of the Trust Deed, authority of the Debt Securities Trustee under the Trust Deed, security enforcement mechanism by the Trustee in case of default by the Issuer;

(xxii) All the risk factors associated with the investment in the Debt Security of the Issuer and their mitigants;

(xxiii) Basic information about the industry the Issuer belongs to, key players in the industry, basic raw material used by the Issuer, if any, and list of supplier thereof, main clients of the Issuer, competitors of the Issuer, etc.;

(xxiv) Summary of all the material contracts relating to the Issue and the project, if any;

(xxv) Names and contact details of the Issuer's bankers, legal advisors, transfer agent and consultants to the issue;

(xxvi) Name(s) and contact details of the persons authorized by the Issuer in respect of offering/issuance of the Debt Security;

(xxvii) The Issuer's behavior towards servicing of existing debts i.e. the mark up and principal amount on existing term loans and Debt Securities issued by it is paid on time.

Please note that the Information Memorandum should not contain any clause which is inconsistent with the terms of the Debt Security and the Trust Deed including its covenants

Annexure-III

FORMAT OF UNCONDITIONAL UNDERTAKING ON NON-JUDICIAL STAMP PAPER OF THE REQUIRED VALUE

[Clause (vi) of Annexure-I]

U N D E R T A K I N G

The General Manager,
Pakistan Stock Exchange Limited,
Karachi.

I, on behalf of … (Name of the Issuer) (the Company) … duly authorized by its Board of Directors hereby undertake that:

(i) the Company is authorized by its Memorandum of Association to issue the Debt Security;

(ii) the Company shall ensure that the information provided in the documents along-with the application is true, correct and complete in all respect;

(iii) the Company shall provide all the information/documents to the Exchange, Debt Security Trustee and/or the Debt Security holders in the form and manner as required under these Regulations;

(iv) the Company shall, all the time, comply with the requirements of these Regulations;

Dated:

Name and signature of the Chief Executive Officer of the Company
duly authorized by its Board of Director

Place:

Name and signature of the Company Secretary or Chief Financial
Officer of the Company duly authorized by its Board of Director

Common Seal of the Company

Chapter 5C: PRIVATELY PLACED DEBT SECURITIES' LISTING REGULATIONS

5C.1. APPLICABILITY OF REGULATIONS:

5C.1.1. These Regulations shall apply to listing of debt securities issued through private placement under section 66 of the Companies Act.

5C.1.2. The provisions of this chapter shall not apply to the listing of debt securities issued through public offer and listing of Government Debt Securities.

5C.2. DEFINITIONS:

5C.2.1. In this chapter, unless the subject or context otherwise requires:

(i) "Bid Price", means the price at which the market maker is willing to buy the debt security.
(ii) "Company", means a public company or a body corporate applying for listing of its Debt Securities under this Chapter.
(iii) "Debt Securities Trustee", means a person as defined in the Debt Securities Trustees Regulations, 2017.
(iv) "Information Memorandum", means a document outlining the salient features, risks and terms of a debt security offered/issued to the QIBs through private placement.
(v) "Market Maker", has the same meaning as assigned to it in Chapter 12 of these Regulations.
(vi) "Market Making", means continuous submission of two-way quotes i.e. Bid Price and Offer Price by a Market Maker for the purchase and sale of debt securities of the company.
(vii) "Offer Price", means the price at which a Market Maker is willing to sell the debt security.
(viii) "Qualified Institutional Buyers (QIBs)", means the schedule banks and financial institutions as defined in the Companies Act and any other person notified by the Commission under section 66 of the Companies Act as person to whom instrument of redeemable capital can be issued,
(ix) "Short Term", means the same as assigned to it in Chapter 5B.
(x) "Spread Limit", has the same meaning as assigned to it in Chapter 12.

5C.2.2. All other words and expressions used but not defined in this Chapter shall have the same meanings as assigned to them in the Companies Act and the Securities Act, 2015.

5C.3. ELIGIBILITY CRITERIA FOR LISTING:

A company may apply for listing of its debt securities offered and issued to QIBs through private placement under this Chapter, provided that:

(i) it is a public company;
(ii) it is authorized by it memorandum of association or other constitutive document to issue the debt security;
(iii) its paid up capital is not less than Rs.25 million;
(iv) the total issue size is not less than Rs.25 million;
(v) in case of a listed company, none of its securities is on the defaulters' segment of the Exchange;
(vi) none of its controlling directors, sponsors, or promoters is defaulter of the Exchange;
(vii) none of its controlling directors, sponsors, or promoters is also the controlling director, promoter, or sponsor in other listed companies, which are in the defaulter segment or which has been delisted by the Exchange;
(viii) neither the company nor any of its promoters, sponsors or directors has any overdue loan of any financial institution.

Provided that this condition shall not apply to nominee directors of the Government and Financial Institutions.

(ix) neither the company nor any of its associated companies is defaulter on payment of profit or repayment of principle amount on any debt security earlier listed on the Exchange.
(x) the debt security is redeemable, if issued under section 66 of the Companies Act.
[Explanation No. 1: An instrument in the nature of redeemable capital may have the conversion option i.e. the option of conversion into ordinary shares of the issuer.]
[Explanation No. 2: This clause (x) shall not apply to an issue of perpetual debenture or any other perpetual debt security.]

5C.4. CONDITIONS FOR LISTING:

A company intending to list its debt securities under this Chapter shall comply with the following conditions:

(i) the company has appointed a Debt Securities Trustee, licensed by the Commission, for a period not less than the tenure of the debt security.
(ii) the Debt Securities Trustee so appointed may retire from its office on appointment of a new Debt Securities Trustee and the retirement shall take effect at the same time as the new Debt Securities Trustee is appointed with the approval of the Exchange.
(iii) the company has appointed, through an agreement in writing, a Market Maker for a period not less than the tenure of the debt security.
(iv) the company has appointed Legal Advisor to the Issue, through an agreement in writing.
(v) in case of secured debt securities, charge has been created on the assets of the company in the form and manner acceptable to the Debt Securities Trustee and 125% security cover is maintained at all times.

(vi) the company Secretary or any other officer of the company is designated as Compliance Officer who shall perform such functions as mentioned in Clause 5C.11.
(vii) the company, before making application for listing of a debt security, has obtained a letter from the Central Depository company of Pakistan Limited (CDC) declaring the debt security eligible for induction into Central Depository System (CDS).
(viii) the debt securities shall be issued only in the Book-Entry Form.
(ix) the company shall obtain International Bank Account Number (IBAN) of each initial subscriber and subsequent purchaser of the debt security for direct credit of profit and repayment of principal amount.
(x) the company fulfils the relevant requirements of the Private Placement of Securities Rules, 2017.
(xi) **Credit Rating:**

(a) The debt security, other than a short term, is rated from a credit rating company licensed by the Commission and the instrument rating is not less than BBB+ (triple B plus).
(b) Short term debt securities are not required to be rated provided the issuer is rated and such rating is not less than BBB (triple B).
(c) The credit rating report is prepared on the basis of the company's latest audited accounts or latest reviewed accounts, if the audited accounts are older than six months.
(d) In case where the instrument rating is obtained from more than one credit rating companies, all such ratings shall be disclosed in the information memorandum.

5C.5. GENERAL CONDITIONS:

The following conditions, in addition to the above, shall also apply to the debt securities listed under this Chapter:

(i) No advertising material, booklet, flyer, magazine, circular or any other document inviting general public or a class of the general public for subscription of the debt securities shall be published, displayed or run in the print or electronic media or telecasted on radio channels.
(ii) In case of secured debt security, the company shall give an undertaking in the information memorandum to the effect that the assets on which charge has been created are free from any encumbrances and if the charged assets are already charged to secure any other debt, consent of the creditors having charge on the charged assets has been obtained.
(iii) Save as provided in the Trust Deed, the company shall not:

(a) make any change in the charged assets i.e. the assets backing the debt security; and
(b) shall not establish any additional charge thereon.

(iv) The sponsors of the issuing company shall not participate in subscription of debt securities offered to QIBs.
(v) Allocation to or subscription by any single QIB shall not exceed twenty percent (20%) of the total issue size.
(vi) Number of initial subscribers of the debt securities shall not be less than five (5).
(vii) The company shall ensure credit of the debt securities into the investors' respective CDS accounts within ten (10) days of the approval by the Exchange for listing.
(viii) The debt security shall not be issued to and transferred in the names of persons other than QIBs.

5C.6. LISTING PROCEDURE:

For listing of a debt security, the following procedure shall be followed:

(i) The company shall make the offer of such debt security to QIBs only through an information memorandum.
(ii) The company, after finalization of the list of subscribers shall make an application to the Exchange on Form-I for listing of its debt security along with the documents and information as mentioned in Annexure-I.
(iii) The company shall pay an initial and annual listing fee of such amount as mentioned in clause 5C.12.
(iv) The Exchange may reject any application for listing of a debt security at its sole discretion if it deems that listing of the debt security is not in the interest of the market, the company does not meet the minimum eligibility criteria set out in this Chapter or the company is in contravention of any provision of this Chapter.

Provided that the company shall be given an opportunity of hearing by the Exchange before the listing application is rejected.

5C.7. CONTENTS OF INFORMATION MEMORANDUM:

(i) The information memorandum to be circulated to QIBs for offer of one or more types of debt securities of a company shall contain at least such information as provided in Annexure-II to this Chapter.
(ii) The information memorandum shall be a private document and shall be circulated only to QIBs.
(iii) The information memorandum shall not be used as a document inviting the general public or a class of the general public for subscription of debt securities and shall include a statement to this effect on its cover page.

5C.8. POST LISTING REQUIREMENTS:

(i) Payment of profit and repayment of principal amount to the debt security holders shall be made through direct credit in their respective IBANs.
(ii) The instrument rating shall be reviewed atleast annually based on the latest audited accounts from the credit rating company mentioned in regulation 5C.4.
(iii) The company shall provide access to the Debt Securities Trustee to the books of accounts and record relating to the

debt security.

(iv) The company shall submit to the Exchange, the Debt Securities Trustee and the debt security holders minutes of the meetings of the debt security holders within fourteen days of the date of such meetings.

(v) The company shall maintain register of the debt security holders.

(vi) The company, till complete redemption of the debt security, shall ensure that:

(a) the unclaimed profit, if any, is not forfeited and is kept under a separate head of account namely, “Unclaimed Profit”; and

(b) no modification has been made in the features of the debt security like in its term, coupon rate, conversion, redemption, security arrangement etc. by any manner otherwise than that as disclosed in the information memorandum and the trust deed.

(vii) The company shall, upon request by the debt security holders, provide either weblink or copies of its accounts.

(viii) **Book Closure:**

(a) Book closure for determination of entitlement for profit, redemption of the principle amount, meeting of the debt security holders or any other corporate action shall be made in such form and manner as specified in the Companies Act.

(b) Book closure shall be intimated to the Exchange in the form and manner as specified in Chapter 5 of the PSX Regulations.

(ix) The company shall neither exercise any lien whatsoever on listed debt security nor shall there be any restriction on their transfer.

(x) In case the Market Maker appointed by the company discontinues to act as Market Maker due to any reason, it shall immediately appoint another person eligible to act as Market Maker.

(xi) **Reporting:**

The company shall report and submit to the Exchange and the Debt Securities Trustee the following information and documents:

(a) copy, in soft form, of the list of its debt security holders within 30 days of the end of each half year;

(b) statement regarding the payment of profit on the debt securities and repayment of the principal amount, on semi-annual basis till complete redemption of such debt security;

(c) copy of its latest audited annual and half-yearly accounts and quarterly accounts, if any;

(d) copy of the reviewed rating reports highlighting change, if any, in the credit rating and the reason causing the change;

(e) copy of any notice, letter, circular, resolution, etc. including notice for meeting of the debt security holders issued or published in print media or letter, circular issued to the debt security holders in connection with the debt security or resolution passed or propose to be passed relating to new issue of a debt security by the company;

(f) the date, at least five working days in advance or any shorter period as may be allowed by the Exchange in exceptional circumstances, of the meetings of its Board of Directors at which issuance of any debt security or any other matter affecting the rights or interests of holders of the debt security is proposed to be approved;

(g) certificate from its auditors regarding maintenance of one hundred and twenty five percent (125%) security cover in respect of the secured debt security. The certificate should be submitted on annual basis along with submission of the annual accounts;

(h) certificate from its auditors, on annual basis, regarding maintenance of redemption reserve fund, where required;

(i) decision of the Board of Directors of the company regarding prepayment of any debt obligation, if any;

(j) delay or default, if any, in payment of profit and repayment of principal amount on the debt security listed under this Chapter or any other debt obligation and reasons thereof. The Exchange may notify the fact of such default and the name of the defaulting company by notice and also by publication of the same in the daily quotations of the Exchange;

(k) change, if any, in terms of the provisions of the information memorandum and the Trust Deed, in the nature and features of the debt security or in the rights and privileges of its holders as and when occurred;

(l) any other material information that is necessary to be known to the holders of the debt security to avoid creation of a false market in such debt security;

(m) change, if any, in the nature of business of the company due to any reason;

(n) any significant event which may have adverse impact on the company’s capacity of redeeming the debt security as per the redemption schedule disclosed in the information memorandum;

(o) Change, if any, of the Debt Securities Trustee on the same day;

(p) change, if any, in its management and address of its registered office, as and when occurred;

(q) change, if any, that may have effect on the rights and privileges of the debt security holders;

(r) prohibitory order, if any, restraining the company from transferring the debt security from the name of any debt security holder;

(s) any transaction whether related party or otherwise that adversely affect interest of the debt security holders;

(t) any action against or by the company which may result in the redemption, conversion, cancellation, retirement in whole or in part of the debt security;

(u) any action against or by the company that would adversely affect payment of profit and repayment of the principal amount; and

(v) any other information or document as may be required by the Exchange.

5C.9. ROLES AND RESPONSIBILITIES OF THE DEBT SECURITIES TRUSTEES:

(i) The Debt Securities Trustee shall be responsible to perform such functions and duties as prescribed in the Debt Securities Trustee Regulations, 2017.
(ii) The Debt Securities Trustee shall share with the Exchange in time, its correspondence with the company regarding delay in profit payment or repayment of principal amount or the charged assets or any other matter concerning the debt security.

5C.10. ROLES AND RESPONSIBILITIES OF THE MARKET MAKER:

The Market Maker, in addition to its role and responsibilities as prescribed in Chapter 12 of the PSX Regulations, shall be responsible to perform the below mentioned functions:

(i) The Market Maker shall provide two-way quotes in the debt security for which it is appointed as a Market Maker.
(ii) The spread limit to be charged by the Market Maker shall not be more than 10%.
(iii) The Market Maker shall at all times hold atleast 1% of the outstanding principal amount of the debt security.
(iv) Market Maker shall purchase or arrange purchase of the debt security from any holder that tenders such security for sale to it.
(v) Market Maker may sell or arrange sale of the debt security to any investor that intends to purchase it.
(vi) Market Marker shall make available copy of the information memorandum to the debt security holders at all times during the tenure of the debt security.

5C.11. ROLES AND RESPONSIBILITIES OF THE COMPLIANCE OFFICER:

(i) The Compliance Officer shall be responsible for ensuring compliance by the company with all the requirements of the agreements executed with the initial subscribers; the information memorandum; section 66 of the Companies Act; this Chapter and the directives issued, if any, by the Exchange from time to time and other regulatory requirements applicable on the debt security.
(ii) The Compliance Officer shall report status of the compliance mentioned in sub-clause (i) above at every meeting of the Board of Directors of the company till complete redemption of the issue.
(iii) The Compliance Officer shall also report status of the compliance, mentioned in sub-clause (i) above, directly to the Debt Securities Trustee, within 15 days from the end of each half year.

5C.12. PAYMENT OF LISTING FEES:

A company applying for listing of its debt security under this Chapter shall pay to the Exchange an initial and annual listing fee at the rate as mentioned below:

(i) an initial listing fee equivalent to 0.025% of the total issue size of the debt security subject to a maximum of Rs.0.2 million; and
(ii) an annual listing fee of Rs.30,000/- shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30th September in each calendar year.

5C.13. TRADING AND SETTLEMENT OF SECURITIES:

Trading in debt securities listed under this Chapter shall commence one day after the date of their formal listing through Bond Automated Trading System (BATS) and settled through National Clearing Settlement System (NCSS).

5C.14. SUSPENSION OF TRADING:

The Exchange may suspend trading in a debt security where:

(i) Trading in such security is not being conducted in an orderly manner;
(ii) the integrity and reputation of the market has been or may be impaired by dealings in the debt security;
(iii) it considers that the company has failed to comply with any provision of this Chapter; or
(iv) the protection of investors so requires.

5C.15. DISCIPLINARY ACTION:

If the Exchange considers that the company has defaulted or contravened any provision of this Chapter, it may take any one or more of the following measures:

(i) it may impose a fine on the company not exceeding Rs.100,000/- for each default or contravention, and, in case of continuing default, failure, refusal or contravention, a further fine not exceeding Rs.10,000/- for every day after the first day during which such contravention continues:

Provided that no such penalty shall be imposed unless an opportunity of hearing is granted;
(ii) censure or warn it;
(iii) publish the fact that the company has been fined, censured or warned; and
(iv) it may place the debt security on the defaulters' segment if payment of profit or repayment of principal amount is delayed.

5C.16. REPEAL:

The Regulations Governing Over-The-Counter (OTC) Market are hereby repealed.

FORM I

FORM OF APPLICATION UNDER REGULATION 5C.6. OF CHAPTER 5C OF THESE REGULATIONS FOR LISTING OF PRIVATELY PLACED DEBT SECURITIES

[This shall be on the Letterhead of the company]

Dated: _____

The Chief Executive Officer,
Pakistan Stock Exchange Limited,
Karachi.

Dear Sir,

1. We hereby apply for listing of (name of debt security) of (name of the company) on the Pakistan Stock Exchange (PSX).

2. Necessary documents and information as required under Annexure-I of Chapter 5C of these Regulations are enclosed herewith.

   [Name, designation and signature of the CEO, CFO or the company Secretary duly authorized by the Board of Directors of the company by way of resolution to make an application on behalf of the company]

Copy for information to:

The Securities and Exchange Commission of Pakistan, Islamabad.

ANNEXURE-I

DOCUMENTS AND INFORMATION REQUIRED TO BE SUBMITTED ALONGWITH APPLICATION FOR LISTING OF A DEBT SECURITY UNDER CHAPTER 5C OF THESE REGULATIONS

A company applying for listing of its debt security under this Chapter shall provide the following documents and information along with application:

(1) Copy of the resolution passed by the Board of Directors of the company approving issuance of the debt security to QIBs through private placement and submission of application to the Exchange for listing along with minutes of the meeting.

(2) Names of the directors of the company along with their directorships in other companies, if any.

(3) Copy of the license, consent, approval, NOC etc. from the concerned regulatory authority for undertaking / carrying on the business, where required.

(4) Copy of the information memorandum prepared for circulation among the QIBs.

(5) Pay Order/Bank Draft/Cheque in favour of the Exchange for payment of initial listing fee at the rate as mentioned in Chapter 5C of these Regulations.

(6) Pay Order/Bank Draft/Cheque in favour of the Exchange for payment of annual listing fee at the rate as mentioned in Chapter 5C of these Regulations.

(7) Certificate from the company's auditors testifying receipt of the subscription money from all the subscribers of the debt security.

(8) Copy of the consent letter from the Consultant to the Issue, if any. The letter shall state that the Consultant to the Issue has given its consent to act as Consultant to the Issue and that this consent has not been withdrawn.

(9) An unconditional undertaking on the format as given at Annexure-III of this Chapter 5C.

(10) An Undertaking from the company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) stating that:

(i) all subscribers of the debt security are eligible QIBs;
(ii) to the best of their knowledge and belief the disclosures made in information memorandum are true, fair, correct and adequate;
(iii) the company fulfills all the eligibility requirements of regulation 5C.3. of Chapter 5C of these Regulations;
(iv) in case of secured debt security:
  a. the security created in favour of the Debt Securities Trustee is appropriate and sufficient; and
  b. the charged assets i.e. the assets on which charge has been created in favour of the Debt Securities Trustee are free from any encumbrances and that permission/NOC/consent of the existing creditors who have charge on such assets has been obtained for creation of charge on these assets in favour of the Debt Securities Trustee.

(11) Copy of consent letter from the Legal Advisor to the Issue.

(12) Latest pattern of shareholding of the company.

(13) Copy of the complete Credit Rating Report of the entity and the instrument, as the case may be, obtained from a Credit Rating company licensed by the Commission.

(14) Copy of the Trust Deed executed between the company and the Debt Securities Trustee along with letter of hypothecation and mortgage documents.

(15) State Bank of Pakistan, Credit Information Bureau's report confirming that:

(a) the company its promoters, sponsors, substantial shareholders and directors have no overdue loan; and
(b) its associated companies and associated undertakings and their promoters, sponsors, substantial shareholders and directors have no overdue loan.

(16) Any other document, material, information as may be required by the Exchange for its own record or for dissemination to the investors.

(17) In case of an unlisted company following additional documents and information shall also be provided:
(a) Copy of memorandum and articles of association of the company.
(b) Copy of the certificate of incorporation of the company.
(c) Copy of the certificate of commencement of business of the company.

(d) Copy of the certificate for change of name of the company, if applicable.
(e) Copy of the conversion certificate from private to public company; if applicable.
(f) Audited annual accounts of the company for the last 5 years or for a shorter period if five years of the commencement of business are not completed.
(g) Latest half-yearly and quarterly accounts, if any, of the company.

Notes:

(i) Please note that copies of all the documents are certified by the Company Secretary.

(ii) Please note that all documents relating to regulatory authority are duly certified from the concerned regulatory authority.

(iii) In addition to one copy in hard form, scanned copies one each of the following documents shall be provided:

(a) Memorandum and Articles of Association where applicable;
(b) Annual, half-yearly and quarter Accounts, where applicable; and
(c) Information Memorandum.

ANNEXURE-II

CONTENTS OF INFORMATION MEMORANDUM

The Information Memorandum prepared with respect to issue of a debt security to QIBs through private placement shall contain at least the following information and disclosures:

1. On cover page the following shall be disclosed:

   (i) a disclaimer in bold letters stating that, "This is not a prospectus for issue of securities to the general public but a document prepared for the purpose of issuing debt securities only to QIBs. This Information Memorandum has not been approved by the Securities and Exchange Commission of Pakistan (the Commission) or the Pakistan Stock Exchange (the Exchange)";
   (ii) a disclaimer in bold letters stating that, "The Board of Directors of … (name of the company) … accepts responsibility for accuracy of the information contained in this document"; and
   (iii) name of the company, name of the entity that has prepared the Information Memorandum and date of the Information Memorandum.

2. Table of contents, glossary of technical terms and acronyms;

3. Executive summary by the entity that has prepared the Information Memorandum, purpose of preparation of the Information Memorandum and their scope of work;

4. Information about the company like its name, date of its incorporation, registration number, addresses of its registered and head offices, date of listing of its ordinary shares, if applicable, name of the stock exchange where it is listed, if applicable, its sponsors and major shareholders, associated companies and associated undertakings etc.;

5. Latest pattern of shareholding of the company;

6. Names of the directors of the company and their directorships in other companies;

7. Profile of the management of the company including all the members of the Board of Directors excluding the nominee directors, the Chief Financial Officer and the company Secretary;

8. Organization structure of the company and its principle business;

9. Future outlook and business strategy of the company;

10. Highlights of major restructuring, if any, like merger, demerger, amalgamation, acquisition, reorganization, financial restructuring etc;

11. Five years financial highlights relating to cash flows and financial & operating position of the company including key financial ratios like debt/equity ratio (pre & post issue), current ratio, return on equity, return on assets, earning per share; debt service coverage ratio, interest service coverage ratio etc. in tabular form;

12. Salient features of the Issue and the debt security like issue size, tenure, rate of profit; nature of the instrument whether it is secured or un-unsecured, convertible or non-convertible; options like put option, call option/early redemption option, partial call option etc.;

13. Redemption schedule;

14. Detail of the redemption reserve fund, if any;

15. Terms and conditions for investment in the debt security;

16. Purpose of the issue and breakup of the utilization of the proceeds of the Issue;

17. In case the proceeds of the Issue are to be utilized for project financing, detail of such project like project cost and means of financing (i.e. Financial Plan), project implementation schedule, latest status of the implementation of the project, expected date of completion of the project, expected date of trial & commercial production etc.;

18. In case of issuance of a debt security by a Special Purpose Vehicle, detail of the securitization transaction, parties to the transaction and role of each of such party, etc.;

19. Complete credit rating report of the instrument or the entity, as the case may be, based on the company's latest audited accounts or the reviewed accounts, if the audited accounts are older than six months. In case where the instrument and entity rating is obtained from more than one credit rating agencies, copies of all rating reports are to provided;

20. In case of secured debt securities, detail of the security backing the instrument like nature of assets hypothecated, book value of such assets, nature of charge created in favour of the Debt Securities Trustee (i.e. exclusive, parri passu or ranking), nature and amount of the existing charge(s) on the assets, names of the creditors who hold charge on these assets and status of NOC or consent of the existing creditors, creditor-wise and nature-wise break up of total existing debts etc.;

21. Name of the Debt Securities Trustee, date of execution of the Trust Deed, authority of the Debt Securities Trustee under the Trust Deed, security enforcement mechanism by the Debt Securities Trustee in case of default by the company;

22. Name and contact detail of the Market Maker; role and responsibility of the Market Maker, maximum spread to be charged by the Market Maker;

23. All the risk factors associated with investment in the debt security of the company;

24. Basic information about the industry the company belongs to, key players in the industry, basic raw material used by the company, if applicable, and list of supplier thereof, main clients of the company, competitors of the company, etc.;

25. Summary of all the material contracts relating to the Issue and the project, if any;

26. Detail of pending legal proceeding in which the company is a party;

27. Names and contact details of the company's bankers, legal advisors, transfer agent and the Consultants to the Issue;

28. Name (s) and contact details of the persons authorized by the company in respect of issuance of the debt security;

29. Company's behavior towards servicing of existing debts i.e. the profit and principal amount on existing term loans and debt securities issued by it are paid on time; and

30. Any disclosure in Information Memorandum shall not be inconsistent with the covenants of the Trust Deed; and

31. The Information Memorandum shall not contain any clause that is inconsistent with the terms of the debt security or the Trust Deed.

ANNEXURE-III

FORMAT OF UNCONDITIONAL UNDERTAKING ON NON-JUDICIAL STAMP PAPER OF THE REQUIRED VALUE

The Chief Executive Officer,
Pakistan Stock Exchange Limited,
Karachi.

U N D E R T A K I N G

I on behalf of … (name of the issuing company) (the Company) … duly authorized by its Board of Directors hereby undertake that:

1. the information provided in the documents along-with the application for listing of the debt security under Chapter 5C of these Regulations is true and correct to the best of our knowledge and belief and complete in all respect;

2. the Company shall promptly provide all the information and documents to the Exchange, the Debt Securities Trustee and the debt securities holders as required under Chapter 5C;

3. the Company shall provide information and documents to the Exchange, the Debt Securities Trustee and the debt securities holders upon request in a timely manner; and

4. the Company shall, all the time, comply with the requirements of Chapter 5C.

   Date: Name and signature of the Chief Executive Officer of the Company authorized by its duly authorized by its Board of Directors.

Date: _____

Place: _____

Name and signature of the Chief Executive Officer of the Company
duly authorized by its Board of Director

Name and signature of the Company Secretary or Chief Financial
Officer of the Company duly authorized by its Board of Director

Common Seal of the Company

Chapter 6: GOVERNMENT DEBT SECURITIES (GDS) MARKET REGULATIONS

6.1. DEFINITIONS:

In this chapter, unless the subject or context otherwise requires:

(a) "BATS" means Bond Automated Trading System introduced by the Exchange, which is governed under the Bond Automated Trading System Regulations of the Exchange (BATS Regulations), as amended from time to time;
(b) "Buying Capacity" means the confirmation received from a Clearing Participant identifying the right (capacity) of an Eligible Client to acquire Government Debt Securities to the extent laid down in that confirmation;
(c) "Clearing Participant" means a Commercial Bank or a Central Depository Company maintaining cash account with Bank(s) authorized by the Exchange in accordance with procedure laid down in clause 6.4. to facilitate settlement of trades in Government Debt Securities;
(d) "Commercial Bank" means a Banking Company as defined in the Banking Companies Ordinance, 1962;
(e) "Custody Position" means the confirmation received from a Clearing Participant identifying availability of Government Debt Securities in the IPS Account of an Eligible Client as its right to sell such securities to the extent laid down in that confirmation;
(f) "Designated Product for GDS Market" means any of the Government Debt Securities quoted on the Exchange for trading in its GDS Market and declared eligible for market making by the Exchange;
(g) "Designated Broker" means a Broker performing market making activities on behalf of a Market Maker for GDS Market through a bilateral arrangement between them, who shall make available two ways RFQ orders either sequentially or simultaneously in the Designated Product for GDS Market;
(h) "Eligible Client" means customers having IPS Accounts with any Clearing Participants for holding portfolio of Government Debt Securities for trading through GDS Market at the Exchange;
(i) "Government Debt Security" means a debt security such as Treasury Bill (T-Bill), Pakistan Investment Bond (PIB), Government of Pakistan (GOP) Ijara Sukuk and any other debt instrument issued by the Federal Government, Provincial Government, Local Government/Authority and any other statutory bodies;
(j) "IPS Account" means Investor Portfolio Securities Account enabling customers to maintain their Pak Rupee (Rs.) denominated Government Debt Securities with Primary Dealers, Commercial Banks and CDC who are authorized by SBP to have SGLA with SBP;
(k) "Market Maker for GDS Market" means a person eligible and appointed by the Exchange under clause 6.11 to undertake Market Making in Designated Product for GDS Market or a Trading Participant which is a Primary Dealer;
(l) "Market Making Agreement for GDS Market" means an agreement executed between the Market Maker (other than Primary Dealers) for GDS Market and the Exchange to perform Market Making activities under these Regulations;
(m) "Market Making Order/Quote" means providing two-way quotes by a Market Maker for the purchase and sale in the Designated Products for GDS Market;
(n) "Proprietary IPS Account" means an account in which a Commercial Bank being Trading Participant or CDC holds only those securities it is holding on its own behalf;
(o) "RFQ" means a Request For Quote which is a functionality available in the BATS as ascribed in chapter 8B of the PSX Regulations;
(p) "RTGS System" means Real Time Gross Settlement (RTGS) System provided by SBP to the Commercial Bank/CDC or any other financial institution, which is a mechanism that enables participants to make payments and/or transfer Government Debt Securities to one another electronically on real-time;
(q) "SBP" means the State Bank of Pakistan;
(r) "SGLA" means Subsidiary General Ledger Account opened by the Commercial Banks or CDC with SBP to facilitate operations of IPS Accounts for holding of Government Debt Securities for their Proprietary Accounts and Investors/customers;
(s) "Shut Period" means a duration during which Government Debt Security is blocked for movement from one IPS Account to other IPS Account as prescribed by SBP;
(t) "Tick Size" means the minimum price increase or decrease at which RFQ can be made in GDS Market on BATS;
(u) "Trading Participant" means a Broker or Banking Company authorized by the Exchange in accordance with procedure laid down in clause 6.3. to trade in Government Debt Securities through BATS;
(v) "Trading Workstation" means such trading workstation provided to Trading Participants by the Exchange.

6.2. GOVERNMENT DEBT SECURITIES ELIGIBLE FOR TRADING UNDER THESE REGULATIONS:

The following Government Debt Securities shall be eligible to be quoted for trading on GDS Market of the Exchange:

(a) Treasury-Bill (T-Bill)
(b) Pakistan Investment Bond (PIB)
(c) GOP Ijara Sukuk
(d) Any other Government Debt Security authorized by SBP and allowed for trading by the Exchange with the approval of the Commission from time to time.

6.3. TRADING PARTICIPANTS:

The following shall be eligible to become Trading Participants to trade in Government Debt Securities in GDS Market on BATS through Trading Work Stations provided by the Exchange:

(a) All Brokers who meet the criteria as specified in Schedule-1**,** are eligible to participate in the GDS Market of the Exchange for trading in their Proprietary Accounts or in the accounts of the Eligible Clients having IPS Accounts and/or Cash Accounts with any Clearing Participant;
(b) All Commercial Banks who fulfill the criteria developed by the SBP for this purpose and are approved by the Commission for proprietary trading in Government Debt Securities.

6.4. CLEARING PARTICIPANTS:

The following shall be eligible to become Clearing Participants to settle trades in Government Debt Securities in GDS Market on BATS:

(a) The Commercial Bank which is authorized by the SBP and permitted by the Commission.
(b) The CDC.

6.5. PROCEDURE FOR ADMISSION OF TRADING PARTICIPANT AND CLEARING PARTICIPANT:

(a) A broker which is eligible to become a Trading Participant in accordance with regulation 6.3. above shall apply to the Exchange as per the format prescribed by the Exchange from time to time.
(b) Commercial Bank which is eligible to become a Trading Participant in accordance with regulation 6.3. above shall apply to the Exchange on a standardized form as set out in Annexure-A along with an unconditional undertaking to the Exchange as set out in Annexure-B.
(c) CDC or any other Commercial Bank which is eligible to, become Clearing Participant in accordance with regulation 6.4 above, shall enter into a Service Level Agreement with the Exchange on the format prescribed by the Exchange from time to time.
(d) On completion of all the relevant requirements;

(i) The Broker shall be allowed to become Trading Participant for trading in its Proprietary Account or on behalf of Eligible Clients having IPS Accounts and/or Cash Accounts with any Clearing Participant.
(ii) The Commercial Bank which has applied for Trading Participant shall be allowed to become Trading Participant for its Proprietary Account in GDS Market of the Exchange.
(iii) The Commercial Bank which has applied for Clearing Participant shall be allowed to become Clearing Participant for its IPS Account holders including its proprietary IPS Account.
(iv) CDC shall be allowed to become Clearing Participant for its IPS Account holders including its Proprietary IPS Account.

6.6. TRANSMISSION OF INFORMATION BETWEEN THE EXCHANGE AND CLEARING PARTICIPANT:

The Exchange shall enter into a Service Level Agreement with its Clearing Participant for exchanging the following information of Eligible Clients between the Exchange and Clearing Participant relating to trading and settlement of trades in GDS Market:

(a) Clearing Participant will transmit one trading day before the execution of trade the details of pre-existing interest of their Eligible Clients including Buying Capacity of an Eligible Client, who intends to buy any Government Debt Security or Custody Position of an Eligible Client, who intends to sell any Government Debt Security in GDS Market through BATS on next Trading Day;
(b) The Exchange will upload such information on its BATS trading platform against UIN accounts of the respective buyer or seller of Government Debt Securities before opening of market on Trade Day (T+0);
(c) Trading Participant except those Commercial Banks who fulfill the criteria developed by the SBP for Trading Participants on the Exchange, will be restricted to enter RFQ on BATS for selling up to the maximum Custody Position and for buying under clause 6.12.2. (a) up to the maximum Buying Capacity of a respective UIN uploaded in BATS trading platform in accordance with the procedures.;
(d) The Exchange will transmit executed trades to the respective Clearing Participant on real-time basis.

6.7. RIGHTS & OBLIGATIONS OF TRADING PARTICIPANT, CLEARING PARTICIPANT AND ELIGIBLE CLIENT:

(a) A Clearing Participant shall enter into a Tripartite Agreement with an Eligible Client and its Broker admitted as Trading Participant by the Exchange specifying the rights and obligations of all parties to the Agreement for sharing of information between the Exchange and Clearing Participant, executing trades in the specified Government Debt Security by the Eligible Client through a Broker Trading Participant and settlement of such trades by the Clearing Participant without obtaining trade details from its Eligible Client;
(b) Trading or Clearing Participants would be allowed to perform their respective functions subject to these regulations;
(c) Trading Participant may apply to the Exchange to acquire Trading Workstation on such terms and condition as may be prescribed by the Exchange from time to time;
(d) In accordance with the Tripartite Agreement, a Clearing Participant shall be responsible for the clearing and settlement obligations of all trades of Eligible Clients executed by the Trading Participant based on the information exchanged with the Exchange by such Clearing Participants subject to initiation/affirmation by the counter Clearing Participant in RTGS System. The Clearing Participant shall provide to the Exchange details of all Eligible Clients in accordance with the procedures prescribed by the Exchange;
(e) The Brokers as Trading Participants shall ensure that order instructions required under relevant regulations and procedures of the Exchange dealing with the manner of giving order by the clients to the Broker are obtained from the

Eligible Clients before placement of same on the GDS Market and shall maintain relevant record or documents with regard to the fulfillment or otherwise of the orders;

(f) The Brokers as Trading Participants shall make available to their Eligible Clients the order confirmation in the manner prescribed by the Exchange in accordance with chapter 4 of the PSX Regulations;

(g) All Trading Participants shall be responsible for the accuracy of orders entered into the GDS Market;

(h) Whenever a Trading Participant puts an order in GDS Market on BATS on behalf of an Eligible Client it shall enter the client code duly tagged with the UIN of such client.

6.8. DEALINGS ON THE GDS MARKET:

(a) Trading on the GDS Market of the Exchange shall be allowed only through approved Trading Workstation(s) of a Trading Participant.

(b) Each Trading Participant shall be assigned a participant identification code by the Exchange and the same shall be used to log on (sign on) to BATS for accessing GDS Market.

(c) The permission to use the Trading Workstation shall be subject to payment of such charges as the Exchange may prescribe from time to time.

(d) A Trading Participant shall not have any title, ownership-rights or interest with respect to GDS Market, its facilities, software and the information/data generated by the GDS Market.

(e) A Trading Participant shall not, by itself or through any other person on its behalf, publish, supply, show or make available to any other person or reprocess, retransmit, store, manipulate or use the facilities of the GDS Market or the information provided by the Exchange except with the explicit approval of the Exchange and in the ordinary course of business to complete the transactions on the Exchange.

(f) The Exchange shall provide its services on a best effort basis. However the Exchange shall not be liable for:

  (i) Failure of the system or for any loss, damage, or other costs arising in any way out of telecom network or system failure including failure of ancillary or associated systems, or fluctuation of power, or other environmental conditions;
  (ii) Accident, loss in transportation, neglect, misuse, errors, frauds of the Trading Participant or its employees or agents or any third party;
  (iii) Any fault in any ancillary or associated equipment (either supplied by the Exchange or approved by the Exchange) which forms or does not form part of the Trading Workstation installation; or
  (iv) Act of God, fire, flood, war, act of violence, or any other similar occurrence; or any incidental, special or consequential damages including without limitation of loss of profit.

(g) Without prejudice to anything contained in clause (f) above, such failure shall not reduce, alter the liability of the Trading Participant in respect of any trade to which it is a party.

(h) No Trading Participant shall deal on or access the GDS Market or related facilities through or on behalf of another Trading Participant.

(i) The Exchange shall have a right to reject any application made under these Regulations or at any time withdraw any approval previously granted, or suspend a Trading Participant temporarily from having access to the system. Such suspension may be conditional and may be revoked on the fulfillment of condition specified, if any, to the satisfaction of the Exchange.

6.9. REQUEST FOR QUOTATIONS (RFQ):

(a) A Trading Participant shall initiate RFQ to any of the selected Trading Participant(s) or to the whole market. The RFQ initiator shall have the right to accept or reject any or all bids or offers.

(b) *PRICE QUOTATIONS:*

The price quotations shall be in the manner prescribed by the Exchange from time to time.

(c) *RFQ MARKETABLE LOTS:*

The following will be Marketable Lots of Government Debt Securities for RFQ Orders through BATS:

  (i) T-Bills will be allowed at minimum of Face Value (FV) of Rs.50,000/- with an increment of Rs.5,000/- or its multiple thereof i.e., Marketable lots may be of FV Rs.50,000/-, FV Rs.55,000/-, FV Rs.60,000/- so on and so forth.
  (ii) PIBs will be allowed at minimum of FV of Rs.100,000/- or multiple thereof.
  (iii) GOP Ijara Sukuk will be allowed at minimum of FV of Rs.100,000/- or multiple thereof.

(d) *RFQ TICK SIZE:*

The Exchange shall prescribe the Tick Size in RFQ for all eligible Government Debt Securities from time to time.

6.10. TRADING HOURS OF GDS MARKET:

The Exchange shall announce the Trading Hours in advance. The Exchange may extend, advance or reduce Trading Hours by notifying to all Trading Participants, Clearing Participants and Trading and Clearing Participants with the consents of the Clearing Participants, as and when it deems fit and necessary.

6.11. APPOINTMENT OF MARKET MAKER AND ANCILLARY MATTERS THEREOF:

(a) A person shall be eligible to apply for appointment as a Market Maker if such person is:

(i) A Broker admitted as Trading Participant who is a member of the Financial Market Association of Pakistan;
(ii) A Commercial Bank being a Trading Participant.
(iii) A Banking Company, as defined under the Banking Companies Ordinance, 1962 other than a Trading Participant or a Development Finance Institution.
(iv) An Asset Management Company for and on behalf of a such Collective Investment Scheme (CIS) as defined under the Non-Banking Finance Companies and Notified Entities Regulations, 2008, which invests at least 50% of its net assets in Government Debt Securities as per its constitutive documents and the constitutive documents allow such CIS to act as Market Maker in GDS Market. An Asset Management Company for and on behalf of such CIS shall, at all times, ensure that the latest approved version of the offering document of such CIS is available with the Exchange.

Provided that a Banking Company, a Development Finance Institution or an Asset Management Company for and on behalf of CIS, as specified under sub-clause (iii) and (iv) of this clause must have:

i. obtained prior written consent from a Designated Broker;
ii. in the case of a Banking Company or a Development Finance Institution has been allocated minimum short-term credit rating of A3 and in the case of a CIS has been allocated minimum fund stability rating of A(f) by a credit rating company licensed by the Commission;
iii. adequate capital market and money market experience;
iv. sound risk management system and internal control system in relation to treasury;
v. in the case of Banking Company or a Development Finance Institution, prior written consent of SBP has been obtained.

(b) The Exchange shall invite applications from eligible Market Maker (other than Primary Dealers) (hereinafter referred to as the “Applicants”) who are desirous to act as Market Makers for GDS Market.

Provided that all Primary Dealers which are Trading Participant shall be classified as Market Maker for GDS Market by virtue of them being a Market Maker allowed by SBP under the Rules Governing Primary Dealer System;

(c) The Applicant shall provide to the Exchange the following, along-with the application:

(i) Application for appointment as a Market Maker as per form prescribed by the Exchange from time to time; and
(ii) Undertaking to comply with these regulations and to adhere to Market Making Agreement as per form prescribed by the Exchange;

(d) The Applicant shall provide to the Exchange the following along-with the application:

(i) Name(s), address(es), qualification(s) and contact detail(s) of Market Maker’s agent(s) and/or trader(s) authorized for Market Making activities;
(ii) In case of a banking company other than a Trading Participant, a Development Finance Institution or an Asset Management Company for and on behalf of CIS, prior written consent of the Designated Broker;
(iii) Name(s), address(es), qualification(s) and contact detail(s) of staff members having at least three years of relevant experience of trading in Government Debt Securities.

(e) For GDS Market, the Market Makers shall be required to quote two-way prices within the spread limits prescribed by the Exchange from time to time, in line with the Rules Governing Primary Dealer System of SBP. For GDS Market, the minimum order size for quoting two-way prices shall be shall be Rs. 100,000 for T-Bills and PIBs for all Market Makers of the government debt market.

(f) The Applicant shall be obliged to provide any missing or additional information within such time as may be specified by the Exchange. In case the Applicant fails to comply with the requirements of these Regulations and/or provide the required information/ documents within the specified time or any extension thereof, the application shall stand rejected.

(g) The Exchange may require the Applicant to demonstrate to its satisfaction that it is suitably qualified to make a market in the Designated Product in respect of which the application is made. Further, the Exchange may conduct the on-site inspection to ensure the availability of requisite infrastructure of the Applicant, other than the Commercial Bank who fulfills the criteria developed by SBP to act as Trading Participant on the Exchange.

(h) If the Exchange is satisfied that the Applicant is eligible to carryout Market Making activities and the requisite documents including Market Making Agreement have been submitted as required under these regulations, the Exchange shall appoint such Applicant as Market Maker for a period of one year renewable every financial year and communicate the same in writing to the Market Maker specifying the date and time of commencement of its term as Market Maker.

(i) A Market Maker may resign after three months of commencement of its term by providing the Exchange at least two months’ prior written notice along with the reasons for resignation and specifying the effective date of resignation, provided that a substitute Market Maker in the Designated Product acceptable to the Exchange is ready to take the outgoing Market Maker’s role and responsibilities for the remaining period of the said term.

(j) In case of renewal of a Market Making Agreement, the Market Maker shall submit request for reappointment at least two months prior to the expiry of previous appointment and the Exchange shall decide such renewal request before one month of expiry of its tenure. Alternatively where a Market Maker does not wish to continue as Market Maker, it shall have to inform the Exchange about its intention before the commencement of last quarter of its tenure. The market shall be intimated about a new appointee, 30 days prior to its formal functioning as a Market Maker.

Provided that in case of a Commercial Bank who fulfills the criteria developed by SBP for Trading Participant, requirement relating to prior notice of its intention for discontinuance as Market Maker in GDS Market shall be in accordance with Rules Governing Primary Dealer System of SBP.

(k) The Exchange may, from time to time, prescribe or modify the following:

(i) The evaluation criteria for evaluation of application for appointment of Market Maker; and
(ii) The criteria for evaluation of performance of the Market Maker(s).

6.12. RISK MANAGEMENT OF TRADES IN GOVERNMENT DEBT SECURITIES UNDER THESE REGULATIONS:

6.12.1. All sell trades in GDS Market shall be subject to full Custody Position on T-1.

6.12.2. The buy trades in GDS Market shall be subject to:

(a) full Buying Capacity on T-1; or

(b) full Buying Capacity on T+1 within specified time period in case of inadequate Buying Capacity on T-1.

6.12.3. All trades in GDS Market under clause 6.12.1. and 6.12.2.(a) shall be subject to a pre-verification by the Exchange as provided in regulation 6.13.(b)(ii) below and shall not be subject to any margin requirements. The counter-Trading Participants to these trades shall prescribe their own procedures for managing settlement risk of trades executed or settled between them without any exposure to the Exchange.

6.12.4. All trades in GDS Market under clause 6.12.2.(b) shall be subject to deposit of pre-trade margin by the Trading Participant with the Exchange in the form of Cash and/or highly liquid government securities at such rate as specified by the Exchange from time to time. In case the buyer fails to deposit with Clearing Participant the amount required to settle the buy trade within specified time on settlement date, the Clearing Participant shall send such information to the Exchange as a failed trade. In such situation, the Exchange shall approach the Market Maker(s) for GDS Market for settling such failed trade as per the prior arrangement made by the Exchange with the Market Maker(s) for this purpose. The pre-trade margin deposited by the original buyer shall be forfeited by the Exchange as a penalty for non-settling the trade maximum up to such rate as agreed with the Market Maker as a compensation for settling the failed trade.

6.13. TRADING, CLEARING AND SETTLEMENT PROCEDURES:

(a) SETTLEMENT CYCLE:

All trades in GDS Market shall be settled on T+1 basis or as per the Settlement Cycle notified by the Exchange with the consents of the Clearing Participants and prior approval of the Commission, from time-to-time.

(b) TRADE EXECUTION PROCESS:

(i) All Eligible Clients and the Brokers admitted as Trading Participants shall authorize under the Tripartite Agreement, their Clearing Participants to disclose to the Exchange their Custody Position in Government Debt Securities and/or Buying Capacity (cash position) available with such Clearing Participant at the end of Trading Day - 1 (T-1).

(ii) All RFQ bids/offers through Brokers as Trading Participants shall be subject to a pre-verification by the Exchange for good funds and/or good security at order level on the basis of information received from the Clearing Participants.

(iii) The Trading System shall separately indicate the buy orders in GDS Market as with full Buying Capacity and without full Buying Capacity.

(c) TRADE SETTLEMENT PROCESS:

All trades on GDS Market shall be settled on trade-for-trade basis.

(i) Intra Clearing Participant Settlement Process:

All trades executed between two Eligible Clients having their IPS Accounts with the same Clearing Participant and all trades executed between Proprietary IPS Account of a Clearing Participant and Eligible Clients having IPS Account with such Clearing Participant shall be cleared and settled by intra accounts movement of Government Debt Security in their respective IPS Accounts and cash in their respective bank accounts.

(ii) Inter Clearing Participant Settlement Process:

All trades executed between two Eligible Clients having their IPS Accounts with two different Clearing Participants shall be settled by their respective Clearing Participants on Delivery-Verses-Payment (DVP) basis through RTGS System. Similarly, trade executed between Proprietary IPS Account of one Clearing Participant and Proprietary

IPS Account of other Clearing Participant or an Eligible Client having IPS Account with such other Clearing Participant, or vice versa, shall be settled by their respective Clearing Participants on Delivery-Verses-Payment (DVP) basis through RTGS System of SBP.

(d) DEAL TICKET CONFIRMATION PROCESS:

(i) Respective Trading Participants will confirm all trades in the Government Debt Securities executed in GDS Market by the Eligible Clients on the basis of Deal Ticket of the executed trade generated through GDS Market having all trade settlement related information as per trade confirmation procedure of the Exchange.

(ii) Respective Clearing Participant will confirm all trades settled through them to their respective Eligible Clients as per their confirmation procedure.

6.14. SHUT PERIOD:

The Exchange may announce a Shut Period during which trading of specified Government Debt Security will remain suspended on the GDS Market of the Exchange.

6.15. TRADING FEE AND OTHER CHARGES:

The Exchange shall prescribe, from time to time, trading fee on the value of the transaction and other charges payable by the Trading Participant on services provided by the Exchange as per the Fee, Contribution and other Sums Schedule.

6.16. OVERRIDING EFFECT:

The provision of these Regulations shall have overriding effect and nothing contained in any other regulations of the Exchange for the time being in force shall be applicable in so far as these Regulations are concerned.

Annexure-A

FOR APPROVED BANKS

FORM OF APPLICATION FOR TRADING PARTICIPANT OF THE EXCHANGE

The Managing Director
Pakistan Stock Exchange Limited
Stock Exchange Building
KARACHI

Dear Sir,

We hereby apply to participate in the trading of Government Debt Securities Market as a Trading Participant of the Pakistan Stock Exchange Limited to trade in our proprietary account.

We are enclosing herewith the following documents required for the aforesaid purposes:

a. Memorandum and Articles of Association
b. An Unconditional undertaking under the Common Seal of the company duly signed on the prescribed format
c. Copy of approval by Commission

We hereby undertake to abide by the Regulations Governing Government Debt Securities (GDS) Market of Pakistan Stock Exchange Limited which are in force or may be amended from time to time by the Exchange.

Yours faithfully,

Name: _____

Dated: _____

Signature: _____

Annexure-B

FORM OF UNCONDITIONAL UNDERTAKING
(For Trading Participant)

In pursuance to the Regulations Governing Government Debt Securities Market of the Pakistan Stock Exchange Limited, we _____ having our registered office at _____ hereby undertake and bind ourselves as under:

1. That we undertake to comply with the Regulations Governing Government Debt Securities Market of the Exchange.

2. That we understand our Trading participant status at the Exchange does not confer any trading rights or responsibilities for equity related or any other market of the Exchange.

3. That we undertake to fulfill all our obligations as laid down under the Rules/Regulations of the Exchange, CDC as well as SECP and SBP as may be prescribed from time to time.

Yours faithfully,

_____ _____

Chief Executive/Authorized person Common seal of the company

FORM-C

FORM OF APPLICATION FOR APPOINTMENT AS MARKET MAKER

The General Manager
Pakistan Stock Exchange Limited
KARACHI

APPLICATION FORM FOR APPOINTMENT AS MARKET MAKER

We hereby apply for the appointment of Market Maker at the Pakistan Stock Exchange Limited in accordance with the Regulations Governing Government Debt Securities Market of Pakistan Stock Exchange Limited. Our brief particulars are as under:

1. Complete company name (no abbreviations)

2. Company registration number

3. Name of the Designated Broker through which market making will be carried out (in case of Market Maker is a Banking Company other than a Trading Participant, a Development Finance Institution or an Asset Management Company for and on behalf of CIS).

_____
Name and Signature of Authorized Person

Date:

Schedule-1

CRITERIA FOR SELECTION OF STOCKBROKERS ELIGIBLE FOR TRADING OF GOVERNMENT DEBT MARKET

The applicant must:

1. be registered with the SECP as a Broker under the Brokers and Agents Registration Rules, 2001;

2. have net-equity of not less than of Rs. 20 million as per the latest audited financial statements at the time application to the Exchange for becoming its Trading Participant under the Regulations governing Government Debt Securities Market of the Exchange. All Brokers being Trading Participants shall be required to furnish a statement to the Exchange on quarterly basis for maintaining that balance;

3. have adequate capital market and money market experience;

4. have adequate infrastructure available to carry out trading activities in government securities including functional website, internal control procedures and technological and human resources to facilitate the trading of government securities and an adequate risk management system to measure and manage risk emanating from trading in these securities;

5. not have been declared defaulter/expelled or its TRE Certificate forfeited/cancelled due to noncompliance with any provision of the relevant rules and regulations, directives and circulars of the SECP as amended from time to time and/ or not defaulted on the settlement of arbitration award in respect of Investor claims;

6. The directors/sponsors/substantial shareholders of the applicant have not held the office of the directors or have been sponsors/substantial shareholders in any TRE Certificate Holder (or a Member prior to the date of demutualization), which had been declared defaulter or expelled or its TRE Certificate forfeited/cancelled by the Exchange.

   Explanation: For the purpose of this chapter the term “Substantial Shareholder” shall mean shareholder having more than 10% shareholding in the TRE Certificate Holder’s company.

Chapter 7: PROPRIETARY TRADING REGULATIONS

7.1. DEFINITIONS:

7.1.1. In this chapter, unless there is anything repugnant in the subject or context:

(a) “Associated Person" shall mean any partner, employee, officer or director of a Broker;
(b) "At Best Order” shall mean an order to buy or sell a security as soon as possible at the best available market price;
(c) "Limit Order" shall mean an order to buy or sell a security at a specified price or better price;
(d) "Proprietary Trading" shall mean trading conducted by a broker, agent or an associated person on his own account for direct gain instead of commission from clients.

7.1.2. All other words and expressions used but not defined in these rules shall have the same meanings as are assigned to them in the Companies Ordinance, 1984 (XLVII of 1984) and the Securities and Exchange Ordinance, 1969 (XVII of 1969).

7.2. PROCEDURE FOR EXECUTION OF PROPRIETARY TRADING BY THE BROKER OR ITS AGENT OR ANY ASSOCIATED PERSON:

7.2.1. All orders to buy or sell securities that a Broker, Agent or an Associated Person may place shall be entered, in the chronological order in an order register (either manual or electronic) and/or order log maintained by telephone recording to be maintained by the Broker in a form which shows the name of the person who placed the order and the time at which the order is received, the name and number of securities to be bought or sold, nature of the transaction clearly indicating in writing a proprietary trade transaction and the limitation, if any, as to the price of the securities or the period for which the order is to be valid.

7.2.2. MANNER OF TRANSACTIONS OF BROKERS’ BUSINESS:

(a) A Broker, Agent or an Associated Person who has an "At Best" Order from a customer to buy or sell a security shall not, while such order remains unexecuted, engage in Proprietary Trading in such security or trading for the Broker for which he is a partner or for the account of any of the partners therein or for any account in which he, such Broker or partner, directly or indirectly, has an interest.

Provided, if a Broker, Agent or an Associated Person who has his own “At Best” Order to buy or sell a security prior to an order from a customer, the same shall have priority over the “At Best” Order of that customer subject to disclosure of such an order by the Broker, Agent or an Associated Person to his customer.

(b) A Broker who has a Limit Order from a customer to buy or sell a security shall not while such order remains unexecuted, engage in Proprietary Trading involving the sale or purchase of that security at the limit price or a better price than the limit price specified by the customer for himself or for the Broker for which he is a partner or for the account of any of the partners therein or for any account in which he, such Broker or partner, directly or indirectly, has an interest.

7.2.3. A Broker who has an order to buy or sell a security shall not fill such order by engaging in Proprietary Trading for himself or for the Broker for which he is a partner or for the account of any of the partners therein or for any account in which he, such Broker or partner, directly or indirectly, has an interest, except when:

(a) the order is a Limit Order;

(i) he sells the security at a price not exceeding the price at which the transaction immediately preceding the receipt of the order by him actually took place;
(ii) he buys the security at a price which is not less than the price at which the transaction immediately preceding the receipt of the order by him actually took place; or
(iii) the Broker trades in the capacity of a Market Maker in accordance with chapter 12 pertaining to Market Makers of these Regulations.

7.3. NO AGGREGATION OF ORDERS:

A Broker shall not aggregate an order for a customer with orders for other customers, or with own account orders.

7.4. CONFLICT OF INTEREST AND DISCLOSURE BY BROKERS:

7.4.1. The Broker shall disclose to his customer placing an order in a particular security, while accepting such order, whether he intends to or is carrying out Proprietary Trading in that security on that particular trading day.

7.4.2. The Broker, if doing Proprietary Trading through Agents/traders, shall disclose the name(s) of such persons to his customers.

7.5. SEPARATE ACCOUNT FOR PROPRIETARY TRADING:

Every Broker who engages in Proprietary Trading shall have a separate account. The account shall be in the name of the Broker, Agent or an Associated person and the title of the account must contain the word "proprietary". The account(s) shall be used for all transactions involving Proprietary Trade.

7.6. MARKET INTEGRITY:

7.6.1. *INSIDER DEALING*:

No Broker shall, directly or indirectly, deal in any listed security or cause any other person to deal in securities of such company if he has information which:

(a) is not generally available; and
(b) would, if it were so available, be likely to materially affect the price of those securities.

7.6.2. Broker, Agent or an Associated Person to keep accounts: Every broker shall maintain separate books of accounts for:

(a) Money received from or on account of and money paid to or on account of each of his clients; and
(b) The money received and the money paid on a Broker, Agent or an Associated Person's own account.

7.7. PENALTY:

If a Broker contravenes with any provisions of this chapter as the case may be, disciplinary actions shall be taken in accordance with the provision available in the chapter 20 relating to disciplinary actions against TRE Certificate Holders of these Regulations.

Chapter 8: (A) KARACHI AUTOMATED TRADING SYSTEM (KATS) REGULATIONS

8.1. DEFINITIONS:

8.1.1. This chapter shall apply to the Brokers in respect of trading conducted through KATS.

8.1.2. In this chapter, unless there is anything repugnant in the subject or context:

(a) "Disaster" means a situation in which the primary site of the Automated Trading System of the Exchange becomes inoperative or in-accessible for any reason, as may be declared by the Exchange or intimated by the Broker to the Exchange;
(b) "Order" means a valid sale or purchase order placed by a Broker through KATS;
(c) "Special Terms Orders" means an order which has special conditions for trading.

8.2. ELIGIBILITY:

The Exchange shall notify the securities that shall be eligible for trading on the KATS.

8.3. AVAILABILITY:

8.3.1. The Exchange will make available KATS to the Brokers by providing trading workstation connections. The number of trading workstations for each Brokers shall be decided by the Board.

8.3.2. Every Broker shall mandatorily get and maintain one Disaster Recovery (DR) Terminal at a remote place outside the Exchange premises, which shall be connected to DR Site of the Exchange.

However, such DR Terminal, installed at the registered Office/Branch Office of the Brokers or otherwise shall be 'view only' terminal during normal operations of the Exchange and will be activated only for trading purposes during the period of Disaster declared by the Exchange or intimated by the Broker to the Exchange. While activating DR Terminal for trading purposes, Exchange shall ensure that normal trading workstations are not connected with KATS. As soon as the Exchange or the Brokers declares removal of Disaster status, the DR Terminal will be switched-back to 'view only' from the 'trading' terminal.

8.3.3. The Exchange may suspend or shutdown automated trading in the event that KATS is inoperative or inaccessible to due to any technical fault affecting more than such number of trading workstations or brokerage houses as may be prescribed by the Board with the prior approval of the Commission.

8.3.4. If the Board is satisfied that the trading through KATS cannot be resumed within reasonable time then the Board may allow the trading in the Exchange on the conventional outcry system for such time as it deems fit.

8.4. TICK SIZE:

The Tick Size will be 1 (one) paisa for all orders placed on KATS, unless otherwise specified in the relevant Regulations governing a specific Market.

8.5. QUEUE PRIORITY:

8.5.1. Orders that cannot be immediately executed shall be queued for future execution in a specific order of priority mainly based in the following order:

(a) Price
(b) Time of entry

Any other factors affecting the order of Queue Priority shall be determined and notified by the Exchange with the prior approval of the Board.

8.5.2. In case an Order is executed partly, the remaining part of such Order shall not lose its priority.

8.5.3. The Queue Priority shall be determined by KATS through an interactive process and the order of priority displayed by KATS shall be conclusive except in the case of manifest error which shall be determined by the Board.

8.6. INSERTION OF CLIENT'S CODE IN EVERY BID AND OFFER THROUGH KATS:

8.6.1. Every Broker while inserting a bid and offer through KATS for each of his clients, shall insert unique Client Codes for those clients which are maintained by them in their back office system and registered with NCCPL. These Client Codes are linked/mapped to UIN through the interface of NCCPL. These Client Codes should not be re-assigned to another client of the Brokers even after the closure of the account.

8.6.2. Every Broker shall ensure that the shares purchased or sold against a Client Code are posted to the respective Sub-Account/Investor Account of that particular client with CDC upon settlement of trades through the Exchange.

8.7. DISCLOSED AND UNDISCLOSED VOLUME:

8.7.1. An Order may specify the total share volume and may specify a lesser amount that is disclosed to the market. The disclosed volume shall not exceed the total volume.

8.7.2. Total and disclosed volume of an Order must be a marketable lot.

8.7.3. An increase in disclosed volume will cause a new time stamps and change in Queue Priority but a decrease in disclosed volume will not cause a new time stamp or change in Queue Priority.

8.8. TIME IN FORCE RESTRICTION:

8.8.1. All Orders shall be valid only for the relevant trading day unless a time restriction is specified otherwise in which case such Order shall be automatically removed on the close of the trading day or after expiry of the specified time, as the case may be, if it remains unfilled till then.

8.8.2. Terms allowed for Time in Force Restriction include:

(a) Day
(b) Good Till Cancelled (GTC) (i.e. Open)
(c) Good to Date (Month-Day-Year) (GTD)
(d) Good for Week (GTW)
(e) Good for Month (GTM)
(f) Fill or Kill (FOK)

8.9. CROSS TRADE:

Cross Trades are trades entered between two clients of the same Broker. Such trades shall be allowed only if the Orders are placed and executed according to regular Order matching principles prescribed for all KATS Orders.

8.10. CANCEL ORDER:

A Cancel Order can only cancel an outstanding Order and cannot cancel a trade completed with the specified Order. It will not act as a Cancel Trade Request if that Order has already traded.

8.11. CHANGE FORMER ORDER (CFO):

8.11.1. The terms of an Order posted to the KATS cannot be changed except by the Change Former Order (CFO) option.

8.11.2. The options available for CFO shall be notified by the Exchange from time to time.

8.12. SETTLEMENT:

The Settlement of the trading through KATS shall take place as per the existing rules and regulations of the Exchange as amended or substituted from time to time.

8.13. NEGOTIATED DEAL:

8.13.1. Negotiated Deal shall not participate in the open market but trade throughout the hours of operation of the Exchange and thereafter until a time set by the Exchange.

8.13.2. Price protection procedures shall not apply to Negotiated Deals.

8.13.3. Negotiated Deal shall have no minimum volume requirements.

8.13.4. A Negotiated Deal will trade in its entirety as if it were an All or None (AON) transactional partial fills and undisclosed volumes shall not be allowed.

8.13.5. Negotiated Deals will be between two separate brokerage houses otherwise the same shall be treated as Cross Trade.

8.13.6. Negotiated Deal can be an Odd Lot.

8.13.7. All unconfirmed Negotiated Deals will be cancelled when the KATS engine is dumped.

8.14. SPECIAL TERMS ORDERS:

8.14.1. A Special Terms Order shall not be shown as part of the normal round lot Order book but will be maintained in a Special Terms Order book that can be viewed separately from the round lot book.

8.14.2. The options available for Special Terms Order shall be notified by the Exchange from time to time with the prior approval of the Board.

8.15. OPENING:

8.15.1. Pre-Open Session consists of following periods:

Order Entry Period: During this period, the Orders are entered and queued and Order execution, modification or cancellation is disallowed. Market orders and Special Term Orders are not allowed during this period.

Order Matching and Confirmation Period: During this period, the opening price is calculated as per the requirements of these regulations. The Orders entered during Order Entry Period are matched at the opening price so calculated and confirmed. New Order entry, modification or cancellation is disallowed during this period.

8.15.2. Where a market imbalance exists, an opening price will be chosen by KATS through an interactive process.

8.15.3. Once the opening price is chosen, all trading shall take place at that single opening price and no price level transition will be allowed.

8.15.4. If the orders are not entered during Pre-Open session the last trading day Closing Price or last traded price of previous trading session, whichever is applicable, would be the Open Price till the first trade occurs in the scrip in open state. Once trade occur in the open state the first trade price becomes the Opening Price of the scrip with the exception that the first trade shall not be Cross Trade in nature.

8.15.5. **Opening Price Calculation**: The Opening Price for scrip is determined by a four step approach involving the use of conditional decision rules. If a clear result cannot be achieved when the first decision rule is applied, the mechanism progresses to the second decision rule and so forth. The decision rules are applied in the order provided hereunder.

Each symbol has only one Opening Price. The Opening Price is calculated based on the available orders in the regular book. To calculate the Opening Price, the following rules are applied:

i. At each price level the total volume available in the market is calculated. The total volume available is determined separately for both buy and sell side of the market. The price level that allows the maximum volume of shares to trade is the Opening Price.
ii. If more than one price level allows the maximum volume of shares to trade then the price level that has the minimum imbalance in share volume becomes the Opening Price. Imbalance in share volume is the number of shares remaining after all trades occur at a particular price level.
iii. If more than one price level allows the maximum volume of shares to trade and have an equal minimum imbalance in share volume, then the price level with the least net change from the Closing Price of previous trading day or from last trade price of previous trading session, whichever is applicable, becomes the Opening Price.
iv. If more than one price level allows the maximum volume of shares to trade, have an equal minimum imbalance in share volume, and have an equal least net change from the previous trading day Closing Price or last trade price of previous trading session, then the highest price level becomes the Opening Price.

8.15.6. **Orders Not Completely Filled:** All Orders entered during the Pre-Open Session will have a time priority based on the actual time of entry. For Orders not completely filled at the Pre-Open, this time priority will be maintained thereafter during the trading day/trading session. Limit Orders entered during the Pre-Open are subject to the same procedures that govern their entry during the trading day.

8.15.7. **Open Session:** After the completion of Order Matching and Confirmation Period the Open Session will commence for regular trading activity subject to these Regulations.

Notwithstanding anything contained above, all Orders entered during Order Entry Period that remain unfilled during Pre-Open session shall not be cancelled/modified for three minutes immediately after start of the Open Session or for such time period as specified by the Exchange with prior approval of the Commission from time to time

8.15.8. **Frozen Trades:** The Exchange can define parameters that can cause any trade that violates them to be “frozen” so that it can be examined before they decide to allow it or prevent it. This is based on such things as a drastic change in the trade price or an extremely high volume. The monitoring that takes place during the trading day is also in effect during the open. Any trade that violates freeze parameter at the open will result in a freeze. All the trading done for the open of the current company is placed on hold until the Exchange decides how to proceed. Only the specific company is frozen.

8.16. HALTS:

8.16.1. Trading in each company can be halted on demand by the Exchange.

8.16.2. A halt can be instituted for a company at any time during the trading day. Once halted, no further trading in the company will take place unless the halt is removed.

8.16.3. All Orders may be cancelled globally by the Exchange at the discretion of the Exchange.

8.16.4. Cancellation messages shall be forwarded to the traders.

8.16.5. The Exchange may, in the interest of the market, put a halt on trading by any Broker under the KATS.

8.16.6. Order entry or reinstatement may take place during the halt period.

8.17. GENERAL:

8.17.1. A Broker shall be responsible for all orders entered from his trading workstation(s).

8.17.2. The Board may issue any guidelines and clarifications from time to time for removal of any difficulties in the execution or operation of these regulations.

8.17.3. The terms and phrases used herein without a specific definition shall have the meaning in accordance with current trade practice.

8.17.4. Any determination made by KATS through an interactive process shall be conclusive.

8.17.5. Any dispute between a Broker or an Authorized Agent and his client, arising out of or in connection with the trade executed under this chapter and which is not otherwise settled amicably, shall be referred to arbitration and dealt with according to the arbitration procedures laid down in chapter 18 of the PSX Regulations.

8.17.6. Notwithstanding anything contained in these regulations the Exchange may in its sole discretion cancel any order (before or after settlement) with the prior approval of the Board.

Chapter 8:(B) BONDS AUTOMATED TRADING SYSTEM REGULATIONS

8B.1. DEFINITIONS:

8B.1.1. In this chapter, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

(a) "Order" means a valid sale or purchase order placed by a Broker through its BATS trading terminal.

8B.1.2. All other words and expressions used and not defined in the Regulations shall have the same meanings as are assigned to them in the Securities and Exchange Ordinance, 1969 and any other applicable laws.

8B.2. ADMINISTRATION & EXERCISE OF POWERS:

The Exchange may exercise the following powers in operating and administrating BATS:

(a) To amend these Regulations and make new Regulations with prior approval of the Commission;
(b) To release information in its possession concerning any TRE Certificate Holder and all activities of the Broker on BATS to persons authorized by law to request for such information;
(c) To impose fees in relation to the use of the facilities available on BATS.

8B.3. DEBT MARKET SECURITIES ("SECURITIES"):

Debt Market Securities which are allowed to be traded at the Exchange would include Corporate Debt Securities such as Term Finance Certificates (TFCs), SUKUK Certificates (Sharia Compliant Bonds), Registered Bonds, Commercial Papers, Participation Term Certificates (PTCs) and all kinds of debt instruments issued by any Pakistani or foreign company or corporation registered in Pakistan.

8B.4. ELIGIBILITY OF SECURITIES:

The Exchange shall notify the securities that shall be eligible for trading on the BATS, with prior approval of the Commission.

8B.5. AVAILABILITY:

8B.5.1. Any Broker of the Exchange can enter into Debt market under these Regulations if he notifies to the Exchange in writing of such desire.

8B.5.2. The Exchange will make available BATS to the Brokers for trading in eligible debt securities by providing trading workstation connections. The number of trading workstations for each Broker shall be decided by the Board.

8B.5.3. The Exchange may suspend or shutdown automated trading in the event that the BATS is inoperative or inaccessible to more than such number of trading workstations or brokerage houses as may be prescribed by the Board with the prior approval of the Commission.

8B.6. ORDER/TRADE PRICES AND DATABASE FOR ACCRUED INTEREST CALCULATIONS:

Trading prices of Debt Market Securities shall be based on principal amount only whereas accrued interest calculations shall be made on the basis of settlement date of the open transaction. Following shall apply:

(a) *AUTOMATIC ORDER MATCHING METHOD:* quote up to a four-digit price (e.g. 100.1234)
(b) *TICK SIZE:* Rs. 0.0001

8B.7. ORDER TYPES AND ATTRIBUTES FOR DEBT TRADES:

8B.7.1. Orders will be matched on a strict price/time priority basis.

8B.7.2. Debt Market Securities will trade in decimal increments to 4 decimal places (e.g. 101.3213).

8B.7.3. All or None, Limit Orders, Market Orders, Change Former Order (CFO), contingent Orders (Stop Loss Market If Touch (SLMIT), Cancel Order (CXL), Cancel Order Globally (COG) and Global Order state change are allowed.

8B.7.4. Modification of price in CFO would be subject to fill allocation priorities; however reduction of bid/offer quantity shall not be subject to the fill allocation priorities.

8B.8. QUOTE TYPES, ATTRIBUTES FOR DEBT MARKET TRADES AND CONFIDENTIALITY:

8B.8.1. Functionality for Requests for Quotations (RFQ) shall be available in the BATS.

Explanation: RFQ comprises of transmitting a request for bid or offer through BATS to other market participants and subsequent receipt of quotes from market participants in respect of a BATS eligible security.

8B.8.2. A Broker may initiate RFQ from maximum ten other identified market participants or the whole market. The RFQ initiator shall have the right to accept or reject any or all bids or offers. The acceptance of bid or offer by an RFQ initiator shall result in a binding trade.

8B.8.3. BATS shall treat all data and commercial information placed in the Trading System by market participants as strictly confidential. To achieve this objective, the Trading System shall adopt the most suitable organization, procedure and technological processes.

8B.9. QUEUE PRIORITY:

8B.9.1. Orders that cannot be immediately executed shall be queued for future execution in a specific order of priority mainly based on the following order:

(a) Price
(b) Time of entry

Any other factors affecting the order of queue priority shall be determined and notified by the Exchange with the prior approval of the Board and the Commission.

8B.9.2. In case an Order is executed partially, the remaining part of such Order shall not lose its priority.

8B.9.3. The queue priority shall be determined by BATS through an interactive process and the order of priority displayed by BATS shall be conclusive except in the case of manifest error which shall be determined by the Board.

8B.10. INSERTION OF CLIENT'S CODE IN EVERY BID AND OFFER THROUGH BATS:

8B.10.1. Every Broker, while inserting a bid and/ or an offer through BATS for each of his clients, shall insert unique Client Codes for those clients which are maintained by them in their back office system and registered with NCCPL. These Client Codes are linked/mapped to UIN through the interface of NCCPL. These Client Codes should not be re-assigned to another client of the Broker even after the closure of the account.

8B.10.2. Every Broker shall ensure that the Securities purchased or sold against a Client Code are posted to the respective Sub-Account/Investor Account of that particular client with CDC upon settlement of trades through the Exchange.

8B.10.3. The above requirements shall also apply in case of inter exchange trades.

8B.11. DISCLOSED AND UNDISCLOSED VOLUME:

8B.11.1. An Order may specify the total debt market security volume and a lesser amount that is disclosed to the market. The disclosed volume shall not exceed the total volume.

8B.11.2. An increase in disclosed volume will cause a new time stamps and change in queue priority but a decrease in disclosed volume will not cause a new time stamp or change in queue priority.

8B.11.3. The maximum Order size for Corporate Debt Securities shall be Rs. 100 Million and 40% of which can be specified as disclosed volume.

8B.12. CROSS TRADES:

Cross Trades are trades entered between two clients of the same Broker. Such trades shall be allowed only if the Orders are placed and executed according to regular Order matching principles of price and time priority as prescribed for all BATS Orders.

8B.13. CANCEL ORDER:

A Cancel Order option can only cancel the unfilled order(s) or its portion and it will not act as a Cancel Trade Request if that Order has already been executed.

8B.14. CHANGE FORMER ORDER (CFO):

The terms of an Order posted to the BATS cannot be changed except by the Change Former Order (CFO) option. CFO option can only be exercised in respect of unfilled order(s) or its portion.

8B.15. TIME IN FORCE RESTRICTION:

8B.15.1. All Orders shall be valid only for the relevant trading day unless a time restriction is specified otherwise in which case such Order shall be automatically removed on the close of the trading day or after expiry of the specified time, as the case may be, if it remains unfilled till then.

8B.15.2. Terms allowed for Time in Force Restriction include;

(a) Good till Day (GTD)
(b) Good till Week (GTW)
(c) Good till Month (GTM)
(d) Good till Cancel (GTC)

8B.16. MARKET OPENING:

Debt market shall only have two states i.e. open and close. (no pre-open, pre-close and open-close states).

8B.17. MARKET HALTS:

8B.17.1. The trading in a security/securities can be halted at the discretion of the Exchange at any time during trading hours, through a Notice and /or announcement. During a market halt the market status will be displayed as HALT and no further trading in the security/ securities will take place unless the halt is removed. The Exchange can subsequently lift these halts and the market will return to its state prior to imposing the halt.

8B.17.2. All orders may be cancelled globally by the Exchange at discretion of the Exchange.

8B.17.3. Cancellation messages shall be forwarded to all Brokers trading on BATS.

8B.17.4. The Exchange may, in the interest of the market, put a halt on trading by any Broker under the BATS.

Provided that in case the Board decides to halt the market for more than 24 hours, the same shall be implemented with the prior written approval of the Commission.

8B.18. NEGOTIATED DEAL:

8B.18.1. Negotiated Deal shall not participate in the open market but trade throughout the hours of operation of the Exchange and thereafter until a time set by the Exchange.

8B.18.2. Price protection procedures shall not apply to Negotiated Deals.

8B.18.3. All Negotiated Deals executed shall be mandatorily reported to the Exchange on the same trading day in the manner as prescribed by the Exchange.

8B.18.4. Only the securities in physical form (not available in book-entry) shall be traded through Negotiated Deal and settlement of the same shall take place between the respective parties.

8B.19. FEES:

Trading fees will be levied at the rate of 0.005% of the securities' trading value, or as may be prescribed by the Board from time to time.

8B.20. RISK MANAGEMENT, CLEARING AND SETTLEMENT:

The risk management, clearing and settlement of all transactions entered and executed on BATS shall be governed by the rules, regulations and procedures of the NCCPL.

8B.21. GENERAL:

8B.21.1. A Broker shall be responsible for all Orders entered from his trading workstation(s).

8B.21.2. The Board may issue any guidelines and clarifications from time to time for removal of any difficulties in the execution or operation of these regulations.

8B.21.3. The terms and phrases used herein without a specific definition shall have the meaning in accordance with current trade practices.

8B.21.4. Any determination made by BATS through an interactive process shall be conclusive.

8B.21.5. Any dispute arising out of or in connection with the trade executed under these regulations shall, within two trading days of arising of such dispute, in the first place be referred to a committee constituted by the Board. Any party dissatisfied with the decision of the aforesaid committee may, within ten days of such decision, appeal to the Board.

8B.21.6. Notwithstanding anything contained in these regulations, the Exchange may in its sole discretion cancel any Order (before or after settlement) with the prior approval of the Board.

Chapter 9: INTERNET TRADING REGULATIONS

9.1. DEFINITIONS:

9.1.1. In this chapter the following expressions shall, unless the context requires otherwise, have the meanings specified herein below:

(a) "Configuration Management" shall mean a process in which the service provider has to undertake a change or add new functionality to the system or the infrastructure;
(b) "Internet Based Trading Services (IBTS)" shall mean services associated with internet based trading for the purpose of routing orders to Trading Systems through an automated order routing system as provided for under these regulations;
(c) "Operational Capacity" shall mean the number of clients supported by the solution and infrastructure, usually assessed by the number of parallel requests served per seconds.

9.2. APPLICABILITY:

9.2.1. This chapter shall apply to all the Brokers, their authorized representatives and the facilities or services established by the Brokers for providing IBTS in the securities traded on the Exchange.

9.2.2. Brokers already engaged in providing IBTS, shall evidence their compliance with all requirements of this chapter within six months from 18th July, 2012.

9.3. ELIGIBILITY:

A TRE Certificate Holder, who is a Broker and fulfills the following minimum conditions, may apply for providing IBTS:

(a) have minimum net worth of Rs. 25 million as per the latest audited financial statements;
(b) have adequate infrastructure including functional website, internal control procedures and technological and human resources to facilitate the operations of IBTS in an effective and efficient manner on an ongoing basis;
(c) have well-defined procedures for allowing clients' access to IBTS which shall inter-alia cover the following aspects:

(i) Agreement with the Broker;
(ii) Assigning of trading limits;
(iii) Placement and execution of clients' orders;
(iv) Mode and timing of reporting of trade confirmation to the clients;
(v) Margin requirement (Initial, maintenance and other applicable margins) and margin calls.

The above procedures should be in writing and made available on the Broker's website for easy access by the clients.

9.4. PROCEDURE FOR THE COMMENCEMENT OF INTERNET BASED TRADING SERVICES:

9.4.1. The Broker desirous of providing IBTS may submit an application to the Exchange to provide IBTS in the format as may be prescribed by the Exchange from time to time for seeking formal permission. The Broker shall also provide further information or documents as and when required for disposal of the application.

9.4.2. The Broker shall undertake all the certification procedures as specified by the Exchange from time to time. A completion certificate shall also be submitted to the Exchange prior to the commencement of IBTS which may be scrutinized by the Exchange as and when deemed appropriate in accordance with its procedures.

9.4.3. Upon completion of the certification requirement by a Broker who also fulfills the above eligibility conditions, the Exchange shall, in writing either grant approval or reject the application as the case may be, within 30 days of the date of submission of the application to the Exchange.

9.4.4. The Broker may after obtaining permission for installation and maintenance of the system for IBTS, deposit the requisite fees with the Exchange. The Exchange shall decide the amount of the installation and maintenance fees from time to time.

9.4.5. The Exchange shall display the list of Brokers eligible for providing IBTS on its website and update the same upon any addition and/or deletion therein.

9.5. BROKER CLIENT SERVICE ARRANGEMENT:

9.5.1. The Broker shall have an agreement with the client to whom it offers IBTS, which would contain appropriate disclosures highlighting the risks associated with internet trading.

9.5.2. The Broker shall have appropriate arrangements in place to assess a client's suitability to undertake internet based trading and have sufficient and verifiable information of each client for risk evaluation purposes.

9.5.3. The Broker providing IBTS shall provide access to the clients to all the applicable rules, regulations, guidelines of the Exchange and Commission, information regarding the rights and obligations of the Investors and the Broker; Investor's guides issued by the Exchange and the Commission, relevant legal provisions for Investor protection and the complaint handling and arbitration procedures.

In addition to the above, the Broker shall also disclose to the clients the information relating to UIS Services of NCCPL and SMS, IVR and Investor Account services of CDC.

9.5.4. The Broker shall disclose to its clients availing IBTS the Service Level Agreements and the infrastructure provided by the third-party vendor, if any.

9.5.5. The Broker shall keep in record for the period of at-least five years all IBTS information relating to client orders and communications with the clients along with proper security measures to prevent such record from any potential misuse.

9.6. SERVICE REQUIREMENT:

The Broker providing IBTS shall ensure that:

(a) Satisfactory arrangements are in place so that it can at all times uniquely identify each and every order during the different stages of processing.
(b) Orders placed through its systems are fairly allocated in accordance with the rules/regulations/procedures of the Exchange.
(c) Effective audit trail is maintained to address risks arising from:

  (i) the opening, modification or closing of a client account;
  (ii) any transaction with significant financial consequences;
  (iii) any authorization granted to a client to exceed a limit;
  (iv) any granting, modification or revocation of systems access rights or privileges.

(d) Adequate risk management systems are in place for controlling product-wise trading limits and exposure of clients availing IBTS. The system shall be capable of monitoring trading activities of such clients in leverage and derivative products offered through IBTS.
(e) Internet trading system is capable of assessing the risk of the client on real-time basis at order entry level. The client shall be informed of acceptance/rejection of the order instantaneously. In case an order is rejected due to the system based controls because of client having exceeded limits etc., the system may allow a review and release facility for enabling the order to pass through.
(f) Provision of user manual of IBTS containing complete system and interfaces documentation on its website.
(g) System based reports on margin requirements, payment and delivery obligations etc. are disseminated to the client in a timely manner.
(h) Any error or omission in the system shall not indemnify the Broker from the responsibility of settling any trade.

9.7. INFORMATION AND INFRASTRUCTURAL SECURITY MEASURES:

The Broker providing IBTS shall ensure that:

(a) The internet trading system is in compliance with the information security policy of the Exchange and the service provider/Broker.
(b) The encryption technology applies for all client orders entered into the system and for all other confidential information the system is capable to uniquely identify each client of the Broker. For this purpose, appropriate technical and administrative controls are also implemented to protect the clients against identity theft and related compromises.
(c) Firewalls are in place to prevent intrusions by unauthorized persons. The firewall policy shall be adequately defined, maintained and reviewed periodically.
(d) The system is configurable to allow auto-logoff in case of inactivity of the trading terminal and/or the trading website.
(e) Implementation of first and second level passwords and PIN requirement at order placement level are implemented.
(f) Functionality of automatic expiry of passwords at the end of a reasonable duration and re-initialization of access on entering fresh passwords are implemented.
(g) All transaction logs with proper audit facilities are maintained in the system.
(h) Appropriate technical controls are in place against:

  (i) Presentation of incorrect data, intentionally or malevolently;
  (ii) False presentation or the use of incomplete information for transactions;
  (iii) Manipulation of any data;
  (iv) Viruses/Malware, leading to any loss of data, unauthorized access to data, or threat of unavailability of systems;
  (v) Cyber extortion (distributed denial of services/distributed agent-based attacks).

9.8. OPERATIONAL CAPACITY:

9.8.1. The Broker providing IBTS shall ensure that its Operational Capacity is evaluated regularly and that it maintains the log of evidences of such activities which shall include but not be limited to the following:

(a) Details of the procedures for undertaking such an evaluation;
(b) The time at which such evaluation is undertaken;
(c) A copy of the results of such evaluation.

9.8.2. The Broker providing IBTS shall continuously update and enhance the Operational Capacity in line with the increasing quantum of trades being generated through IBTS.

9.9. SERVICE AVAILABILITY AND BUSINESS CONTINUITY:

The Broker providing IBTS shall ensure that:

(a) Service is available in the following events:

(i) Website is not accessible thereby barring trading, receiving or providing information;
(ii) Particular section(s) of the website are not accessible due to either denial of service or lack of capacity or inability of the service providers to provide timely access to website;

(b) Satisfactory alternative arrangements and contingency plans are in place to make sure that IBTS can continue in the event of a large-scale disruption (Disaster Recovery Planning/Business Continuity Planning).
(c) Appropriate arrangements are in place where disruption of service is witnessed on the part of vendor.
(d) Information regarding any disruption in the online trading services either on part of the Broker or the third-party vendor, is immediately disclosed on its website and to its clients.

9.10. SYSTEMS MODIFICATION:

The Broker providing IBTS shall submit to the Exchange and disclose on its website, in advance or promptly as the case may be, the information relating to any significant changes (Major Release) to its systems and the reasons for the change, availability or revocation of any specification/facility, delay in placement of orders/execution of trades etc. The changes in the system must comply with the configuration management policy of the service provider/Broker.

9.11. MONTHLY REPORTING:

The Broker providing IBTS shall maintain monthly reports on the reliability and compliance status of the service. The report shall inter-alia include:

(a) Number of users of the system as at the end of the month;
(b) Daily average number of transactions (of all types) processed by the system during the month and the highest number of transactions processed by the system on a single trading day during the month;
(c) Percentage of the scheduled time for availability for which the service was not available;
(d) Number of incidences in which the system remained partially or fully inaccessible for trading;
(e) Reason for non-availability, if any; and
(f) System modifications, if any and its impact on the existing services.

9.12. PERIODIC AUDIT, VULNERABILITY ASSESSMENT AND PENETRATION TESTING:

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.

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.

9.12.3. If the IBTS audit report or the Penetration Testing and Vulnerability Testing audit report indicates any non-compliance(s) or vulnerabilities in the system, controls or procedures, the Broker shall be liable to rectify such noncompliance(s) /remove the vulnerability and furnish a compliance report to PSX from the auditor, within 30 days from the date of submission of audit report, certifying that the noncompliance(s)/vulnerability has been rectified/removed.

9.13. GENERAL DISCLOSURES:

9.13.1. The Broker providing IBTS shall ensure that its website contains following information in plain English and Urdu language and in an easily accessible form:

(a) A basic explanation of securities trading; including definitions of common terms used on the trading screen;
(b) A general statement and information regarding the manner, in which orders are accepted, processed, settled and cleared via the internet;
(c) Disclosure of various risks of securities trading, including the risk of systems outages and failures and any alternative means of placing orders;
(d) Procedures to cancel pending orders during a system failure;
(e) Rules and regulations affecting inter-alia client broker relationship, arbitration procedures and any other useful information from the perspective of Investor protection;
(f) Hyperlink to the websites/page on the websites of the Exchange and the Commission displaying relevant rules, regulations, guidelines of the Exchange and Commission, information regarding the rights and obligations of the Investors and the Broker; Investor's guidelines issued by the Exchange and the Commission, relevant legal provisions for Investor protection and the complaint handling and arbitration procedures etc.;
(g) Hyperlink to the websites/page on the websites showing information relating to UIS Services of NCCPL and SMS, IVR and Investor Account services of CDC.

9.13.2. The Broker providing IBTS shall ensure that the ticker/quote/order book displayed on its website displays the time stamp as well as the source of information against any given information.

9.13.3. The Exchange shall ensure that all the information as prescribed under these regulations is properly disclosed and updated from time to time by the Broker on its website.

9.14. CROSS TRADES:

The Broker shall ensure that the IBTS systems for routing client orders shall not be allowed to cross trade its clients' orders with each other. All orders must be offered to the market for matching.

9.15. SUSPENSION AND CANCELLATION OF INTERNET TRADING CERTIFICATE:

9.15.1. The CRO 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, including the review of IBTS audit report and/or Penetration Testing and Vulnerability Assessment audit report as required to be submitted under clause 9.12 and/or by conducting vulnerability assessment where deemed necessary on the basis of predetermined parameters.

9.15.2. The CRO may, after providing an opportunity of hearing in accordance with clause 20.4, suspend the internet trading certificate of a Broker if it violates any of the regulations, and such suspension shall continue until and unless the Broker complies with the regulations it has violated or removes the cause of suspension in the manner as prescribed by the Exchange.

9.15.3. The Broker may appeal for the revival of the Internet Trading Certificate in accordance with procedure specified under clause 20.4.

9.16. INFORMATION ACCESSIBILITY:

To assist the Exchange or Commission in investigating instances of suspected or potential abuses such as insider trading and market manipulation, the Broker providing IBTS shall provide full and prompt responses to all requests for information by the Exchange or the Commission as the case may be.

Chapter 10: READY DELIVERY CONTRACTS MARKET REGULATIONS

10.1. DEFINITIONS:

(a) "Physical Securities" shall mean listed securities which are in physical form and are cleared and settled through the Exchange.

10.2. APLLICATION FOR TRADING:

A TRE Certificate Holder admitted as Broker desiring to become eligible for trading under Ready Delivery Contract Market shall be required to submit application with the Exchange.

10.3. READY DELIVERY CONTRACT TRADING:

10.3.1. Trading in Ready Delivery Contracts shall be conducted under these Regulations with such modifications, alterations and additions as may be made from time to time by the Board with prior approval of the Commission.

10.3.2. Trading in Ready Delivery Contracts shall take place through KATS.

10.3.3. When a buyer/seller accepts offer/bid of a Ready Delivery Contracts, the said Contract shall be deemed to have taken place between the buyer and the seller.

10.3.4. All offers/bids made may be accepted for up to the limit of the offer/bid and the Broker making an offer/bid shall be bound by the terms of the Ready Delivery Contracts.

10.3.5. All trades in the Ready Delivery Contract Market shall be conducted by Brokers for and on behalf of their clients or for their own proprietary position under registered client codes duly mapped with the UIN.

10.4. STANADARDIZED MARKETABLE LOTS:

10.4.1. *BOOK-ENTRY SECURITIES*:

(a) The Exchange shall notify from time to time the securities which are eligible for trading at the Ready Delivery Contract Market;
(b) The Exchange shall allow its Brokers to trade Book-entry Securities through its Ready Delivery Contract Market in the Marketable Lots or multiple thereof as prescribed in the NCSS Procedures made under NCCPL Regulations.
(c) The following shall be applicable on Book-entry Securities with Marketable Lots of more than one:

(i) The Clearing Company shall determine Marketable Lots based on the Closing Prices of the Securities at the Exchange. On the basis of which the Clearing Company will notify the Marketable Lots to all market participants.

(ii) The Marketable Lot shall be revised after giving at least 30 days' notice in advance in coordination with the Clearing Company.

(d) The Exchange may allow the Brokers to trade Odd Lots of all Book-entry Securities through an Odd Lots Market at the Exchange provided that Brokers, for its single account on UIN basis, will be allowed to sell Odd Lots accumulating to full the Marketable Lot of a Security during whole trading day through Odd Lots Market, However, a Broker may buy Odd Lots accumulating to Marketable Lot of a Security for its single account on UIN basis.
(e) The Exchange will transmit all trades executed either in Marketable Lots or Odd Lots to the Clearing Company for their clearing and settlement on NCSS in accordance with NCCPL Regulations and Procedures there under.

10.4.2. *PHYSICAL FORM SECURITIES*:

(a) The Exchange shall allow its Brokers to trade shares in physical form in exceptional circumstances such as the buy-back of physical shares as per these Regulations, through the Ready Delivery Contract Market in Marketable Lot as prescribed by the Exchange from time to time.

(b) The Clearing House will clear and settle trades in Physical Form Securities with following mechanism:

(i) Every buying Broker will be required to settle his money obligations with the Clearing House, which may be determined after taking into account all applicable fees and charges as prescribed under Deposits, Fee, Contribution and other Sums Schedule and other taxes/levies etc. Provided such Broker has delivered its all net-sold Securities as per instructions issued through Delivery Orders of respective settlement date.
(ii) Every selling Broker shall be required to deliver shares to the buying Brokers as per the instructions issued by the Clearing House through Delivery Orders.

(c) If the delivery is made pursuant to a sale in Ready Delivery Contract Market in lots smaller than Marketable Lots, the buying Broker cannot refuse the delivery, if the lots delivered can be rounded-up into a Marketable Lot or multiple thereof. The buying Broker, however, shall have the right to deduct the extra transfer fees, if charged, under whatever name, at the rate levied by the company concerned, if there are more than one transfer form.

The deduction in respect of extra transfer forms, if any, involved in delivery of Lots smaller than Marketable Lots but rounded-up into a Marketable Lot, shall not be permissible if transfer fee is not charged by the company concerned.

(d) Once a Physical Form Security is declared as an Eligible Book-entry Security by the CDC, the Exchange will not allow any physical settlement of trades taking place on or after the eligibility date in such security.

10.5. TRADING AND SETTLEMENT CYCLE:

10.5.1. *FOR BOOK-ENTRY SECURITIES*:

(a) Ready Delivery Contracts in a Book-entry Securities executed during a trading day shall be settled on T+2 Settlement Cycle through NCSS unless NCCPL in coordination with the Exchange decides otherwise in accordance with NCCPL Regulations and NCSS Procedures made thereunder.
(b) Ready Delivery Contracts in a Physical Form Security executed during a trading day shall be settled on T+2 Settlement Cycle through the Clearing House in a manner prescribed by the Exchange.
(c) Ready Delivery Contract in a Security will be declared for settlement on T+2 Settlement Cycle on ex-entitlement basis at least two Settlement Days before the Book Closure start date of such Security, if its Books are closed for determining any entitlement for shareholders by the Company.

10.5.2. *FOR UNPAID LETTER OF RIGHTS (LORS)*:

(a) The LoRs for Book-entry Securities will be managed in accordance with the Procedures for Induction of Unpaid Rights into CDS. However, LoRs for Physical Form Securities will be managed by the Exchange in accordance with its own procedures.
(b) The Exchange may allow trading in the LoRs from the thirtieth (30th) Working Days prior to the last date of payment fixed by the company and shall discontinue its trading atleast five (5) Working/Settlement Days prior to the last date of payment.
(c) Ready Delivery Contract in the Book-entry form LoRs will be settled through the Clearing Company on T+2 Settlement Cycle. However, Physical form LoRs will be settled through the Clearing House of the Exchange on T+2 Settlement Cycle also.

10.6. DETERMINING EX-PRICE OF SECURITY ON BOOK CLOSURE – 2 SETTLEMENT DAY:

If the Books of a Security are closed for determining any entitlement for its shareholders by the Company, the Exchange shall determine the ex-price based on the mechanism prescribed by the Exchange, as an opening price for the Trading Day falling on two Settlement Day before its Books Closure start date. However, detailed ex-price calculation methodology shall be made available on PSX website.

10.7. SETTLEMENT FAILURE:

10.7.1. A Broker failing to settle money and/or delivery obligations on his trades in Physical Form Securities shall be dealt in accordance with default management regulations prescribed in chapter 21 of PSX Regulations.

10.7.2. A Broker failing to settle money and/or delivery obligations on his trades in Book-entry Securities shall be dealt in accordance with the default management regulations of the Clearing Company and Exchange.

10.8. BUYING BROKERS' OBLIGATIONS ON RECEIPT OF PHYSICAL FORM SECURITIES:

10.8.1. *MANDATORY TRANSFER OF SHARES:*

In all transactions of physical shares, the buying Brokers shall be deemed to have given an undertaking to the selling Broker that the shares shall be lodged with the issuer company for registration in the name of the buyer within fifteen days from the date of the delivery of such shares.

10.8.2. *NOTIFICATION OF NON-DELIVERY BY THE BUYING BROKER:*

Buying Brokers are required to notify to the Clearing House for non-receipt of deliveries, if any, before opening of Ready Delivery Contract Market on next Trading Day after the Settlement Day on which fail deliveries are due.

10.8.3. *BUYING IN OPEN MARKET:*

On receipt of notification from the buying Broker for non-receipt of deliveries from selling Broker, the Clearing House may initiate buy-in process in accordance with the prescribed manner, preferably on notification date, at the risk and cost of failing selling Broker. However, the Clearing House shall be required to give notice to failing selling Broker before initiating buy-in process and advise to deposit (in addition to the settlement obligations of undelivered securities) the non-delivery charges for each non-delivery per security at the rate as prescribed in Deposits, Fee, Contribution and other Sums Schedule.

10.8.4. *NON-ACCEPTANCE OF NOTIFICATION FOR SQUARING-UP FROM BUYING BROKER:*

The Exchange shall not entertain any notification for buy-in of failed deliveries if not received before opening of Ready Delivery Contract Market on next Trading Day after the Settlement Day on which such delivery was due.

10.8.5. *FORFEITURE OF RIGHTS:*

A Broker who fails to exercise his right to buy-in in the manner provided in these Regulations shall forfeit all rights of recourse through the Exchange against the Broker in default, unless such Broker proves to the satisfaction of the Board that he did not exercise his right to buy-in on the written request of the Broker in default.

10.8.6. *DELAY IN BUYING-IN:*

If the buying-in is not effected within the period prescribed in these Regulations, and if the Broker buys-in, through Clearing House, at a later date and satisfies the Exchange that it was impracticable to buy-in earlier than he did, Arbitration Panel may allow damages, on the footing of the rates at which the Securities were bought-in at such other rates as the Exchange may determine.

10.8.7. *TENDER BY SELLER BEFORE NOTICE*:

The buying Broker must accept and pay for the Physical Form Securities any time prior to buy-in to the Exchange.

10.8.8. *TENDER BY SELLER AFTER NOTICE*:

If the buying Broker has issued notice of his intention to buy-in Physical Form Securities for default in delivery, and if the selling Broker, before the securities have been bought-in, makes a proper tender of such securities, the buyer must accept delivery and pay for such securities.

10.8.9. *SECURITIES BOUGHT-IN OR SOLD-OUT BUT UNDELIVERED OR UN-PAID:*

(a) Securities bought-in but not delivered on the next trading day may be again bought-in for immediate delivery without further notice and any loss shall be paid by the Broker causing such further buying-out.
(b) Securities sold-out and not paid for on the next trading day may be again sold out for immediate delivery without further notice and any loss shall be paid by the Broker causing such further selling-out.

10.8.10. *BID BY BUYER OR SELLER BARRED:*

A Broker on whose account the buying-in or selling-out is affected shall not be permitted to make a bid or offer.

10.8.11. *DEDUCTIONS OF DIVIDENDS:*

The buyer is entitled when paying for shares on which a dividend, interest, bonus etc., has been recommended or declared, and for which the transfer books of the company were closed before delivery, to deduct the dividend, interest, bonus, rights etc., declared or recommended, provided that the Broker of the Exchange through whom the transaction shall have been effected shall be personally responsible for effecting adjustments finally between the buyer and the seller when the dividend is actually paid.

10.8.12. *STAMP AND TRANSFER DEED:*

Stamp duties payable under Stamp Act, 1899 as applicable to the Province of Sindh and fees charged by a Company registering transfers of shares and known as ‘transfer fees’ shall be paid by the buyer.

10.8.13. *SETTLEMENT INSIDE THE EXCHANGE:*

The buying Broker or one of his authorized representatives shall be present in the Exchange premises for the purpose of receiving delivery of securities and the selling Broker shall not be obliged to deliver the shares at the office of the buying Broker outside the Exchange premises.

10.8.14. *LIABILITIES OF BROKERS:*

Brokers shall not be personally liable between themselves for interest, dividend, bonus or rights on shares sold by them when such shares, were delivered to the buyer at least one Settlement Day before the Book Closure start date of the company to enable the buyer to get the shares transferred to his name, but nothing in this Regulation shall affect the rights and obligation of buyer and sellers between themselves as constituents or principals for the recovery of such interest, dividends, bonus or rights.

10.8.15. *APPLICATION FOR RIGHT SHARES:*

The buyer is entitled to new shares issued in right of old shares, provided that he specially claims the same in writing from the seller not later than 1:00 P.M. on second trading day preceding the latest day fixed for receipt of applications by the Company.

Notwithstanding the provisions of the above clause, the seller if he is in possession of the new securities, shall be responsible to the buyer for the same, if claimed by him before 1:00 P.M. on the day following the last trading day fixed for the receipt of applications by the company, and in case he is not in possession of the new securities, he is bound to reimburse the buyer the difference between the cum-price and ex-price.

10.8.16. *LETTERS OF RENUNCIATION:*

Rights are to be settled by letters of renunciation when practicable, when proper letters of renunciation are delivered or tendered to the buyer before 2:00 P.M. on the day proceeding the last trading day fixed for the receipt of application, the seller shall be relieved of all further liability in respect of all such rights. A Broker shall not be bound to accept letters of renunciation not tendered within the time provided in this Regulation.

10.8.17. *NON-DELIVERY OF LETTERS OF RENUNCIATION:*

If the settlement of claims to rights is not made by letters of renunciation by reason of the failure of the seller to deliver such letters within the time prescribed above, the seller shall bear any extra expense of transfer incurred, provided that when no letters of renunciation are issued or recognized by the company, the expenses of transfer shall be borne by the buyer.

10.8.18. *TEMPORARY SETTLEMENT:*

When securities are sold cum-rights and are delivered after the closing of the transfer books for rights and when new securities cannot be obtained by letters of renunciation, the Exchange shall fix a price which may be deducted by the buyer from the purchase money of the old securities.

The buyer shall pay that price, namely, the balance due on the contract when the seller delivers the new securities at any time on or before the trading day fixed by the Exchange for the settlement of rights.

10.9. DOCUMENTS AND REGISTRATION:

10.9.1. *REGULARITY AND GENUINENESS OF DOCUMENTS*:

A Broker who has received payment against delivery of necessary documents, either on his own account or on behalf of his client, shall be personally responsible to the Broker to whom the same are delivered for their title, regularity and genuineness. Provided that the documents shall be lodged with the company for registration by or on behalf of the purchaser or any subsequent purchaser maximum within two years from the date of the receipt of such documents provided however where the books of the company are closed earlier than two years for any entitlement then up to period of book closure; or where CDC has declared the company as eligible securities for CDS earlier than two years then within 12 months from the date of notification by CDC to declare the company as eligible for CDS, whichever comes earlier.

If after lodging the request of transfer within the above mentioned timeframe the company returns the shares either with or without objections or refuses to register any transfer for any reason whatsoever the selling Broker shall within seven days of receipt of a notice from the buying Broker informing him of such return of the shares or refusal of registration by the company, as the case maybe, replace the shares. Provided however that the buying Broker shall issue such notice not later than fifteen days from the date of return of shares or refusal of registration, as the case maybe, by the company.

If the documents are not lodged within the prescribed periods then except in case of fraud or bad faith on the part of the selling Broker or of his client, the liability of the selling Broker to both the buying Broker and the client and the liability of the buying Broker to his client, shall cease in all respects.

Provided further that the date of lodgment of claim with the Exchange for replacement of shares from the buying Broker shall be deemed to be the date for determining the liability of the selling Broker.

10.9.2. *LIABILITY OF CLIENTS*:

Nothing in this Regulation shall affect the liability of the Clients (which term shall in cases where a Broker has dealt on his account include such Broker) from whom the Broker may have received the documents in any action at law or in any other proceedings. The Broker who delivered the documents shall however be bound to render every assistance to the buyer in any proceedings he may take against the seller.

10.9.3. *REPLACEMENT OF IRREGULAR DOCUMENTS AND REFUND*:

(a) If a Broker, to whom the documents are delivered, gives intimation in writing to the Broker who delivered them of his objections as to their title, regularity or genuineness as soon as it comes to his knowledge, the Broker who delivered them shall within a week from the date of such intimation remove any irregularity or establish the title or genuineness of the documents; as the case may be, or deliver other regular, genuine and valid documents, but in the event of such Broker, failing to deliver such other documents he shall refund on return of the documents the moneys paid against such documents provided that the documents were lodged for registration within prescribed period from the receipt thereof as provided under regulation 10.9. above.

(b) A refund of the price on the return of documents shall not operate as cancellation of the contract, and if the selling Broker within the prescribed period from the refund tenders to the buying Broker regular, genuine and valid documents, the buying Broker shall be bound to accept such documents in fulfillment of the original contract and pay the purchase price.

10.9.4. *BUYING-IN ON NON-TENDER:*

If the selling Broker fails to tender such documents within such period, the buying Broker shall be entitled to give notice of buy-in of the securities against him to the Exchange as provided in Regulation 10.8.2. above.

10.10. SALES NOT CONDITIONAL ON TRANSFER:

Subject to the requirements of the Regulation 10.11., a sale of shares is not conditional on the Company transferring the shares in the name of the buyer. The only obligation on the seller on the sale of shares is to tender delivery of the genuine share certificates with a properly executed transfer deed.

Such seller shall not be deemed to guarantee that the Company will transfer the shares in the name of the buyer and shall incur no liability by reason of the refusal of the Company in exercise of the power vested in it under its articles of association to refuse transfer of such shares.

Explanation:
A transfer deed signed on behalf of the seller by a person purporting to be his constituted attorney shall not be considered a properly executed transfer deed if the power of attorney in question is conditional and not absolute.

10.11. FRESH TRANSFER DEED ON REFUSAL BY COMPANY:

When a company refuses to register a transfer on the ground of any objection, the transferor shall, on request of the transferee and on the return of original transfer deed to him for cancellation, execute a fresh transfer deed in favor of the transferee.

10.12. COMPANY IN LIQUIDATION:

If a company has been wound up on the date of the contract or winds up during the time between the dates of the contract and the date of Settlement, the seller shall be entitled to recover from the buyer the purchase money even though the liquidator refuses to consent to the transfer. If the buyer cannot get the shares transferred in his name, the seller shall, if required to do so by the buyer and at the buyer's cost, assign his title to and his rights in such shares to the buyer and shall execute a power of attorney in favour of buyer to enable him to recover any liquidated amount and dividend becoming payable after the date of the contract in respect of such shares.

10.13. DISPUTE AFTER REGISTRATION:

When the official certificate of registration of securities bought has been issued by the issuer Company, neither the selling Broker nor the buying Broker shall be personally responsible to the buyer for any subsequent dispute to the title unless bad faith or fraud is alleged against any such Broker or unless such Broker has dealt on his own account. Nothing in this Regulation shall affect the liability of the transferor or actual seller who may have received payment against delivery of securities, in any action at law or in other proceedings. The provisions of this Regulation shall apply only to the rights and obligations of Brokers inter-se.

10.14. SHORT SALE:

10.14.1. Short Sale under Ready Delivery Contract Market shall be executed through a special Short Sale order window designated in the Trading System for Short Sale in the manner and procedure as may be prescribed by the Exchange from time to time.

10.14.2. Short Sale will only be permissible on Uptick or Zero-Plus Tick, for example:

LEVEL	TIME	RATE	REMARKS
	Previous Closing	19.00	
A	10:00 a.m.	19.05	Short Sale allowed
B	10:02 a.m.	19.10	Short Sale allowed
C	10:10 a.m.	19.10	Short Sale allowed
D	10:11 a.m.	19.05	Not Allowed
E	10:12 a.m.	19.05	Not Allowed
F	12:00 noon	19.50	Short Sale allowed
G	12:05 p.m.	19.45	Not Allowed
H	12:10 p.m.	18.90	Not Allowed
I	12:15 p.m.	18.95	Short Sale allowed

10.14.3. In addition to sub-clause 10.14.2. above., Short Sale shall also be allowed without Up-tick or Zero-Plus Tick up to the following extent:

(a) **UIN-WIDE POSITION:** A UIN will be allowed to make short sale to the maximum extent of 2% of average daily turnover of the respective security of previous one month.
(b) **BROKER-WIDE POSITION:** A Broker for its all UINs including its clients' positions will be allowed to make short sale to the maximum extent of 4% of average daily turnover of the respective security of previous one month.
(c) **MARKET-WIDE POSITION:** All Brokers on cumulative basis will be allowed to make short sale to the maximum extent of 40% of average daily turnover of the respective security of previous one month.

10.14.4. The exemptions mentioned in sub-clause 10.14.3. above shall not be available in the following cases:

(a) when the price of a security declines up to 2.5% from the Closing Price of the previous trading day, the exemptions shall not be available for the remainder of the day;
(b) when lower circuit breaker, becomes applicable on the Closing Price of a security, the exemptions shall not be available for the next two trading days;
(c) when lower circuit breaker, becomes applicable on the Closing Price of a security consecutively for five trading days, the exemptions shall not be available for next fifteen trading days after the fifth trading day.

10.15. PROHIBITION ON BLANK SALES:

No Broker shall make any Blank Sale in the Ready Delivery Contract Market either for its own account or for its clients.

10.16. SHORT SALE PREREQUISITES:

1. No Broker shall make a Short Sale on its proprietary account or client's account unless such short sale:

(a) is made at an Uptick or Zero-Plus Tick; except as stated in sub-clause 10.14.3. above; and
(b) is declared as a Short Sale at the time of placement of order through Trading System in a special Short Sale Order Window designated in the system for the purpose.

Provided that a Broker shall not enter a Short Sale order in the Trading System if the client has not indicated whether the sale order is a Short Sale or a Sale. For this purpose, the Broker shall ensure that the necessary procedures and systems are implemented to facilitate compliance with this requirement.

2. Short Seller will have to make delivery of the net shares involved in the Short Sale on the day of settlement.

10.17. CRITERIA FOR SECURITIES ELIGIBLE FOR SHORT SELLING:

Short Sale shall only be allowed in Category A of SLB Eligible Securities, as prescribed by the NCCPL from time to time, based on the criteria prescribed under the NCCPL Regulations.

10.18. PROHIBITION:

No Broker who has unsettled Margin Trading or Margin Financing Transactions as a financier on its Proprietary Account or on Clients' Accounts against delivery of securities shall use the same securities for Short Sale.

10.19. PUBLICATION OF REPORT:

The Exchange shall report at the close of market every day the aggregate volume of executed Short Sale for the information of public.

10.20. TEMPORARY PROHIBITION ON SHORT SALE:

The Board may with the prior approval of the Commission and after notice to the Brokers, temporarily prohibit Short Sale completely for a specified period with any extension thereof.

10.21. DISCIPLINARY ACTION(S) ON NON-COMPLIANCES:

In case of non-compliance of any of the above provisions, the disciplinary actions shall be taken in accordance with the relevant provision of Chapter 20 of these Regulations.

Chapter 11: FUTURES TRADING IN PROVISIONALLY LISTED COMPANIES

11.1. TRADING & ELIGIBILITY CRITERIA:

11.1.1. Trading in Futures Trading in Provisionally Listed Companies Market shall take place through the KATS and shall be conducted in accordance with this chapter of the PSX Regulations.

11.1.2. A company shall be eligible for trading under these Regulations if it satisfies the following conditions:

(a) The approved public offer including the premium amount, if any, shall not be less than Rs. 250 million.
(b) The company's prospectus has been cleared by the Exchange and the company has been notified by the Exchange to be provisionally listed for trading under these Regulations from the date of publication of prospectus or a date as may be specified by the Exchange.
Provided that in the event of non-holding of ballot for the allotment of the shares due to under subscription of the issue / offer or in the event the number of applications received for subscription of shares is less than two thousand five hundred, then trading in shares of a company which is provisionally listed shall be suspended by the Board till the time the company is formally listed on the Exchange.
Notwithstanding such suspension of trading, the transactions executed before such suspension shall be deemed to be valid and remain binding on the parties concerned.
(c) The company has not followed the process of book building for determination of offer price of the shares being listed.
(d) The shares of such company are not already listed at the Exchange.

11.1.3. *CONTRACT TRADING*:

While opening trading on the provisionally listed contract, the Exchange shall notify the name of the company, date of opening of such contract, the market lot for trading, clearing and settlement schedule, maximum number of shares that can, at the close of any trading day, remain outstanding in that scrip in any Broker's account, the date of removal of the company from the Futures Contract in provisionally listed companies and other relevant details governing such contracts.

Provided that the Exchange may extend the date of settlement if the company has not delivered the shares physically and/or credited the shares into CDS as per agreed time schedule.

11.1.4. When a buyer / seller accepts offer / bid of a contract (quantity of shares) the contract with the specifications as mentioned in Annexure-I attached hereto shall be deemed to have taken place between buyer/seller.

11.1.5. All offers/bids made may be accepted for up to the limit of the offer/bid and the Broker making an offer/ bid shall be bound to buy or sell such quantity of contracts as is agreed to be taken up.

11.1.6. All trades in the provisionally listed companies under these Regulations shall be conducted by Brokers for and on behalf of their clients or for their own proprietary position under registered Client Codes duly mapped with UIN.

11.1.7. Maximum up to 3% of shares offered to the General Public can remain outstanding at the close of any trading day in a Broker's account and 1.5% in a single UIN's account in a company listed under these Regulations.

11.2. DEPOSIT OF MARGINS:

11.2.1. Trading in Provisionally Listed Securities Contracts shall be subject to collection of Margins in the manner and form as prescribed under the NCCPL Regulations.

11.2.2. Any Broker can enter into trading in the Futures Trading in Provisionally Listed Companies Market if he notifies to the Exchange in writing of such desire.

11.2.3. In case a Broker delays any payment to the NCCPL beyond the specified time, its Initial Margin requirement (deposit payable) will be changed in accordance with the NCCPL regulations.

11.2.4. All deposits for particular scrip shall be subject to first lien for payments to be made against transactions outstanding in that scrip.

11.3. RISK MANAGEMENT AND FINAL CLEARING & SETTLEMENT:

11.3.1. The MtM Losses shall be calculated in the manner as prescribed under the NCCPL Regulations.

11.3.2. The related MtM Losses shall be paid by the Brokers to the NCCPL in the manner as prescribed under the NCCPL Regulations.

11.3.3. The related MtM Profits, arising from fluctuations in price in particular scrip shall be treated in the manner as prescribed under the NCCPL Regulations.

11.3.4. There shall be Final Clearing on last trading day of the Contract Period at the weighted average rate of the trades of respective Brokers on T+3 settlement basis.

11.3.5. The scrip-wise outstanding positions of a Broker's proprietary account and his client(s)' accounts shall be revalued at respective weighted average price for settlement in accordance with NCCPL Regulations.

11.3.6. The system shall consider such revalued amounts as the traded values, based on which Exposures will be calculated by NCCPL in accordance with NCCPL Regulations.

11.3.7. Total MtM Losses collected up to the Final Settlement Day on account of a particular company provisionally listed under these Regulations shall be adjusted by NCCPL in accordance with the NCCPL Regulations.

11.3.8. The NCCPL may announce a special clearing in particular scrip in accordance with the NCCPL Regulations. In case special clearing is announced, trading in the scrip shall be suspended by the Exchange upon receipt of Notice from NCCPL. The market shall open upon receipt of subsequent notice from NCCPL in accordance with the NCCPL Regulations.

11.4. REFUSAL OF FORMAL LISTING:

In case formal listing of any company provisionally listed is refused by the Exchange for any reason whatsoever, all transactions made till the trading day of the refusal shall stand null and void. In such eventuality, all deposits and clearings, received by the Exchange/NCCPL shall be refunded to the respective Brokers.

11.5. BROKERS' DEFAULT:

In case of default by any Broker, default proceedings shall be undertaken by the Exchange and/or the NCCPL, pursuant to their respective Regulations.

Annexure-I

CONTRACT SPECIFICATIONS OF FUTURES TRADING IN PROVISIONALLY LISTED COMPANIES

Company Name	Valid Company Name approved by the Exchange
Company Code	Valid Company code assigned by the Exchange
Contract Size	Number of Shares
Maximum Price Fluctuation During the Contract Period	Rs. 50 or 100%, whichever is lower from the first trading day`s Closing Price
Regular Trading Hours	As prescribed in the Trading System Regulations and notified by the Exchange from time to time.
Daily Price Limits	As applicable under the Regulations Governing Risk Management of the Exchange.
Opening of Contract	Valid Date
Expiration Date/ Last Trading Day	Valid Date
Settlement	Valid Date
Date of Removal of Company from Futures Contract	Valid Date
Maximum No. of shares that can remain outstanding	The no. of shares that could remain outstanding at the close of any trading day in any Broker's Account or in a single UIN's Account.
Exposure Margins	As applicable under NCCPL Regulations.

Chapter 12: MARKET MAKERS REGULATIONS

12.1. DEFINITIONS:

In this chapter, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

(a) "Designated Market Making Period" shall mean the period, designated by the Exchange, within normal trading hours, during which the Market Maker shall have to submit both bids and offers, either sequentially or simultaneously;
(b) "Designated Product" shall mean any of the securities as defined in Section 2(1)(l) of Securities and Exchange Ordinance, 1969, listed on the Exchange and declared eligible for Market Making by the Exchange with prior approval of the Commission;
(c) "Designated Broker" shall mean a corporate Broker performing market making activities on behalf of the financial institution through a bilateral arrangement who shall make available the bids and offers either sequentially or simultaneously in the Designated Product;
(d) "Market Maker" shall mean a Corporate Broker of the Exchange permitted under these Regulations or a financial institution which satisfies the eligibility criteria devised by the Exchange with prior approval of the Commission to function as a Market Maker in terms of Market Making Agreement;
(e) "Market Making Agreement" shall mean an agreement executed between the Market Maker and the Exchange to perform market making activities under these Regulations;
(f) "Market Makers Inventory" shall mean quantum of Designated Product or its underlying constituent securities that a Market Maker shall be required to maintain in its market making portfolio to facilitate the market making activities in the Designated Product;
(g) "Market Making Order/Quote" shall mean a valid order/quote entered by the Market Maker into the automated trading platform provided by the Exchange for the Designated Product;
(h) "Spread Limit" shall mean the maximum difference between the offer price and the bid price that are quoted by the Market Maker for each Designated Product as prescribed under these Regulations. Provided that the bid or offer price shall not exceed the applicable circuit breaker limits for the Designated Product.

12.2. SELECTION OF DESIGNATED PRODUCTS FOR MARKET MAKING:

12.2.1. The Exchange shall formulate the eligibility criteria for selection of Designated Products eligible for market making from time to time with prior approval of the Commission.

Provided that all ETFs shall be classified as Designated Products eligible for market making and shall not be subject to the eligibility criteria formulated by the Exchange under this Regulation. The AP for the ETF shall act as one of the Market Makers for that ETF under these Regulations.

12.2.2. Such eligibility criteria shall, inter-alia, include that securities having any of following characteristics in the respective markets during the review period shall not be eligible for market making:

(a) Securities that have been traded more than 50% of the trading days during the review period;
(b) Securities with average daily value of trades exceeding Rs. 5,000,000/-;
(c) Securities where the company is on Defaulters Segment in the process of de-listing and/or whose trading is suspended, declared non-tradable and with net worth erosion above 50%; or
(d) Securities with impact cost less than one in respective market.

12.2.3. The Exchange shall carry out a review of the list of eligible securities for market making annually based on data of last six months under intimation to the Commission.

12.2.4. The Exchange shall give at least 30 days prior notice to the market participants before including or excluding any security from the list of eligible securities for market making.

12.2.5. The Exchange shall disseminate the list of eligible securities for market making in September every year on the basis of data available for the preceding six months. Securities excluded from the said list, shall not be eligible for market making as Designated Product for next tenure of market making.

12.3. APPOINTMENT OF MARKET MAKER AND ANCILLARY MATTERS:

12.3.1. A person shall be eligible to be appointed as a Market Maker if such person:

(a) is:

(i) a Corporate Brokerage House; or
(ii) a financial institution which satisfies the eligibility criteria devised by the Exchange with prior approval of the Commission. In such case, the application shall be accompanied with prior written consent from Designated Broker.

(b) has a minimum equity (net of provisions and capitalized losses if any) of Rs.100 million as per latest audited financial statements as a measure of financial stability;

12.3.2. The Exchange shall invite applications from the eligible persons (hereinafter referred to as the "Applicant") referred under 12.3.1. above who are desirous to act as Market Makers for any Designated Product. Provided that in the case of the ETF, the Applicant may apply for appointment as Market Maker prior to the formal listing of relevant ETF units on the Exchange.

12.3.3. The applicant shall provide to the Exchange the following along-with the application under 12.3.2. above:

(a) Application for appointment as a Market Maker as per Form-I;
(b) Undertaking to comply with these regulations and to adhere to Market Making Agreement as per Form-II;
(c) The most recent audited annual accounts, quarterly accounts and net capital balance certificate;
(d) Details of all other businesses of the Applicant, if any, e.g. investment banking, financial consultancy service, money market participation etc.;
(e) Name(s), address(es), qualification(s) and contact detail(s) of Market Maker's agent(s) and/or trader(s) authorized for market making activities;
(f) In case of a financial institution, prior written consent obtained from the Designated Broker;
(g) Name(s), address(es), qualification(s) and contact detail(s) of staff of applicant having at least three years of relevant capital market experience;
(h) List of associates, subsidiaries, holding company etc. with total shareholding mentioned therein;
(i) A refundable minimum security/basic deposit as prescribed in the Deposit, Fees, Contribution and other Sums Schedule; and
(j) In the case of funds that have not yet been listed by the Exchange as ETFs under these Regulations, the applicant shall provide a Consent Letter to the Exchange from the AMC relating to such fund certifying that such AMC intends to appoint the Applicant as AP for the ETF.

12.3.4. The Applicant shall properly disclose his business relationship during the last one year with the company in respect of whose security he desires to act as a Market Maker especially if the Applicant generates or has generated business from such company directly or indirectly through investment advisory, underwriting or any other material business transaction.

12.3.5. The Applicant shall be obliged to provide any missing or additional information within such time as may be specified by the Exchange. In case the Applicant fails to comply with the requirements of these Regulations and/or provide the required information/documents within the specified time or any extension thereof, his application shall be rejected by the Exchange.

12.3.6. The Exchange may require the Applicant to demonstrate to the satisfaction of the Exchange that it is suitably qualified to make a market in the Designated Product(s) in respect of which the application is made. Further, the Exchange may conduct the on-site inspection to ensure the availability of requisite infrastructure with the Applicant.

12.3.7. At the time of scrutinizing the application, the Exchange shall evaluate the Applicant based on the criteria as specified from time to time relating to integrity, trading experience, infrastructure, business continuity arrangements, internal information security procedures, risk management policy/procedures and the suitability of persons to be engaged in market making activities as agent/trader in each Designated Product.

12.3.8. If the Exchange is satisfied that the Applicant is eligible to carryout market making activities and the requisite documents including Market Making Agreement have been submitted as required under these Regulations, the Exchange shall appoint such Applicant as a Market Maker for a period of one year renewable every financial year and communicate the same in writing to the Market Maker specifying the date and time of commencement of his tenure as a Market Maker.

Provided that in case of an Applicant desirous of acting as a Market Maker for an ETF, the Exchange shall, if satisfied, appoint such Applicant as Market Maker conditionally for a period of one year and its term shall start from the date of formal listing of such ETF on the Exchange. If the Market Maker fails to comply with the requirements as prescribed under these Regulations or the fund is not listed as an ETF at the Exchange, the appointment of the Market Maker shall be cancelled.

12.3.9. There shall not be more than five Market Makers at any time for any Designated Product, who shall enter into an agreement with the Exchange for acting as the Market Maker. The agreement shall contain such terms and conditions as the Exchange may in its absolute discretion consider appropriate.

12.3.10. The Exchange may, from time to time, prescribe or modify the following:

(a) The maximum allowable Designated Product(s) in which a Market Maker may perform market making activities;
(b) The evaluation criteria for evaluation of application for appointment of Market Maker; and
(c) The criteria for evaluation of performance of the Market Maker(s).

12.3.11. A Market Maker may resign after three months of commencement of its term by providing the Exchange at least two months' prior written notice along with the reasons for resignation and specifying the effective date of resignation, provided that a substitute Market Maker in the Designated Product acceptable to the Exchange is ready to take the outgoing Market Maker's role and responsibilities for the remaining period of the said term.

Provided that in case of an ETF, the AP shall provide a No Objection Certificate to the Exchange from the AMC certifying that the AMC has appointed a substitute AP and intends to terminate its APA with the AP which has tendered its resignation as Market Maker.

12.3.12. In case of renewal of a Market Making Agreement, the Market Maker shall be required to submit request for reappointment at least two months prior to the expiry of previous appointment and the Exchange shall decide such renewal request before one month of expiry of its tenure. Alternatively where a Market Maker does not wish to continue as Market Maker,

it shall have to inform the Exchange about its intention before the commencement of last quarter of its tenure. The market shall be intimated about a new appointee, 30 days prior to its formal functioning as a Market Maker.

Provided that in case of an ETF, the AP shall be required to comply with the requirements specified in the proviso to 12.3.11. above.

12.3.13. The decision of the Exchange in respect of the acceptance or rejection of application of an Applicant shall be final and conclusive. The permission by the Exchange to act as Market Maker shall be non-exclusive, non-transferable and subject to such conditions as may from time to time be prescribed by the Exchange in its absolute discretion.

12.4. MARKET MAKING AGREEMENT:

The activities of a Market Maker shall be governed by these Regulations and Market Making Agreement, which shall, inter-alia, includes the following:

(a) Rights and obligations of the Market Maker in the Designated Product;
(b) Duration of the Market Making Agreement and renewals thereof provided that such duration of agreement shall be at least one year;
(c) Conditions under which Market Making Agreement may be terminated;
(d) Cash and/or agreed Market Making Inventory that the Market Marker shall be obligated to maintain on daily basis and/or lowest volumes threshold for a trading day to fulfill Market Making obligation;
(e) Time window during trading hours that the Market Maker shall be obliged to ensure presence on the order book;
(f) The maximum spread between the bid and offer price that Market Maker may maintain for the Designated Product;
(g) Minimum, maximum and normal order size with agreed specifications;
(h) The applicable transaction fees (Laga), inventory holding cost i.e. CDC Custody Fee etc.;
(i) Minimum and Maximum Market Making Inventory size shall be linked with Free-Float/total issue size of Designated Product which the Market Maker is obliged to maintain at the end of each trading day; and
(j) Minimum liquidity for each Designated Product.

12.5. CIRCUIT BREAKERS AND MARKET HALTS:

The security-wise circuit breakers imposed by the Exchange from time to time shall also be applicable on Designated Products.

Further, the Market Maker may not be required to enter two-way quotes where the Designated Product continuously trades for fifteen minutes within one percent below the applicable circuit breakers. Provided that in case of an ETF, the AP may only withdraw quotes as per the conditions covered in its APA with the AMC of such ETF.

12.6. MAXIMUM SPREADS:

12.6.1. Market Makers shall be required to enter two-way prices within the applicable circuit breakers and Spread Limits. For Designated Products, the maximum Spread Limits shall be as under:

(a) **Band 1: Liquid Securities:** 2% or less of the last executed price. This spread limit shall be applicable to securities which have average daily turnover of less than 200,000 shares per trading day or traded between 50% to 40% of the total traded days during the review period. (This applies to securities which have average daily turnover of less than 200,000 shares/trading day or traded on less than 75% of the traded days).
(b) **Band 2: Less Liquid Securities:** 3% or less of the last executed price. This spread limit shall be applicable to securities which have average daily turnover of less than 100,000 shares per trading day or traded between 40% to 30% of the total traded days during the review period. (This applies to Securities which have average daily turnover of less than 100,000 shares/trading day, or traded on less than 60% of the traded days).
(c) **Band 3: Least Liquid Securities:** 5% or less of the last executed price. This spread limit shall be applicable to securities which have average daily turnover of less than 50,000 shares per trading day or traded below 30% of the total traded days during the review period.
(d) In the case of ETFs, the Exchange shall specify the maximum Spread Limits from time to time with the prior approval of the Commission.

12.6.2. Where deemed necessary, the Exchange may alter the above Spread Limits from time to time with prior approval of the Commission.

12.7. MARKET MAKER'S ORDERS/QUOTES:

12.7.1. The minimum size of Market Making Orders/Quotes shall be at least 50 shares or ETF units, whichever is applicable.

12.7.2. It shall be obligatory for a Market Maker to replenish its orders/quotes within 90 seconds following full execution, withdrawal, expiration or any change in the price of either bid or offer.

12.7.3. The Market Making Orders/Quotes are to be maintained on both sides during Designated Market Making Period as mentioned in the Market Making Agreement which may be after 15 minutes of the pre-opening session and 30 minutes before the market's official closing time.

12.7.4. Market Making Orders/Quotes are to be maintained throughout the Designated Market Making Period, as specified in the Market Making Agreement.

12.8. FUNCTIONS AND OBLIGATIONS OF MARKET MAKER:

12.8.1. The Market Maker shall, at all times, comply with the applicable regulatory and contractual obligations.

12.8.2. The Market Maker shall maintain a sufficient inventory for each Designated Product subject to the minimum and maximum inventory requirements for market making activities. The agreed quantity of the Market Makers' Inventory shall be stipulated in Market Making Agreement.

12.8.3. The Market Maker shall be obliged to make available both buy and sell orders/quotes during the Designated Market Making Period.

12.8.4. The Market Maker shall be allowed Short Selling in all Designated Products, excluding ETFs unless explicitly provided in these Regulations. However, such Short Sale shall be executed in accordance with the chapter 10 pertaining to Ready Delivery Contracts of these Regulations.

12.8.5. The Market Maker shall notify all Short Sales executed to the Exchange at the end of the trading day through automated interface provided by the Exchange. However, the Market Maker shall not be required to declare such orders/quotes through the special window for Short Sale order while placing such orders/quotes.

12.8.6. Market Maker shall have sufficient pre-existing interest at the end of each Short Sale trading day to validate that the Market Maker can deliver the quantity sold short during the trading day.

12.8.7. The Market Maker shall be obliged to replenish its orders/quotes within 90 seconds subsequent to execution of already queued orders/quotes, within the Designated Market Making Period.

12.8.8. The Market Maker shall keep its market making activities separate from other trading activities. For this purpose, the Market Marker shall:

(a) Register separate UIN and allocate client code(s) for market making activities;
(b) Maintain separate ledger account(s);
(c) Open and maintain separate CDC Account for Market Making Inventory; and
(d) Ensure that any of its authorized agent(s)/trader(s) for market making activities shall not indulge in normal trading activities during Designated Market Making Period.

12.8.9. The Market Maker must maintain sufficient and appropriate risk management control procedures for its designated agent(s)/trader(s).

12.8.10. The Market Maker shall be fully responsible for any act or omission or non-compliance of trading rules and/or Market Making Agreement by its authorized agent(s)/trader(s).

12.8.11. The Market Maker shall pay transaction fees and other levies as specified by the Exchange from time to time. The Exchange may, subject to satisfactory performance of the Market Maker, allow such Market Maker reasonable discount(s), partial or complete waiver of transaction fees excluding contributions to the CHPF, CCPF and other regulatory levies and also distribute in full or in part the transaction fees to the respective Market Maker collected from counterparty involved in trades executed with the former.

Provided that the Market Maker cannot claim waiver, discount(s) in transaction fees or sharing of counterparty transaction fee as a matter of right.

12.8.12. If the Market Maker fails to fulfill its obligations in accordance with the Market Making Agreement for any specific period, the Exchange may impose normal transaction fee for all executed trades carried out by the Market Maker during the period in question or refuse the application of reduced fee facility which may otherwise be available to Market Maker.

12.8.13. The Market Maker shall provide any information/explanation of any actions, as required by the Exchange from time to time, in relation to its market making activities.

12.8.14. The Market Maker, subject to Market Making Agreement, may request the Exchange for any privileged information necessary for performance of its market making activities. However, such information shall not contain Broker and client level information.

FORM-I

FORM OF APPLICATION

The General Manager

Pakistan Stock Exchange Limited

Karachi.

APPLICATION FORM FOR APPOINTMENT AS MARKET MAKER

We hereby apply for Appointment as Market Maker at the Pakistan Stock Exchange Limited in accordance with these regulations. Our brief particulars are as under:

1. Complete company name (no abbreviations)

2. Company registration number

3. Broker registration number and date of expiry of said registration and in case of a Financial Institution, the particulars of Designated Broker including name, broker registration number and date of expiry of its registration.

4. Registered office address and contact details, in case the location at which market making activities will be undertaken is different, please provide complete address and contact details of such location

5. The name(s) and symbol(s) of the Designated Product(s) for which market making activities will be carried out.

We declare that the information given in this form is true to the best of our knowledge and belief and that if any change occurs in the information given in this application and the accompanying documents, we shall report the same to the Exchange on the same day on which the change occurs.

_____

Name and Signature of Authorized Person

FORM-II

FORM OF UNCONDITIONAL UNDERTAKING

In pursuance to these Regulations, we _____having our registered office at _____ hereby undertake and bind ourselves as under:

1. That we undertake to comply the requirements under these Regulations of the Exchange as amended from time to time; and

2. That we undertake to adhere to Market Making Agreement with the Pakistan Stock Exchange Limited.

Yours faithfully,

_____ _____

Chief Executive/Authorized person Common seal of Company

Chapter 13: DELIVERABLE FUTURES CONTRACT MARKET REGULATIONS

13.1. DEFINITIONS:

In this chapter, unless the subject or context otherwise requires:

(a) "Current Contract" shall mean a Deliverable Futures Contract of a security which will be expiring within the current calendar month.
(b) "Daily Settlement Price" shall mean the Closing Price in the Deliverable Futures Contract Market.
(c) "Deliverable Futures Contract" shall mean Standardized Stock Futures contract which shall be trading under Deliverable Futures Contract Market and settled/delivered in accordance with these Regulations as amended from time to time.
(d) "Final Settlement Price" shall mean the Closing Price of the underlying security in the Ready Market on last trading day of the Current Contract.
(e) "Next Contract" shall mean a Deliverable Futures Contract which will be expiring within next calendar month."

In this chapter, unless there is anything repugnant in the subject or context, words importing the "masculine gender" shall include the "feminine gender / corporate entities".

13.2. CONTRACT SPECIFICATIONS:

13.2.1. The Contract specifications for the Deliverable Futures Contract as determined by the Board and approved by the Commission and attached to this chapter as Annexure-A shall form part of these Regulations.

13.2.2. Deliverable Futures Contract shall be for the period specified by the Exchange through a Notice but shall not be for a period less than one calendar month. However, where a corporate announcement is expected in scrip, during a Deliverable Futures Contract period, the Exchange shall be allowed to open more than one Deliverable Futures Contract of shortened periods in such scrip, in a month, on cumulative basis and excluding any announcement/entitlement. Deliverable Futures Contract for different months shall trade simultaneously.

13.2.3. While opening any Deliverable Futures Contract, the Exchange shall notify the name of the company, date of opening, date of settlement of the said contract and other relevant details.

13.2.4. New Deliverable Futures Contract period shall start at least two trading days before the close of the old Deliverable Futures Contract.

13.3. ELIGIBILITY OF SECURITIES:

13.3.1. The securities eligible for trading in the Deliverable Futures Contract Market shall be determined and the Deliverable Futures Contract shall be implemented by the Exchange every six month in accordance with the requirements prescribed for final review and notice period under the Uniform Criteria.

13.3.2. The securities selected biannually under 13.3.1. above, shall be reviewed in accordance with the requirements for interim review as prescribed in Uniform Criteria.

Provided that the above requirement of interim review shall be waived where the implementation date of interim review coincides with that of final review.

13.4. DELIVERABLE FUTURES CONTRACT TRADING:

13.4.1. Trading in Deliverable Futures Contracts shall be conducted under these Regulations with such modifications, alterations and additions as may be made from time to time by the Board with prior approval of the Commission.

13.4.2. Trading in Deliverable Futures Contract shall take place through KATS.

13.4.3. When a buyer/seller accepts offer/bid of a Deliverable Futures Contract, the said Contract with the specifications as mentioned in Annexure I attached hereto shall be deemed to have taken place between the buyer and the seller.

13.4.4. All offers/bids made may be accepted for up to the limit of the offer/bid and the Broker making an offer/bid shall be bound by the terms of the Deliverable Futures Contract.

13.4.5. All trades in the Deliverable Futures Contract Market shall be conducted by Brokers for and on behalf of their clients or for their own proprietary position under registered client codes duly mapped with the UIN.

13.4.6. During the overlapping period of Deliverable Futures Contract of two consecutive months, a Broker shall be allowed to enter into, and buy orders in the Next Contract to the extent of his net-buy proprietary position or on behalf of net-buy positions of his clients in the same security in the Current Contract, using a special window designated in the KATS for switching of net buy position from Current Contract to Next Contract. After execution of an order entered through the said special window, two opposite Deliverable Futures Contracts shall be generated in the same security with the same counterparty i.e. one sell Deliverable Futures Contract at the market price prevailing at the time of execution of such order in the Current Contract and one buy Deliverable Futures Contract at the matched Price on time-price priority through KATS in the Next Contract.

During the overlapping period normal rollover for selling and buying separately in two different Deliverable Futures Contracts shall continue as per current practice.

13.5. BLANK SALE AND COMPLIANCE:

13.5.1. A Broker on its proprietary or clients' accounts on UIN basis shall be allowed to make Blank Sale up to 0.5% of the Free-Float of a scrip or Rs.50 million, whichever is higher, in the Deliverable Futures Contract Market subject to maximum blank sale of 3.0% of the Free-Float of a scrip by such Broker for all its accounts including proprietary and clients' accounts at any given time during a Contract Period.

13.5.2. The Broker on its proprietary account or client's account in Deliverable Futures Contract Market shall execute:

(a) Sale through normal sale order window in the system if the broker or the client, as the case may be, either owns the securities or has a Pre-Existing Interest;
(b) Blank Sale within the threshold permitted under sub-clause 13.5.1 above through special order window designed in the Trading System for Blank Sale.

Provided where the Broker executes Sale through the special order window as mentioned in sub-clause (b) of this clause or executes Blank Sale through the sale order window as mentioned in sub-clause (a) of this clause due to inadvertent mistake, such Broker shall be required to modify such sale through the interface provided in the Trading System for this purpose during the sale modification session. Such modification session shall be subject to a fee as per the Deposit, Fee, Contribution and Other Sums Schedule.

Provided further that in case the Broker fails to modify such sale during the sale modification session, the Exchange shall take disciplinary actions as provided in Regulation 20.9.

13.5.3. Pre-Existing Interest in order to remain qualified for this purpose should continue to exist until the sale position in the Deliverable Futures Contract Market is squared off or settled at the expiry of the Deliverable Futures Contract.

13.6. MARGINS:

13.6.1. Any Broker may enter into Deliverable Futures Contracts under these Regulations if he notifies in writing to the Exchange his desire for trading in the Deliverable Futures Contract Market.

13.6.2. Each Broker entering into Deliverable Futures Contract shall pay Mark-to-Market Losses in accordance with NCCPL Regulations.

13.6.3. The scrip-wise outstanding positions of Brokers' proprietary account and his client(s) accounts will be revalued at relevant Daily Settlement Price and shall be transferred to the next trading day. The system shall consider such revalued amounts as the traded values, based on which Exposures will be calculated.

13.6.4. In case of failure of any Broker to deposit Exposure Margins/MtM Losses, it shall be subject to such conditions and requirements as prescribed under the NCCPL Regulations.

13.6.5. In case a Broker delays any payment to the NCCPL for meeting any of its obligations in the Deliverable Futures Contract Market beyond the specified time, it shall be subject to such conditions and requirements as prescribed under the NCCPL Regulations.

13.7. CLEARING AND SETTLEMENT:

13.7.1. The NCCPL shall receive payments from Brokers as per the NCCPL Regulations. In case any Broker fails to make any payment to the NCCPL in accordance with the NCCPL Regulations, default proceedings shall be initiated against that Broker under relevant PSX Regulations and NCCPL Regulations.

13.7.2. In the event of declaration of dividend, bonus, right and privileges pertaining to securities being traded in the Deliverable Futures Contract Market for which the share transfer books of the company are to be closed during the pendency of the settlement, the Exchange shall predate the last day of business and the settlement date of that particular security before the book closure date.

13.7.3. *DAILY CLEARING*:

(a) There shall be Daily Clearing at the Daily Settlement Price in accordance with the NCCPL Regulations.

(b) The treatment of MtM Profits shall be in the manner as prescribed under the NCCPL Regulations.

13.7.4. *FINAL CLEARING AND SETTLEMENT*:

(a) There shall be Final Clearing on last trading day of Contract Period at Final Settlement Price of that trading day on T+2 settlement basis through NCCPL in the manner as prescribed under the NCCPL Regulations.

(b) MtM Profits withheld by the NCCPL will be paid to the respective Brokers in accordance with the NCCPL Regulations.

13.7.5. *SPECIAL CLEARING*:

The NCCPL may announce a special clearing in a particular Deliverable Futures Contract in the manner as prescribed under the NCCPL Regulations.

In case special clearing is announced, trading in particular security/securities shall be suspended by the Exchange upon receipt of Notice from NCCPL. The market shall open upon receipt of subsequent notice from NCCPL in accordance with the NCCPL Regulations regarding settlement of MtM losses.

13.8. SUSPENSION OR DISCONTINUATION OF DELIVERABLE FUTURES CONTRACT MARKET:

13.8.1. The Board may at any time, with the prior written approval of the Commission and on such conditions and manner if any as the Commission may specify, permanently discontinue the Deliverable Futures Contract Market, or temporarily suspend the operation of the said market for a specified period of time.

13.8.2. The Board shall, if instructed by the Commission to do so and on such conditions and manner as the Commission may specify, permanently discontinue the Deliverable Futures Contract Market or temporarily suspend the operation of the said market for a specified period of time.

13.9. PUBLICATION OF BLANK SALE REPORT:

The Exchange shall report at the close of market every day the aggregate volume of executed Blank Sale for the information of public.

13.10. DISCIPLINARY ACTIONS ON NON-COMPLIANCES:

In case of non-compliance of any of the above provisions, the disciplinary actions shall be taken in accordance with the relevant provisions of Chapter 20 of these Regulations.

Annexure-A

CONTRACT SPECIFICATIONS OF DELIVERABLE FUTURES CONTRACT

Contract Size	500 Shares
Position Limits	As prescribed under NCCPL Regulations, as amended from time to time.
Daily Price Limits	As provided under chapter 19 of these Regulations pertaining to Risk Management, as amended from time to time.
Contract Period	1 calendar month
Opening of Contract	Monday, preceding the last Friday of the month, if Monday is not a trading day, then immediate next trading day.
Overlapping Period	Maximum Five Trading Days (not less than two trading days).
Expiration Date/ Last trading day	Last Friday of the calendar month, if last Friday is not a trading day, then immediate preceding trading day.
Settlement	T+2 settlements falling immediately after the close of contract.
Depository of underlying security	Central Depository Company of Pakistan Limited

Chapter 14: CASH-SETTLED FUTURES CONTRACT MARKET REGULATIONS

14.1. DEFINITIONS:

(a) "Contract Multiplier" shall mean, the number of underlying shares in the CSF Contract, in the manner prescribed in Annexure-A to this chapter. The CSF contract multiplier is subject to change when adjustments are made with respect to corporate actions;
(b) "CSF Contract" shall mean, Standardized Cash-Settled Stock Futures Contract;
(c) "CSF Market" shall mean the market where Cash Settled Futures Contracts are traded;
(d) "Daily Settlement Price" shall mean the Closing Price in the Cash-Settled Futures Contract Market;
(e) "Final Settlement Price of a scrip" shall mean, The average bid/ask quote of the scrip in the Ready Delivery Contract Market which would be calculated as a ratio of A/B where "A" equals the sum of market bid and ask prices taking the best bid and best ask price of the scrip during each one minute interval for last two hour trading on the last trading day of the Contract or where no trading takes place on that day, the immediate preceding trading day. "B" equals the total number of bid and ask prices sampled i.e. 240. The final settlement price thus arrived at shall be rounded to the nearest paisa per unit or other such amount per unit determined by the Exchange;
(f) "Open Interest in a Scrip" shall mean the total number of Contracts, of a Broker and his clients, of a scrip that have not been offset and closed at any point in time by an opposite transaction. For calculation of open interest only one side of the Contracts is counted;
(g) "Open Position in a Scrip" shall mean the sum of long and short positions of a Broker and his clients at any point in time in a Contract for that scrip.

14.2. TRADING:

14.2.1. Trading in CSF Contracts shall take place through KATS.

14.2.2. Any Broker may enter into CSF Contracts under this chapter subject to prior notification in writing to the Exchange.

14.2.3. *ELIGIBILITY OF SECURITIES:*

(a) The securities eligible for trading in the CSF Market shall be determined and implemented by the Exchange every six month in accordance with the requirements prescribed for final review and notice period under the Uniform Criteria.
(b) The securities selected biannually under 14.2.3.(a). shall be reviewed in accordance with the requirements for interim review as prescribed in Uniform Criteria.

Provided that the above requirement of interim review shall be waived where the implementation date of interim review coincides with that of final review.

14.2.4. The Contract specifications for the CSF Contract as determined by the Board and approved by the Commission and attached hereto as Annexure-A, shall form part of these Regulations.

14.2.5. When a buyer/seller accepts a bid/offer of a CSF Contract, the said Contract with the specifications as mentioned in Annexure-A attached hereto this chapter shall be deemed to have been taken place between the buyer and the seller.

14.2.6. All offers/bids made may be accepted for or up to the limit of the offer/bid and the Broker making an offer/bid shall be bound by terms of the CSF Contract.

14.2.7. Upon opening of any CSF Contract, the Exchange shall notify the name of the company, dates of opening, closing and settlement of the said Contract and other relevant details as mentioned in Annexure-A to this chapter.

14.2.8. There shall be one standardized 90 days CSF Contract which shall be issued each month on the first trading day following last Friday of each month for each eligible security. However, the Exchange shall also have discretionary powers to introduce a contract of 30 and/or 7 days. The 30 and 90 days contracts shall expire on the last Friday of the respective month of the Contract whereas the 7 days contracts shall start on each Monday or first trading day of the week and shall expire on each Friday (or last working day of the week). No overlapping period is allowed in the CSF Contracts.

The CSF Contracts shall be identified by the trading symbols of the underlying eligible securities under the respective CSF Contracts and such trading symbols shall be decided by the Exchange.

14.2.9. The expiration date/last trading day shall be the last Friday of the respective calendar month in which the 30 or 90 days CSF Contract shall expire and/or each Friday of the week in case of 7 days Contract. If the relevant Friday is a trading holiday, then the respective CSF Contract shall expire on the preceding trading day.

14.2.10. In a 90 days CSF Contract, the CSF Contract Multiplier will be adjusted for corporate actions like bonus issue or right issue in the underlying scrip. The adjustment will take effect from the day on which trading in Ready Delivery Contract Market commences on ex-entitlement basis. For example; when the CSF Contract Multiplier is 500 and there is a 1-for-2 bonus share issue (i.e. for every 2 existing shares, the holder gets one additional share), the CSF Contract Multiplier will be adjusted to 750 (500 x 3/2). When the Contract Multiplier is adjusted, the price of each share in the Contract will correspondingly be adjusted by the Exchange. In the above example, in case of bonus issue, the price of each share in the Contract will be adjusted to 2/3 of its Closing Price of the trading day which is just preceding to the day on which trading in Ready Delivery Contract Market commences on ex-entitlement basis. For instance, if the price was Rs 150 it would be Rs 100 (150 x 2/3). Similarly, when there is a 1-for-2 right issue, the CSF Contract Multiplier will be adjusted to 750 (500 x 3/2) on the ex-right date. When the CSF Contract Multiplier is adjusted, the CSF Contract price ruling on the ex-right date

will correspondingly be increased by the exercise price per share multiplied by 250. The adjusted price per share of the CSF Contract would increase, decrease or remain same, depending upon whether the right shares have been offered at a premium, discount or par respectively, to its Closing Price of the trading day which is just preceding to the day on which trading in Ready Delivery Contract Market commences on ex-right basis. The adjustment of CSF Contract Multiplier shall be applicable only to the CSF Contracts that are trading as of the corporate action date. When the next new Contract is traded its CSF Contract Multiplier shall be reinstated to the original lot size determined by the Board. (No mark to market differences by virtue of such adjustments shall be payable or receivable on the ex-entitlement date).

Provided that in case of 30 days CSF Contracts, in the event of declaration of bonus and/or right and/or cash dividend after commencement of Contract pertaining to a security being traded in the CSF Market for which the share transfer books of the company are to be closed during the pendency of the settlement, the Exchange shall predate the last day of trading and the settlement date of that particular security's Contract before the book closure date.

Provided further that in 30 and/or 7 days CSF Contracts where a company announces book closure for any one or more of the above mentioned entitlements before opening of the respective Contract and its book closure falls within the Contract Period, the corresponding 30 and/or 7 days Contracts shall be opened on the first trading day of that month/week on an ex-entitlement basis.

14.2.11. In case where the cash dividend is declared in a scrip, no adjustment would be made by the Exchange in the 90 days CSF Contracts.

14.3. CLEARING AND SETTLEMENT:

14.3.1. The NCCPL shall receive payments from Brokers on settlement days in accordance with the NCCPL Regulations. In case any Broker fails to make any payment to the NCCPL within the specified time, default proceedings shall be initiated against that Broker under relevant PSX Regulations and NCCPL Regulations.

14.3.2. *DAILY CLEARING AND SETTLEMENT*:

There shall be Daily Clearing at the Daily Settlement Price of the trading day and MtM Losses/Profits shall be settled in the manner as prescribed in the NCCPL Regulations.

Scrip-wise outstanding position of Brokers will be revalued at relevant Daily Settlement Price by NCCPL.

14.3.3. *FINAL CLEARING AND SETTLEMENT*:

Upon closing of the CSF Contract, final settlement shall take place on T+1 basis and the resulting profits or losses, calculated on the basis of "Final Settlement Price" shall be settled in cash. The payment and collection of profits or losses on final settlement to/from Brokers shall be carried out by the NCCPL within the stipulated time and in the manner as prescribed under the NCCPL Regulations.

14.3.4. *SPECIAL CLEARING AND SETTLEMENT*:

The NCCPL may announce a special clearing in a CSF Contract or all CSF Contracts or in a particular scrip or all scrips in a CSF Contract or all CSF Contracts, subject to the prior approval of the Commission, in the manner as prescribed under the NCCPL Regulations. In case a special clearing is announced, trading shall be suspended by the Exchange upon receipt of Notice from NCCPL. The market would remain suspended till further notice from the NCCPL. On resumption of the market, three new Contracts would open from the date of resumption in place of the three suspended Contracts, expiring on the original expiry date as per these Regulations.

Annexure-A

CONTRACT SPECIFICATION FOR CASH-SETTLED STOCK FUTURES CONTRACT

CSF Contract Multiplier	500 shares, subjected to changes when adjustments are made in respect to corporate actions. CSF Contract value = Futures price x CSF Contract Multiplier
Position Limits	As prescribed under NCCPL Regulations, as amended from time to time.
Daily Price Limits	As provided under chapter 19 of these Regulations as amended from time to time.
Period of Contract	90, 30 or 7 days
Opening of Contract	First Trading day of the next week following the close of the contract.
Overlapping Period	None
Expiration Date / Last Trading day	Last Friday of the calendar month/week, if last Friday is not a trading day, then immediate preceding trading day.
Final Settlement	Cash settlement on T+1 basis.
Final Settlement Price	As defined in these Regulations.
Daily Settlement Price	As defined in these Regulations.
Margin Requirements	VaR based Margins as prescribed under NCCPL Regulations.

Chapter 15: INDEX OPTION CONTRACTS MARKET REGULATIONS

15.1. DEFINITIONS:

In this chapter, unless the subject or context otherwise requires:

(a) "At the money" shall mean when the Exercise Price of the Option Contract is at the same level as the Exercise Settlement Index Level. All At the money Option Contracts shall, for the purpose of exercise be considered the same as Out of the money Option Contracts and expire without getting exercised at the end of the Option Contract;
(b) "Call Option" shall mean, the Option Contract which gives the buyer/holder a right to buy the Underlying Index at the Exercise Price at the end of a specified period as per the terms of these Regulations;
(c) "Contract Multiplier" shall mean, the numeric value of Rs. 5.00 or any other amount as may be prescribed by the Exchange from time to time with the prior approval of the Commission;
(d) "Contract Value" shall mean, the value of Option Contract arrived at by multiplying the Exercise Price with the Contract Multiplier;
(e) "Daily Settlement Price" shall mean, the Weighted Average of the index levels of the Underlying Index during the last hour of trading, multiplied by the Contract Multiplier and expressed in Pakistani Rupees;
(f) "European Style Option Contract" shall mean, an Option Contract, which shall only be exercised on the Expiration Day;
(g) "Exercise Price Interval" shall mean, the gap to be maintained between any two successive Exercise Prices as specified in the contract specifications of each Option Contract which the Exchange may prescribe with the approval of the Commission from time to time;
(h) "Exercise Price" shall mean, a fixed index level of the Underlying Index which the buyer/holder of Option Contract can buy (in case of Call Option), or sell (in case of Put Option) as per these Regulations;
(i) "Exercise Settlement Index Level" shall mean, the index level calculated based on a set of 121 readings of 15 second intervals (price points) of the underlying index levels taken between the last half an hour of trading. The highest and lowest 20 price points will be ignored and the closing price computed as an average of the remaining 81 price points will be the Exercise Settlement Price for the settlement of the Option Contract;
(j) "Exercise Settlement Value" shall mean, the difference between the Contract Value and the Exercise Settlement Index Level multiplied by the Contract Multiplier and its absolute value expressed in Pakistani Rupees on the Expiration Day;
(k) "Expiration Day" shall mean the day on which the final settlement obligations are determined in the Option Contract;
(l) "In the money" in case of Call Option shall mean, when the Exercise Price of the Option Contract is less than the Exercise Settlement Index Level and in case of Put Option shall mean, when the Exercise Price of the Option Contract is greater than the Exercise Settlement Index Level. All in the money Option Contracts shall be automatically exercised at the end of the Option Contract;
(m) "Open Interest" shall mean the total value and number of Option Contracts of a broker and his clients in a particular Underlying Index which have not been subject of offsetting transactions nor reached Expiration Day. For calculation of open interest only one side of the Option Contract is counted;
(n) "Option Contract" shall mean, a standardized Option Contract which gives the buyer/holder of the Option Contract the right (but not the obligation) to buy and/or sell the Underlying Index at the Exercise Price at the end of the Option Contract. The Option Contract shall be subject to these Regulations and as per the contract specifications provided in Annexure-A;
(o) "Option Seller" shall mean a buyer/holder who squares off an earlier open purchase position in an option contract by selling an option contract in the same Option Series and Option Type;
(p) "Option Series" shall mean, all Option Contracts of a particular Underlying Index having same Exercise Price and Expiration Day;
(q) "Option Type" shall mean the classification of an option as either a Put or a Call;
(r) "Option Writer" shall mean a broker or any other institution permitted by the Exchange to write Option Contracts based on the eligibility criteria devised by the Exchange with prior approval of the Commission;
(s) "Out of the Money" shall mean in case of Call Option, when Exercise Price of the Option Contract is greater than the Exercise Settlement Index Level and in case of Put Option, when Exercise Price of the Option Contract is less than Exercise Settlement Index Level. All Out of the money Option Contracts shall expire without getting exercised at the end of the Option Contracts;
(t) "Premium" shall mean the price obtained by the product of index points and the Contract Multiplier which the buyer of the Option Contract pays to the Option Writer and/or Seller of the Option Contract for the rights conveyed by the Option Contract. Premium shall be quoted in index points;
(u) "Put Option" shall mean the Option Contract which gives the buyer/holder a right to sell the Underlying Index at an Exercise Price at the end of a specified period as per the terms of these Regulations;
(v) "Underlying Index" shall mean the Index as may be defined by the Board for the purpose of trading in Index Options Market based on the criteria devised by the Exchange with prior approval of the Commission.

15.2. TRADING:

15.2.1. Trading in Option Contracts shall take place only through KATS.

15.2.2. Any Broker may enter into Option Contracts under these Regulations subject to prior notification in writing.

Provided that only a Broker who meets the eligibility criteria, as prescribed by the Exchange with prior approval of the Commission, may write Option Contract either for his proprietary position or on behalf of its institutional clients which also meet the eligibility criteria mentioned above.

15.2.3. All Option Contracts shall be on the format attached as Annexure-A with this chapter.

15.2.4. The Option Contract as specified in these Regulations shall be deemed to have been executed into when a buyer/seller accepts a bid/offer in the Index Options Market.

15.2.5. All offers/bids made may be accepted for or up to the limit of the offer/bid as prescribed by the Exchange from time to time and the Broker making an offer/bid shall be bound by the terms of the Option Contract.

15.2.6. Upon opening of any Option Contract, the Exchange shall notify the name of the Option Contract, the date of opening and closing of such Option Contract, the date of settlement and other relevant details governing such Option Contract as mentioned in Annexure-A to this chapter.

15.2.7. There shall be a minimum of fourteen standardized 90 days Option Contracts which shall be issued each month on the first trading day following last Friday of each month for each Underlying Index. The Exchange shall ensure that three In the Money, three Out of the Money and one At the Money Option Contracts in each Option Type shall remain available for trading at all times.

15.2.8. The Expiration Day for the 90 days Option Contracts shall be the last Friday of the third month of the Option Contract. If the last Friday is a trading holiday the Option Contract shall expire on the preceding trading day. No overlapping period shall be allowed in Options Contracts.

15.2.9. The Exchange shall issue Option Contracts of same Expiration Day at new Exercise Prices on real-time basis using 50 points Exercise Price Interval based on the level of the Underlying Index.

15.2.10. Trading shall be permitted only in available Option Series and opening of new Option Series shall not affect other Option Series opened previously.

15.2.11. Only an eligible Option Writer shall be allowed to write an Option Contract without any open purchase position in such Option Series. Provided that a buyer/holder of an Option Contract may sell an option contract in the same Option Series only to the extent of squaring up an earlier open purchase position in the same Option Series.

15.2.12. There will be no adjustment for cash Dividends, Bonus and Right issue in the Option Contracts.

15.2.13. The Exchange shall place on its website necessary and relevant information with respect to Open Interest and other ancillary trading information on daily basis along with any other report that the Exchange and/or the Commission intends to make available to the public.

15.3. CLEARING, SETTLEMENT AND RISK MANAGEMENT:

15.3.1. The Option Writer would be subject to all applicable margins and MtM Losses as prescribed in NCCPL Regulations, as amended from time to time.

15.3.2. Margins shall be applicable on the buyer of the Option Contract in accordance with NCCPL Regulations, which shall be levied on real-time basis, till the completion of pay-in towards Premium settlement.

15.3.3. The Premium shall be payable by buyer/holder of the Option Contract in cash on T+0 bases and distributed onwards by the NCCPL to the Option Writer and/or Option Seller on a T+1 basis.

15.3.4. MtM losses determined by the NCCPL at the end of a trading day based on the Daily Settlement Price shall be collected by the NCCPL in accordance with the NCCPL Regulations.

15.3.5. The treatment of MtM profits shall be in the manner as prescribed under the NCCPL Regulations.

15.3.6. Exercise Settlement shall take place on the next trading day after expiry of the Options Contract and the resulting profits or losses, calculated on the basis of Exercise Settlement Index Level shall be settled in cash. The collection and payment of profits or losses on Exercise Settlement to/from Brokers shall be done by the NCCPL in the prescribed manner as per NCCPL Regulations.

15.3.7. The position limits in the Index Options Market shall be in accordance with the NCCPL Regulations.

15.3.8. For the purpose of determining Broker-level and client level Open Interest for calculation of Position Limits, netting shall be in the manner as prescribed under the NCCPL Regulations.

Annexure-A

CONTRACT SPECIFICATION FOR INDEX OPTION CONTRACTS

Contract/Index Multiplier	Rs.5.00 per index point or any other amount as may be determined by the Exchange from time to time with the prior approval of the Commission.
Contract Description	European Style, Index Calls and Puts
Minimum Fluctuation (Tick Size)	One Index Point
Exercise Style	European
Currency	Pakistan Rupee
Exercise Price Interval	50 Index Points (3-1-3) (3 OTM, 1 ATM, 3 ITM)
Period of Contract	90 days
Opening of Contract	First trading day of the next week following the close of the Option Contract.
Expiration Day/ Last Trading day	Last Friday of the calendar month in which the Option Contract is to expire, if last Friday is not a trading day, then immediate preceding trading day.
Trading Hours	As may be notified by the Exchange from time to time.
Margin Requirements	Exposure Margin shall be in accordance with Underlying Index VaR as provided in NCCPL Regulations governing Risk management, as amended from time to time.

Chapter 16: EXCHANGE TRADED FUNDS (ETFs) REGULATIONS

16.1. DEFINITIONS:

In this chapter, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

(a) "Asset Management Services" shall have the same meaning as ascribed thereto under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
(b) "Assets" shall have the same meaning as ascribed thereto under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
(c) "Benchmark Index" shall mean an Index approved by the Commission, is specified in the Constitutive Documents of the ETF (the "Constitutive Documents") and against which the performance of ETF is measured;
(d) "Cash Component" shall mean the difference between the applicable Net Asset Value (NAV) of a creation unit and the market value of the Portfolio Deposit. The Cash Component will represent accrued dividend, accrued annual charges including management fees and residual cash in the scheme;
(e) "Cash Payment" shall mean the amount equivalent to the cash component multiplied by the number of creation or redemption units; if the cash payment is positive, it shall mean the AP should pay the amount to the AMC when creating ETF units in-kind or the AMC should pay the amount to the AP when the AP redeems ETF units in-kind; if the cash payment is negative, it shall mean the AMC should pay the amount to the AP when the AP creates ETF units in-kind or the AP pays the amount to AMC when it redeems ETF units in-kind;
(f) "Constitutive Documents" shall have the same meaning as ascribed thereto under the Circular issued by the Commission on ETFs;
(g) "Creation Unit" shall mean the specified number of ETF units for issuance and redemption as determined by the AMC and disclosed in the Constitutive Documents;
(h) "Fund" for the purpose of this chapter shall mean an index tracking open end fund structured as a collective investment scheme;
(i) "INAV" shall mean Intra-day Net Asset Value calculated on a current basis (with regular intervals) after incorporating the price change of underlying securities throughout a trading day. INAV is indicative current basis Net Asset Value of an ETF unit that facilitates trading of ETF in the secondary market;
(j) "In-kind Creation" shall mean a portfolio of securities and the cash component to be delivered by an AP to the AMC either on its own account or on behalf of its clients for Creation of ETF Units;
(k) "In-Kind Redemption" shall mean ETF units being delivered to the AMC by an AP for his own account or on behalf of his clients in exchange for a portfolio of securities and cash component that forms a creation unit or its integer multiples as specified in the Portfolio Deposit by the AMC;
(l) "Portfolio Deposit" shall mean a pre-defined basket of securities that represents the benchmark index together with a cash payment (if applicable) for the purposes of issuance and redemption of creation units and will be announced by the AMC and composition of the Portfolio Deposit may change from time to time;
(m) "Tracking Error" shall mean the difference between daily returns of an ETF and that of the underlying Benchmark Index for any given period;
(n) "Trust" shall mean a trust established by a deed under the provisions of the Trusts Act, 1882 (II of 1882);
(o) "Trustee" shall have the same meaning as ascribed thereto under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;

Words and expressions used but not defined in this chapter shall have the same meaning as assigned to them in the Securities and Exchange Ordinance, 1969 (XVII of 1969), Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, the circular issued by the Commission on ETFs and these Regulations.

16.2. LISTING PROCEDURE:

16.2.1. An application for listing of a Fund as an ETF by the AMC shall be accompanied with the documents as required by the Exchange under Annexure-I attached hereto.

16.2.2. The Exchange shall grant permission for listing of an ETF upon fulfillment of the requirements set forth in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, circulars issued by the Commission on ETFs and these PSX Regulations.

16.2.3. An AMC managing an ETF shall furnish timely disclosure of all relevant information concerning itself, such ETF and the Trustee.

16.2.4. The Exchange shall ensure that:

(a) No false statements are made in the application submitted for listing of an ETF, documents attached thereto, and offering document submitted to the Exchange;
(b) The units of the Fund for which the listing application is being made as an ETF are handled in the book-entry transfer operation by a designated Central Depository or are expected to be handled in such operation by the time of its listing as an ETF;
(c) The listing is not prejudicial to the interest of the public or the Investors.

16.3. TRADING, CLEARING AND SETTLEMENT OF ETF UNITS:

16.3.1. Trading in ETF units shall be conducted under the PSX Regulations as amended from time to time.

16.3.2. The ETF units listed under these Regulations shall be traded in the Ready Delivery Contract Market through KATS and buyers and sellers may trade in ETF units in allowable lot size in the manner prescribed for Listed Securities through Brokers of the Exchange.

16.3.3. Circuit Breakers on ETF units shall be applicable as provided for under chapter 19 of these Regulations.

16.3.4. Netting, Exposure, MtM Losses and other margin requirements on ETF units shall be applicable in the manner as prescribed under the NCCPL Regulations.

16.4. DISCLOSURE OF INFORMATION:

16.4.1. An AMC managing an ETF shall disclose the matters relating to such ETF as specified below, prior to the opening of Exchange on a trading day:
- (a) Complete details regarding the Portfolio Deposit;
- (b) The number of ETF units, total net asset value and net asset value per unit;
- (c) The Tracking Error.

16.4.2. An AMC managing an ETF shall disclose the following details immediately on its website and to the Exchange:
- (a) Revision of a Trust Deed or any similar written document, or cancellation of an investment trust agreement or trust agreement;
- (b) Application pertaining to delisting of ETF;
- (c) Merger of such AMC;
- (d) Petition for commencement of bankruptcy proceedings of such AMC;
- (e) Dissolution of such AMC;
- (f) Discontinuation of any business of such AMC;
- (g) De-merger of such AMC;
- (h) Transfer of the whole business of such AMC to any other entity;
- (i) Change in statutory auditors;
- (j) Temporary suspension of any additional Trusts managed by the AMC;
- (k) Creation, redemption, sale or purchase of ETF units;
- (l) The decision to discontinue handling of ETF units in book-entry form in a Central Depository;
- (m) When the license, permit or registration necessary for the AMC to conduct business expires, or is cancelled/ changed by the Commission and AMC accordingly decides not to carry out any business;
- (n) When the license agreement from the index provider is terminated or the index is discontinued;
- (o) Any material facts relating to the ETF or the operation, business, or Assets of the AMC which may have a significant effect on the investment decisions of investors.

16.5. OBLIGATIONS OF AP:

16.5.1. The AP shall fully comply with the requirements of the APA and the market making agreement with the Exchange, and shall provide an undertaking to the Exchange and the AMC of such compliance.

16.5.2. The Exchange shall ensure that the AP observes high standards of integrity in his dealings in ETF, at the Exchange.

16.6. APPLICABILITY OF LISTING REGULATIONS AND OTHER ALLIED MATTERS:

All provisions of chapter 5 of these PSX Regulations presently in force or as amended from time to time shall be applicable on the AMC managing an ETF, unless otherwise provided in this chapter.

16.7. LISTING AND ANNUAL FEE:

An AMC that makes an application for the listing of a Fund as an ETF shall pay to the Exchange a listing fee, at the rate of one twentieth of one percent of the total size of the ETF, subject to a maximum fee of rupees five hundred thousand.

An AMC managing an ETF shall pay an annual listing fee to the Exchange, in respect of each financial year of the Exchange commencing from 1st July and ending on 30th June, it shall be payable on or before the 30th September in each calendar year, as per following schedule:

SIZE OF FUND	RATE OF FEE PER ANNUM
Up to Rs. 50 million	Rs.30,000
Above Rs. 50 million & up to Rs. 500 million	Rs.40,000
Above Rs. 500 million	Rs.50,000

Provided the Board may revise the above fees or any of the slabs or add new slabs with approval of the Commission.

Provided further that an AMC applying for listing of a Fund as an ETF, shall pay annual listing fee for the entire financial year of the Exchange along with the listing application, irrespective of the date of its listing during the financial year.

An AMC applying for enlistment of a Fund as an ETF on the Exchange shall, in addition to other fees, pay to the Exchange a sum of Rs. 25,000 as non-refundable service charges.

Annexure-A

MINIMUM CONTENTS TO BE COVERED IN AUTHORIZED PARTICIPANT (AP) AGREEMENT

AP agrees to act as a market maker of the Fund (the ETF) and the Asset Management Company (AMC) authorizes AP to create and redeem units of the fund in Creation Unit size or multiple thereof.
Both parties mutually agree to clauses relating to the following areas:

(i) Adherence to Constitutive Documents, applicable Rules, Regulations, Laws and other procedures devised by AMC from time to time;
(ii) Relationship and Role of each party to the agreement;
(iii) Procedure for Creation and Redemption of units;
(iv) Procedure for settlement of Cash Component;
(v) Conditions where Bids and Offers can be withdrawn by AP (such as at upper & lower caps);
(vi) Fees (if any), and disclosure on charging of fee;
(vii) Notification to AP by AMC for changes in index weights and composition;
(viii) Indemnification from AP to AMC (to cover AMC for areas where AMC cannot regulate the AP);
(ix) Availability of Information;
(x) Standard format of notices and procedure to be exchanged between the parties;
(xi) Procedure for making amendments to the Agreement;
(xii) Effectiveness, Termination of Agreement and Dispute Resolution;
(xiii) Governing Laws;
(xiv) Definitions (other than those covered in the NBFC Regulations and this Circular); and
(xv) Signatories to the Agreement and Witnesses.

Annexure-B

MINIMUM ADDITIONAL INFORMATION TO BE DISCLOSED IN OFFERING DOCUMENT OF ETF

AMCs shall ensure that the following disclosures are made in the offering document of an ETF in addition to the areas specified in Schedule VIII of the NBFC Regulations.

INTRODUCTION TO ETF

(i) Description of ETF highlighting the basic features;
(ii) Advantages and disadvantages of ETF;
(iii) Difference between ETF and other Open ended Funds;
(iv) Parties to an ETF; and
(v) Description of how an ETF works through a flow chart.

AUTHORIZED PARTICIPANT

(vi) Role, Duties and Responsibilities of Authorized Participants;
(vii) Names and Contact information of Authorized Participants; and
(viii) Salient features of Authorized Participant Agreement.

BENCHMARK INDEX

(ix) Profile of Benchmark Index;
(x) Constituent of Benchmark Index;
(xi) Circumstances under which Benchmark Index of ETF may change;
(xii) Disclosure of Risk Factors related to Benchmark Index;
(xiii) Constituents of Benchmark Index and weightings of the top 10 largest constituent securities (where applicable) of the benchmark index as of a date within a month of the date of the offering document;
(xiv) Frequency with which benchmark index composition is reviewed;
(xv) Means by which investors may obtain the latest benchmark index information and other important news of the index; and
(xvi) Target tracking error.

OFFER / REDEMPTION OF UNITS

(xvii) Offer of units during Pre-Listing phase (Initial Offer);
(xviii) Offer of units in Post-Listing phase;
(xix) Procedure of In Kind Creation;
(xx) Procedure of In-Kind Redemption; including monetary and time cost to the investor, and policy for partial shares;
(xxi) Procedure of Trading of ETF units on exchange;
(xxii) Timeline for issuance and redemption of Creation Units; and
(xxiii) Frequency and Notification of change in Portfolio Deposit.

INAV

(xxiv) Calculation Methodology of INAV;
(xxv) Mode and frequency of dissemination of INAV; and
(xxvi) Entity responsible for transmitting INAV.

WARNINGS / RISKS

(xxvii) Where necessary, a statement to the effect that the investment of the scheme may be concentrated in the securities of a single issuer or several issuers;
(xxviii) A statement to the effect that there is no guarantee or assurance of exact or identical replication at any time of the performance of the benchmark index;
(xxix) Circumstances that may lead to tracking errors and the related risks, and strategies employed in minimizing such errors;
(xxx) A warning that benchmark index composition may change and underlying securities may be delisted;
(xxxi) A warning in relation to any licensing conditions (including indemnity given to the index provider, if any) for using the benchmark index, and the contingency plan in the event of cessation of the availability of the benchmark index;
(xxxii) A warning of lack of discretion to adapt to market changes due to the inherent investment nature of index funds and that falls in the benchmark index are expected to result in corresponding falls in the value of the ETF;
(xxxiii) A statement on whether the index provider and the AMC of the scheme (or its connected persons) are independent of each other. If not, the means by which possible conflicts of interests may be addressed; and
(xxxiv) Any other information which is relevant and material for investors to make an informed investment decision.

Annexure-I

DOCUMENTS TO BE SUBMITTED WITH LISTING APPLICATION OF AN EXCHANGE TRADED FUND (ETF)

The following documents and particulars duly attested by the AMC shall be submitted to the Exchange at the time of application for listing of its Fund as an ETF:

1. Listing application under Securities & Exchange Ordinance, 1969 as per Form-I attached hereto;
2. Form for submission of undertaking and payment of fees as per Form-II attached hereto (Withholding tax payment challans duly deposited shall also be submitted);
3. An unconditional undertaking on non-judicial stamp paper of Rs.20/- as per Form-III attached hereto;
4. Certified true copy of the Certificate of Incorporation of AMC managing the ETF;
5. Certified true copy of the Certificate of Commencement of Business of the AMC managing the ETF;
6. Certified true copy of the license to carry on Asset Management Services;
7. A copy of the Board Resolution of the AMC for listing of the Fund as an ETF;
8. Copy of Trust Deed approved by the Securities & Exchange Commission of Pakistan;
9. Brief description of the Investment Scheme and its main features;
10. Names of Directors of AMC along with their directorship of other companies listed on the Exchange (on AMC's letterhead);
11. List of Controlling Directors of the AMC;
12. Name and address of the directors and persons holding 10% or more of any class of equity security in the AMC as on the date of application together with the number of shares held by each;
13. Copy of letter from Legal Advisor(s) consenting to act in their respective capacity;
14. Copy of letter from Consultant(s) to the issue, (if any) consenting to act in their respective capacity;
15. Copies of individual consent of all Directors, Chief Executive and Secretary of the AMC for publishing their names as Directors, Chief Executive and Secretary in the Offering Document of the Fund/ ETF;
16. 5 copies of Memorandum & Articles of Association of the AMC;
17. 50 copies of the printed Offering Document of the Fund and 5 copies of the draft Offering Document;
18. Copies of the prospectus/offering document issued by the AMC in respect of any security already listed on the Stock Exchange;
19. 5 copies of each of the audited financial statements for the last 5 years or for a shorter period if the AMC is in operation only for such period. The last audited accounts incorporated in the offering document shall not be older than 6 months from the date of publication of the Offering Document;
20. Copy of application submitted with the Central Depository Company of Pakistan Limited for declaration of the ETF units as CDC eligible securities;
21. Report of State Bank of Pakistan that the names of sponsors/controlling directors of the AMC are not in the Defaulter's List of State Bank of Pakistan either in their individual capacity or in the capacity of Directors of other companies. (This will not apply to nominee Directors of the Government and Financial Institutions);
22. Report of State Bank of Pakistan that the name of the AMC as well as the names of other companies in which directors of the AMC are holding directorship is not in the defaulter's list of State Bank of Pakistan;
23. A statement containing particulars, dates and names of parties to all material contracts, agreements (including agreements for technical advice and collaboration), concessions and similar other documents except those entered into in the normal course of the business or intended business together with a brief description of the terms of such agreements;

24. A statement showing:-

    (a) Dividends and cash bonuses paid during the last 10 years or such shorter period as the AMC/ETF may have been in existence;
    (b) Dividends or interest in arrears, if any.

25. Certified copies of agreements with:-

    (a) Authorized Participant (APA)
    (b) Selling Agents
    (c) Managing Director and Technical Directors

26. Any other documents/material contract and such other particulars as may be required by the Exchange.

Note:
All the documents/information should be attested by the Chief Executive/Secretary of the AMC managing the ETF.

FORM-I

FORM OF APPLICATION UNDER SECTION 9 OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969 FOR LISTING A SECURITY ON A STOCK EXCHANGE

Date:_____

The General Manager

Pakistan Stock Exchange Limited

Karachi

Dear Sir,

1. We hereby apply for the listing of our (name of the fund) on your Stock Exchange.

2. Necessary information and documents as required in Annexure-I of the Regulations Governing Exchange Traded Funds (ETF) of the Pakistan Stock Exchange Limited are furnished.

Yours Sincerely,

SIGNATURE & ADDRESS

Copy to:

The Securities & Exchange Commission of Pakistan

ISLAMABAD

FORM-II

FORM FOR SUBMISSION OF UNDERTAKING AND PAYMENT OF FEES

Date:_____

The General Manager

Pakistan Stock Exchange Limited

Karachi

Dear Sir,

Re: **LISTING ON THE STOCK EXCHANGE**

With reference to our Listing application under Section 9 of the Securities and Exchange Ordinance, 1969, we enclose herewith the following:

(1) An unconditional undertaking under the Common Seal of the AMC duly signed in accordance with the provisions contained in the Articles of Association of our AMC.

(2) A cheque of Rs._____ towards Listing Fee at the rate of one twentieth of one percent (1/20 of 1%) of the total size of the Fund of Rs._____ subject to maximum of Rs. 500,000.

(3) A cheque of Rs._____ towards Annual Listing Fee as per chapter 16 of these Regulations.

Yours Sincerely,

(Signature of Authorized Person)

FORM-III

FORM OF UNCONDITIONAL UNDERTAKING ON NON-JUDICIAL STAMP PAPER

Date:_____

The Board of Directors

Pakistan Stock Exchange Limited

Karachi

U N D E R T A K I N G

We undertake, unconditionally, to abide by the PSX Regulations which presently are, or hereinafter may be in force.

We further undertake:

(1) That the ETF units of our (Name of the Fund) shall be quoted on the Ready Quotation Board and/or the Futures Counter at the discretion of the Exchange;

(2) That the Exchange shall not be bound by our request to remove the ETF units from the Ready Quotation Board and/or the Futures Counter;

(3) That the Exchange shall have the right, at any time to suspend or remove the said ETF units for any reason which the Exchange considers sufficient in public interest, subject however to the procedure laid down in Section 9 of the Securities & Exchange Ordinance, 1969 and/or its Regulations;

(4) That such provisions in the Articles of Association of our AMC or in any declaration or agreement relating to any other security as are or otherwise not deemed by the Exchange to be in conformity with the chapter 5 of the PSX Regulations shall, upon being called upon by the Exchange, be amended to supersede the Articles of Association of our AMC or the nominee relating to the other securities to the extent indicated by the Exchange for purposes of amendment and we shall not raise any objection in relation to a direction by the Exchange for such amendment; and

(5) That our ETF may be delisted by the Exchange in the event of non-compliance and breach of this undertaking.

(Signature of Authorized Person)

Common Seal of the AMC

Chapter 17: STOCK INDEX FUTURES CONTRACT MARKET REGULATIONS

17.1. DEFINITIONS:

(a) "Contract Multiplier" shall mean, the Contract Multiplier for Stock/Sector Index Futures Contract, which shall be Rs. 5.00 or any other amount as may be determined by the Exchange from time to time with the prior approval of the Commission;
(b) "Contract Unit" shall mean, the contract unit shall be the numerical value of the underlying stock index;
(c) "Contract Value" shall mean, Contract Unit multiplied by the contract multiplier as specified in the contract specifications;
(d) "Daily Settlement Value of the Stock Index Futures Contract" shall mean, Volume Weighted Average value of last half hour of trading in the relevant Stock/Sector Index Futures Contract for cash settlement, multiplied by the contract multiplier and expressed in Pakistani Rupees;
(e) "Final Settlement Price of the Stock/Sector Index Futures Contract" shall mean, the price calculated based on a set of 121 readings of 15 second intervals (price points) of the underlying index levels taken between the last half an hour of trading. The highest and lowest 20 price points will be ignored and the closing price computed as an average of the remaining 81 price point will be the Final Settlement Price for the settlement of the contract;
(f) "Index" shall mean, the KSE-30 Index or Sector Index as may be defined by the Board for the purpose of trading in Stock Index Futures Market;
(g) "Open interest in a Stock Index Futures Contract" shall mean, the total value of Contracts of a Broker or his clients, in a Stock Index Futures Contract that have not been offset and closed at any point in time by an opposite transaction;
(h) "Position in a Stock/Sector Index Futures Contract" shall mean, the sum of long and short positions of a broker and/or his clients at any point in time in a Stock Index Futures Contract;
(i) "Stock/Sector Index Futures Contract (SIFC)" shall mean, an Exchange "Index Contract" subject to these Regulations; and as per the contract specifications provided in Annexure-A or as may be defined by the Board and approved by the Commission;

17.2. TRADING:

17.2.1. Trading in SIFC Market shall take place only through KATS.

17.2.2. Any Broker can enter into SIFC Market under these Regulations subject to prior notification in writing to the Exchange.

17.2.3. The Contract specifications as determined by the Board and approved by the Commission and attached hereto as Annexure-A, shall form part of these Regulations.

17.2.4. When a buyer/seller accepts a bid/offer of a SIFC, the Contract as specified as per Contract Specifications attached hereto this chapter shall be deemed to have been executed between the buyer and the seller.

17.2.5. All offers/bids made may be accepted for or up to the limit of the offer/bid and the Broker making an offer/bid shall be bound by the terms of the SIFC.

17.2.6. Upon opening of any SIFC, the Exchange shall notify the name, dates of opening, closing and settlement of the said Contract and other relevant details as mentioned in Contract Specifications attached as Annexure-A to this chapter.

17.2.7. There shall be one standardized 90 days SIFC which will be issued each month on the first trading day following last Friday of each month. Each SIFC shall expire on the last Friday of the third month of the contract. The SIFC shall be known by the month in which such contract is to expire e.g. a November SIF Contract would commence on the first trading day following last Friday in August and would expire on the last Friday of November.

17.2.8. The Expiration Date/Last Trading Day shall be the last Friday of the third month of the SIFC. If the last Friday is a trading holiday the SIFC shall expire on the previous trading day.

17.2.9. There shall be no adjustment for cash Dividends, Bonus and Right issue in the SIF Contracts.

17.2.10. In case 25% of average number of Stock Index Futures Contracts executed during last three months trade beyond the limit of five percent from the previous trading day's closing price of the contract, the Exchange shall announce a market halt in Stock Index Futures Market for at least 30 minutes or till the time all outstanding losses are collected by NCCPL, whichever comes earlier. In case of default in payment of such losses, default proceedings shall be initiated against the defaulting Broker.

17.2.11. Circuit Breaker shall also be applicable in Stock Index Futures Market in case of movement of 7.5%, above or below the previous trading day's closing price. In case of first trading day of a SIF Contract, circuit breaker shall apply on movement of 7.5% above or below the opening price of the trading day, as determined during the pre-open session. No circuit breaker will be applicable on the last day of trading in a SIF Contract.

17.3. CLEARING, SETTLEMENT AND RISK MANAGEMENT:

17.3.1. Deposit against Exposure shall be payable by the Brokers as per NCCPL Regulations.

17.3.2. MtM Profit/Loss shall be calculated by NCCPL at the end of each trading day on all Positions in SIFC at the 'Daily Settlement Value' in the following manner:

(a) NETTING REGIME ON MtM LOSS COLLECTION AND PROFIT DISTRIBUTION APPLICABLE TO SIF CONTRACT:

(i) Netting shall be permitted in the manner as prescribed under the NCCPL Regulations.

(ii) There shall be a daily Clearing and Settlement and profit/losses shall be collected/disbursed at the Daily Settlement Value in the manner prescribed by the NCCPL in NCCPL Regulations.

(iii) Upon closing of SIFC, final settlement shall take place on the next trading day after expiry of SIFC and the resulting profits or losses, calculated on the basis of Final Settlement Price shall be settled in cash. The collection and payment of profits or losses on final settlement to/from brokers shall be done by the NCCPL in the prescribed manner as per NCCPL Regulations.

(iv) In case any Broker fails to make any payment to the Exchange and NCCPL within the stipulated time, the Exchange and NCCPL shall initiate necessary action against such Broker as per PSX Regulations and NCCPL Regulations respectively.

(v) Open Interest shall be determined in accordance with the NCCPL Regulations.

(b) NETTING REGIME APPLICABLE TO 90 DAYS SIF CONTRACTS FOR DETERMINING THE MARKET EXPOSURE:

(i) Netting shall be permitted in the manner as prescribed under the NCCPL Regulations.

(ii) The NCCPL may announce special clearing in the manner as prescribed under the NCCPL Regulations:

i. For the purpose of settlement of outstanding SIF Contract, the Exchange will calculate a reference price as fair-value of the contract on which all outstanding contracts will be settled.

ii. Fair-Value is to be arrived at as a function of cash or underlying index value plus financing charges (determined as a function of KIBOR rates) less any dividends that would accrue with the purchase and carry of all Index constituent until the final settlement date.

iii. The following formula shall be used to calculate fair-value for stock index futures:

= Underlying index [1+r(x/365)] – d
Where r=rate of interest, x=number of days to maturity and d=dividends.

(iii) Special margin shall be payable by a Broker with NCCPL in accordance with the NCCPL Regulations.

17.4. GENERAL:

The Exchange shall place on its website necessary and relevant information with respect to Open Interest and theoretical future price (fair-value) of SIFC on daily basis.

Annexure-A

CONTRACT SPECIFICATIONS

Underlying Index	KSE-30 INDEX
SIFC Multiplier	Rs. 5.00 per index point or any other amount as may be determined by the Exchange from time to time with the prior approval of the Commission.
Minimum Fluctuation (Tick Size)	One Index Point
Maximum Fluctuation (Tick Size)	N/A
Position Limits	As prescribed under NCCPL Regulations, as amended from time to time.
Period of Contract	90 days
Opening of Contract	First trading day of the next week following the close of the contract.
Overlapping Period	None.
Expiration Date/ Last Trading day	Last Friday of the calendar month in which the contract is to expire, if last Friday is not a Trading Day, then immediately preceding Trading Day.
Final Settlement	Collection of Losses on T+0 basis, and disbursement of profit on T+1 basis through NCCPL's Pay & collect system.
Contract Unit	The contract unit shall be the numerical value of the underlying stock index
SIF Contract Value	The value of the Contract at the time of making the Contract shall be the price agreed to by the parties at that time multiplied by the SIF Contract Multiplier and expressed in Pakistani Rupees
Final Settlement Value	Final Settlement Price of the Stock/Sector Index Futures Contract shall be the price calculated based on a set of 121 reading of 15 second intervals (price points) of the underlying index levels taken between the last half an hour of trading. The highest and lowest 20 price points will be ignored and the closing price computed as an average of the remaining 81 price point will be the Final Settlement Price for the settlement of the contract.
Daily Settlement Value	Volume Weighted Average value of last half hour of trading in the relevant Stock Index Futures Contract for cash settlement, multiplied by the SIF Contract Multiplier and expressed in Pakistani Rupees
Margin Requirements	As prescribed under NCCPL Regulations, as amended from time to time.

Underlying Index	OIL AND GAS SECTOR, BANKING SECTOR
SIF Contract Multiplier	Rs. 5.00 per index point or any other amount as may be determined by the Exchange from time to time with the prior approval of the Commission.
Minimum Fluctuation (Tick Size)	One Index Point
Maximum Fluctuation (Tick Size)	N/A
Position Limits	As prescribed under NCCPL Regulations, as amended from time to time.
Period of Contract	90 days
Opening of Contract	First trading day of the next week following the close of the contract.
Overlapping Period	None
Expiration Date / Last Trading day	Last Friday of the calendar month in which the contract is to expire, if last Friday is not a Trading Day, then immediately preceding Trading Day.
Final Settlement	Collection of Losses on T+0 basis, and disbursement of profit on T+1 basis through NCCPL's Pay & collect system.
Contract Unit	The contract unit shall be the numerical value of the underlying stock index.
SIF Contract Value	The value of the Contract at the time of making the Contract shall be the price agreed to by the parties at that time multiplied by the SIF Contract Multiplier and expressed in Pakistani Rupees.
Final Settlement Value	Final Settlement Price of the Stock/Sector Index Futures Contract shall be the price calculated based on a set of 121 reading of 15 second intervals (price points) of the underlying index levels taken between the last half an hour of trading. The highest and lowest 20 price points will be ignored and the closing price computed as an average of the remaining 81 price points will be the Final Settlement Price for the settlement of the contract.
Daily Settlement Value	Volume Weighted Average value of last half hour of trading in the relevant Stock Index Futures Contract for cash settlement, multiplied by the SIF Contract Multiplier and expressed in Pakistani Rupees.
Margin Requirements	As prescribed under NCCPL Regulations, as amended from time to time.

Chapter 18: INVESTORS' CLAIMS, BROKERS' DISPUTES AND ARBITRATION REGULATIONS

18.1. PERMANENT ARBITRATION PANEL:

18.1.1. RAC shall form a Permanent Arbitration Panel (referred to as "Panel" in this chapter) which shall consist of a minimum number of forty-five members. The membership of the Panel shall include TRE Certificate Holders as advisors, senior management staff of the Exchange and industry experts. Provided TRE Certificate Holders should not be more than fifteen and industry experts should not be less than thirty selected on the basis of criteria prescribed by the Exchange with the prior approval of the Commission. Provided further that the industry experts shall include advocates, professional accountants or other persons having knowledge or experience in the field of law, trade, commerce, industry, arbitration, securities market or the fields ancillary to the stock market i.e. CDS, NCSS, etc. in accordance with procedures laid down by the Exchange from time to time and subject to concurrence from the Commission.

The list of members of the Panel shall be displayed on the Exchange's website and updated on quarterly basis. The list shall also contain the details of companies with which all members of the Panel have any association.

18.1.2. From the Panel, following will be the constitution of Arbitrators for arbitrations for the resolution of the disputes in accordance with their categorization mentioned below:

Sub-Panel:
From the panel, a Sub Panel of Arbitrators shall consist of four members, out of which one shall be the TRE Certificate Holder as an advisor who shall not have any voting rights, two industry experts and one senior member of PSX management as nominated by CRO in consultation with the Managing Director- PSX. The Chairman of the Panel will always be the industry expert.

The TRE Certificate Holder and industry expert shall be selected by drawing lots.

Sole Arbitrator:
From the Panel, CRO in consultation with the Chairman or any other member of RAC shall appoint an industry expert as a Sole Arbitrator excluding TRE Certificate Holders on case to case basis.

18.1.3. The CRO shall also nominate any official(s) of the Exchange as the secretary(ies) of the Sub-Panel(s) who shall deal with complaints and Investors' and Brokers' disputes.

18.2. DISPUTES TO BE REFERRED TO ARBITRATION:

Whenever any dispute arises between Brokers interse, or between any of the Brokers and their clients, or between any of the Brokers and their Authorized Agents or between Authorized Agent(s) and their clients in connection with any trade or transaction and is not otherwise settled amicably, it shall be referred to arbitration and shall be dealt with according to the procedure laid down in this chapter.

18.3. APPLICATION FOR ARBITRATION:

Where a dispute cannot be settled amicably, it must be referred to arbitration. Any party to the dispute may initiate arbitration, in accordance with these Regulations by making an application in writing to the CRO. The applicant shall be required to furnish the following:

(a) Claim Form duly filled and signed by Investor or Broker or the Authorized Agent(s), as the case may be, along with all supporting documents and annexure as mentioned in the Form.
(b) In case applicant is not a Broker of the Exchange, he shall give an undertaking to abide by all these Regulations in force for the arbitration, as well as the award of the Sole Arbitrator/Panel of Arbitrators appointed under this chapter of these Regulations.

18.4. ARBITRATION PROCEDURE:

18.4.1. *SCRUTINY OF APPLICATION:*

An application received for arbitration shall be scrutinized in the manner prescribed in the procedures by any official(s) of the RAD designated by the CRO to check whether it is complete in all respects and acceptable for arbitration.

18.4.2. *REJECTION OR DISMISSAL OF APPLICATION:*

Any application may be rejected or dismissed, if:

(a) The applicant refuses, neglects or fails to comply with the provisions of any Regulations; or
(b) The applicant refuses, neglects or fails to carry out any direction issued by the CRO, RAC or the Board; or
(c) The application is not otherwise in order or in accordance with these Regulations or lacking the adequate documentary evidence after providing reasonable time for submission of requisite documents; or
(d) The subject matter in the dispute has arisen from a transaction not carried out through the Trading Systems/facilitation of the Exchange or not reported through the interface provided by the Exchange or the transaction is otherwise illegal or private deals between two Brokers.

In case of rejection of any application, the Exchange shall, under intimation to the Commission, communicate the reasons for any such rejection to the applicant within 15 days of receipt of application.

18.4.3. *CLAIMS/DISPUTES UP TO FIVE HUNDRED THOUSAND RUPEES*:

Claims/disputes of up to five hundred thousand rupees shall be referred for arbitration to the Sole Arbitrator, who may hear and decide the matter.

18.4.4. *CLAIMS OF OVER FIVE HUNDRED THOUSAND RUPEES*:

Claims of over five hundred thousand rupees shall be forwarded to the Sub-Panel for its action.

18.4.5. *LOTS TO BE DRAWN*:

(a) The drawing of lots shall be conducted by the Chairman of RAC or any other member of the RAC or the CRO or any other officer allowed as per applicable law to perform functions of the CRO, if nominated by the Chairman of RAC. The names so selected shall be communicated to the parties to the arbitration within three working days from the appointment.

(b) In case any valid objection is raised within seven working days by any party to the dispute against appointing any person as an Arbitrator, CRO in consultation with Chairman of RAC may appoint via fresh balloting any person from the Panel as new member of Sub-Panel or appoint Sole Arbitrator in consultation with the Chairman of RAC as the case may be. Provided that such objection on any member of the Sub-Panel/Sole Arbitrator shall be entertained only once.

Provided that lots shall be drawn within thirty days from the date of receipt of any application for arbitration which is to be referred to the Sole Arbitrator or Sub Panel.

(c) Presence of parties at the time of drawing and/or re-drawing: The parties to the dispute shall be given a notice of a minimum five working days, to remain present personally or through an authorized representative at the time of drawing and/or re-drawing lots before the Chairman of the RAC or any other member of the RAC or the CRO, or any other officer allowed as per applicable law to perform functions of the CRO, as nominated by the Chairman of RAC. Provided, that the drawing of lots shall take place at the given time and date even if the party or parties are not present despite of the notice and that the party or parties shall have no objection to drawing such lots.

Parties to the dispute shall be provided with a list of members of the Panel along with the above notice of drawing and/or re-drawing lots.

(d) There shall be no objection to an award of the Panel of Arbitrators or the Appellate Bench regarding any change(s) in the composition of the Panel of Arbitrators or the Appellate Bench during the enquiry or appeal.

18.4.6. *MEMBER OF THE PANEL BOUND TO ACT AS AN ARBITRATOR*:

A member of the Panel whose name has been finalized by the CRO in consultation with Chairman or any other member of the RAC shall be bound to act as an Arbitrator till the announcement of award.

18.4.7. *FRESH ARBITRATOR*:

In case if one or more Arbitrators refuse, neglect or fail to consider the dispute or give an award, fresh Arbitrator from the Panel shall be appointed by the CRO or any other person nominated by him. However, the Arbitrator(s) who refused, neglected or failed to consider the dispute or give an award shall communicate reasons thereof to the Panel, in writing, within ten days of referral of the dispute to him/them.

Upon receipt of information of non-availability of any such Arbitrator, the Exchange shall immediately inform the complainant of the new Arbitrator(s). The Exchange while intimating name of any alternate Arbitrator(s) to both parties to a dispute may also reconfirm or reschedule the earlier date of hearing or arrange for any re-hearing held earlier by the previous Arbitrators to be reheard;

(a) **Hearing Notice:** The secretary of the Sub Panel shall give both parties to the dispute not less than seven days' notice from the date of receipt of such notice by the parties regarding the date, time and the place appointed for Arbitration.

(b) **Both parties present:** If both parties to the dispute are present at the appointed date, time and place, the Sole Arbitrator/Sub Panel shall proceed to hear the matter and to give the award.

(c) **Ex Parte decision on the summary disposal:** If the defendant is not present or shows his inability to attend the hearing at the appointed date, time and place for two consecutive times, the Sole Arbitrator/ Sub Panel may hear and decide the dispute ex-parte, and if the party making the complaint has shown his inability to attend or fails to make himself available for hearing at the appointed date, time and place for two consecutive times, the Sole Arbitrator/Sub Panel may dismiss the complaint summarily.

(d) **Remedies at law:** The Sole Arbitrator/ Sub Panel may decline to hear the dispute or may dismiss any case and refer the parties to avail their remedies through a Court of Law by recording reasons for the decline or dismissal.

(e) **Equal opportunity to both parties:** The parties shall be dealt with on an equal footing. Each of the parties shall be given an equal opportunity to present before the Sole Arbitrator/Sub Panel and explain its point of view verbally or in writing:

(i) the claimant will be given an opportunity to argue his case first;
(ii) the defendant will be given an opportunity to respond to the point of representations of the claimant;
(iii) the claimant will be given an opportunity to respond to the arguments of the defendant after defendant has finished his argument;
(iv) the Sole Arbitrator/ Sub Panel will not hear any party in the absence of the opposing party, unless the latter party has been given every reasonable opportunity to attend and it has failed to attend;
(v) the Sole Arbitrator/ Sub Panel will not discuss the case with the parties to the proceedings beyond the normal procedure;
(vi) the parties may appear at a session in person or through a representative to present and explain their respective claim or to defend verbally or, with the permission of the Sole Arbitrator/ Sub Panel, in writing.

(f) **Decision by majority in cases referred to Arbitrators:** All claims/disputes referred to the Sub Panel shall be decided by majority and such decision shall be deemed to be the award ('Award') in the arbitration.

(g) **Time for disposal of application:** An application received under above provision of this chapter and found acceptable after scrutiny shall be disposed-off within ninety days of its receipt including the award of Sole Arbitrator/ Sub Panel. However, if the application is not disposed-off within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay shall be communicated in writing to both the parties to the dispute and the Commission. The time extension granted by the CRO or anyone nominated by CRO shall be indicated in the communication, which shall not exceed thirty working days from the expiry date of the prescribed ninety (90) days.

(h) **Fee for making an application for arbitration:** The fee for filing an application for arbitration will be submitted by the applicant as follows:

(i) Rs.2,000/- for dispute having value up to Rs.100,000/-
(ii) Rs.4,000/- for dispute having value more than Rs.100,000/- and up to Rs.300,000/-
(iii) Rs.6,000/- for dispute having value more than Rs.300,000/- and up to Rs.1,000,000/-
(iv) Rs.10,000/- for dispute having value more than Rs.1,000,000/-

Fifty percent (50%) of initial deposited fee will be refunded to the applicant if Award is announced in his favor.

(i) **Entitlement of corporate benefits issued during the dispute:** The Award would include provision for any corporate benefits (right shares, dividends and bonuses) issued during the pendency of dispute for the securities for which the application for arbitration has been made. The disputed period would be up to the date on which an Award is honored.

(j) **Time period for retaining arbitration record:** Record of proceedings of all meetings, hearings and the evidences on the basis of which the Award was announced shall be retained for at least ten years.

(k) **Time period to comply with the Award:** The parties to the dispute shall implement/comply with the Award within fifteen days of announcement by the Sole Arbitrator/ Sub Panel.

18.5. LATE CLAIMS BARRED:

The Sole Arbitrator/ Sub Panel of Arbitrators shall not take cognizance of any claim or dispute which is not referred to it within three year from the date it arose.

Provided that a claim may be admitted after the lapse of three years but not more than 10 years if the investor is able to demonstrate that the delay was due to reasons beyond his control.

18.6. APPEAL TO RAC:

18.6.1. A party to a dispute that is dissatisfied with any award of the Sole Arbitrator or the Sub Panels, as the case may be, may appeal to the RAC against such an Award within fifteen working days of receipt of the Award.

RAC may constitute one or more sub panels (hereinafter referred as "Appellate Panel") consisting of five members for hearing appeals against Awards of the Sole Arbitrator/Sub Panel. RAC may appoint any member of the Arbitration Panel in the said Appellate Panel provided he has not been the Arbitrator of the Award against which appeal has been filed with the RAC. Provided further that Appellate Panel shall not include a TRE Certificate Holder.

18.6.2. A party appealing to the Appellate Panel shall state in writing the point wise objections to the Award of the Sole Arbitrator/ Sub Panel and shall pay a fee of two thousand five hundred rupees being institution fee through cheque in favor of the Exchange in its designated bank account. Further, if the appellant is a Broker, he shall deposit the full amount of Award and deliver the securities or the value thereof at the ruling market price of the securities with the Exchange. If the appellant fails in his appeal, he shall satisfy the Award within seven days of its announcement. In case of his failure to do so, the Exchange shall have the authority to pay the amount of the Award and securities to the respondent on the appellant's behalf. However, the appellant shall still be liable to pay the balance securities/amounts, if any, payable under the Award in appeal. An appeal shall not be entertained if the required fee/award money or securities, if any, is not deposited with the Exchange specially with respect to corporate benefits missed up to the date of order.

18.6.3. The decision of the Appellate Panel shall be announced within forty five days of the receipt of the appeal. However, in case the Appellate Panel is unable to announce the decision within the forty five days period due to unavoidable circumstances or reasons beyond control, the Appellate Panel will seek further time from the Chairman of the RAC, by indicating specific reasons for zits inability to announce the decision and the Chairman of the RAC may extend the time but not more than thirty days. However, such extension of time should be forthwith intimated to the Commission.

18.6.4. The decision of the Appellate Panel shall be final and deemed binding on the parties to the dispute and upon their constituents.

The decision of the Appellate Panel shall be implemented /complied with by the parties in dispute within seven (07) days of its announcement.

18.7. MEMBERS INVOLVED NOT TO HEAR THE CASE/APPEAL:

A member of the Sub Panel or the Appellate Panel, as the case maybe, shall not be appointed as an Arbitrator or a member of the Appellate Panel, as the case maybe, in a dispute in which he is a party and/or has association with either party, whatsoever. Before arbitration or hearing of appeal, the selected member will give a declaration in writing that he has no conflict of interest in dispute under discussion.

18.8. MISCELLANEOUS:

18.8.1. There shall be no objection to an Award of the Sole Arbitrator/ Sub Panel or the decision of the Appellate Panel on the ground that the hearing at which a dispute was enquired into or an appeal was heard was adjourned or that the enquiry was not completed or that the appeal was not finally heard at one meeting. Provided that the Sole Arbitrator/ Sub Panel/ Appellate Panel as the case maybe, shall record reasons for every adjournment, non-completion and non-hearing of appeal.

18.8.2. There shall be no objection to an Award of the Arbitrators or the decision of the Appellate Panel on the ground of substitution of an Arbitrator or any member of the Appellate Panel during the enquiry or appeal. Provided that on any substitution of an Arbitrator or any member of the Appellate Panel, the matter shall be heard afresh by the Arbitrators or the Appellate Panel, as the case may be.

18.8.3. Three members of the Sub Panel of Arbitrators or the Appellate Panel shall be necessary to constitute a quorum for the purpose of the enquiry or appeal.

18.8.4. In case the Arbitrators or the Appellate Panel fail to reach a unanimous decision, the decision of the majority will prevail.

18.9. SUMMARY DISMISSAL AND EX-PARTE DECISION:

If any party to a dispute who has appealed against any Award to the Appellate Panel is not present at the time fixed for hearing the appeal or any adjournment thereof, the Appellate Panel, may dismiss the appeal summarily. However, in case the appellant is present but the respondent is absent, the Appellate Panel may proceed with the appeal ex-parte.

18.10. SETTING ASIDE EX-PARTE AWARD:

The RAC may, on sufficient cause being shown by any party against whom any ex-parte decision has been announced, set aside such decision and direct the reference or the appeal to be reheard. Sufficient cause for the purpose of this Regulation shall mean and include non-receipt of notice/absence of party from the city/country etc.

18.11. EXTENSION OF TIME:

The Sole Arbitrator/Sub Panel / Appellate Panel, as the case maybe, may for special reasons extend the time for which a reference for Arbitration or an appeal against any Award of the Sole Arbitrator or the Sub Panel may be made whether or not the time for making the same has expired.

18.12. PLACEMENT OF NAME OF DELINQUENT CLIENTS ON THE EXCHANGE WEBSITE:

In case an application is filed for arbitration by a Broker against his client and the Award goes in favor of the Broker, the client shall be liable to pay an amount (debit/margin) to the Broker and the same would be explicitly mentioned in the Award.

In case:

(a) An Award of the Sole Arbitrator/ Sub Panel has been passed against a client of a Broker and the maximum time to file an appeal against the Award has elapsed; or
(b) In case such client of a Broker had filed an appeal in accordance with these Regulations and the Appellate Panel dismissed such appeal; and
(c) In both cases the client of a Broker failed or refused to abide by or carry out such Award/decision; then the name and other particulars of that client of the Broker shall be placed on the website of the Exchange accessible to Broker by following a procedure. Placement of name of such delinquent client of a Broker on the web interface of the Exchange shall be without prejudice to the right of the Broker concerned to apply to the court of competent jurisdiction for making the Award a rule of the court and enforce the same through a decree of the court.

Further, the UIN of such client will be black-listed and such person will not be allowed to trade for three years.

18.13. ADMINISTRATION OF OATHS TO THE PARTIES TO THE DISPUTE:

The arbitrator shall administer oath to the parties and witnesses before examining them.

18.14. UNDERTAKING BY BOTH PARTIES TO THE DISPUTE/CLAIM:

Both the parties appearing before Sole Arbitrator/ Sub Panel/Appellate Panel shall be required to sign the following undertaking:

(a) I will say the truth, nothing but the truth and will not try to mislead the Sole Arbitrator/Sub Panel /Appellate Panel;
(b) I will provide all information asked by the Sole Arbitrator/Panel of Arbitrators/Appellate Panel within such time as may be specified by the Sole Arbitrator/Panel of Arbitrators/Appellate Panel and in case of failure the Sole Arbitrator/Panel of Arbitrators/Appellate Panel may decide the case on available facts;
(c) I hereby declare that I shall abide by the award of Sole Arbitrator / Panel of Arbitrators/Appellate Panel, as the case may be, within stipulated time.

18.15. VERIFICATION OF INVESTORS' CLAIMS, INSPECTION OF BOOKS & RECORDS AND CONDUCTING OF ENQUIRY:

The Exchange may verify genuineness of investors' claims against a Broker and may inspect books and records of any Broker and/or conduct enquiry into his dealings and business affairs and for this purpose may also appoint an auditor selected from the panel of auditors prescribed under the chapter 23 of these Regulations. The cost of audit shall be borne by the concerned Broker/TRE Certificate Holder.

Chapter 19: RISK MANAGEMENT REGULATIONS

19.1. METHODOLOGIES:

(a) The Closing Price of a Security eligible for trading under respective Market is determined as per following methodology:

(i) If the cumulative volume in a security is at least 500 shares or Rs. 25,000/ -, whichever comes earlier (here in after referred to as the "threshold") then the Closing Price of that security shall be determined as Volume Weighted Average (VWA) price of trades of last 30 minutes before closing of the market.

(ii) If the cumulative volume in a security during last 30 minutes before closing is less than the threshold, then the Closing Price of that security shall be determined as VWA of the most recent executed trades during the day which constitute the threshold.

(iii) If cumulative volume is less than the threshold or there is no volume in the security during the whole trading day, then Closing Price shall be the VWA of executed trades and either all bids or all offers entered in KATS during the whole trading day. Such VWA price must be better than the previous day's Closing Price, provided that:

i. Cumulative volume of either all bids or all offers entered at order level and executed trades are equal to or greater than the threshold.

ii. Such bids or offers are entered in KATS at least two hours before the market close and remained unchanged during such period.

iii. Such bids or offers are available for trade at the time of closure of the market.

Explanation: The term "better", for the purposes of this clause, means the following;

i. if VWA price of all bids and executed trades is greater than the previous day's Closing Price, the VWA of all bids and executed trades; otherwise

ii. if VWA price of all offers and executed trades is less than the previous day's Closing Price, the VWA of all offers and executed trades; otherwise

iii. where both (i) and (ii) above do not apply, then the previous day's Closing Price shall be applicable.

(iv) In case, bid or offer price does not meet the above criteria; the Closing Price of the scrip shall remain unchanged from the previous day's Closing Price.

(v) Cross trades at Broker's level, and trades which are executed under the same UIN, if any, shall not be eligible for the determination of Closing Price of the respective scrip.

Provided that in case no trade takes place during the whole trading day in the Deliverable Futures Contract Market or Cash-Settled Futures Contract Market in a particular security, the Closing Price of that security for respective futures market will be updated on the basis of Theoretical Price.

(b) The Theoretical Price for a Security tradable under Deliverable Futures Contract and/or Cash-Settled Futures Contracts Markets, if there is no trading in such Security in the respective market during whole trading day, is determined as per following methodology:

(i) The Closing Price of underlying Security in the Ready Delivery Contract market x {1+(One Month KIBOR+4%) / 365 X DTM};

(ii) In case of ex-entitlement Contracts, the Theoretical Price will be adjusted based on ex-price adjustment formulas determined by the Exchange.

Whereas DTM stands for Date to Maturity which will be equivalent to days difference in the Settlement Dates of the Ready Delivery Contract market and Deliverable Futures Contract or Cash-Settled Futures Contract on any applied trade date.

19.2. BASE MINIMUM CAPITAL:

Every Broker desiring to trade in any Market shall be required to maintain a Base Minimum Capital of the amount and in the form as calculated/prescribed in Schedule-1 annexed to this Chapter.

19.3. DELETED

19.4. CIRCUIT BREAKER:

(a) There shall be a security-wise circuit breaker for each Market separately (except Stock Index Futures Market, Index Option Market and Odd Lots Market) in case of price fluctuation of 5% or Re. 1/ -, whichever is higher from the Closing Price of the previous day or any other limit as prescribed by the Exchange, with the prior approval of the Commission, from time to time. Circuit breakers on the first trading day of a security shall be applicable as follows:

(i) During the first trading day of a Right Allotment Letter of any security, circuit breakers of 5% or Re. 1/-, whichever is higher, will be applicable at the notional price determined based on previous day's Closing Price of the underlying security minus payable amount against such Right Shares. Provided that when the amount payable

against such Right Shares is equal to or greater than the previous day's Closing Price of the underlying security, the notional price will be the tick size of underlying security.

(ii) During the first trading day, on the Ready Delivery Contract Market, of a security formally listed at the Exchange, circuit breakers of 5% or Rs. 1/-, whichever is higher, will be applicable on the Closing Price determined on Futures Trading in Provisionally Listed Companies Market.

(iii) Where a security is directly placed on Ready Delivery Contract Market without going through Futures Trading in Provisionally Listed Companies Market or Book Building Process, then the circuit breaker of Rs.5 or 50% whichever is higher, shall be applicable on the offer price, during the first trading day in Ready Delivery Contract Market.

(iv) During the first trading day, on the Ready Delivery Contract Market, of a security formally listed at the Exchange, circuit breakers of 5% or Rs. 1/-, whichever is higher, will be applicable on the Strike Price of such security determined through Book Building Process and the Futures Trading in Provisionally Listed Companies Market of such security shall not be allowed.

(v) If the Security is listed on Futures Trading in Provisionally Listed Companies Market then the circuit breakers of Rs.5 or 50% whichever is higher, shall be applicable on the offer price during the first trading day in Futures Trading in Provisionally Listed Companies Markets.

Notwithstanding anything mentioned hereinabove, no trading in the company provisionally listed under these Regulations shall be allowed beyond the price fluctuation of 100% or Rs. 50, whichever is lower, from the first day of closing rate till such time the company is formally listed.

(b) In case of Stock Index Futures Market, the related circuit breakers shall be applicable in accordance with clause 17.2.11. of Regulations Governing Stock Index Futures Contracts of the Exchange, whereas no circuit breakers shall be applicable on the Index Options Market.

(c) In case of Odd Lots Market, the circuit breaker of Rs. 2 or 10% of Closing Price of the Ready Delivery Contract Market shall be applicable.

(d) Trading will be allowed up to the upper and lower limits as set by the circuit breakers.

(e) No trade in the respective security will be allowed beyond the above price fluctuation.

19.5. OBLIGATION OF BROKERS TO COLLECT MARGINS FROM THEIR CLIENTS:

It shall be obligatory upon the Broker trading/taking exposure in any Market under these Regulations to take all margins and MtM losses from their respective clients in accordance with total Margin Requirements as prescribed by the NCCPL. Such prescribed margin shall be the minimum margins that must be taken by the Broker from their respective clients while trading/taking exposure on behalf of such client. The Exchange shall ensure compliance of this requirement through appropriate procedures including auditing and inspection of records, provided that the Brokers may not, if so desire, collect applicable margins and MtM Losses from their institutional clients who directly settle their trades through NCCPL as its Non-Broker Clearing Members.

Provided further that in case where margins are not collected from any institutional client, the Broker shall remain responsible for payment of all applicable margins to NCCPL in accordance with NCCPL Regulations.

The collection of any type of margin by a Broker from its client/client(s) shall be the sole responsibility of such Broker; nevertheless any failure of the client to pay such margin shall not affect the obligation of the Broker to pay such margin to the NCCPL.

19.6. EVASION OF REQUIREMENTS PROHIBITED:

A Broker shall not directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the requirements prescribed under these Regulations and NCCPL Regulations.

19.7. RESTRICTION/PROHIBITION:

The provisions of these Regulations, inter-alia including schedules, policies, procedures, practices and systems based on thereof, shall be binding on all the Brokers and shall not be amended, altered or modified by the Exchange without prior written approval of the Commission.

Schedule-I

[SEE REGULATION 19.2]

BASE MINIMUM CAPITAL TO BE MAINTAINED BY A BROKER

Required value of Base Minimum Capital:

Every Broker shall maintain Base Minimum Capital ('**BMC**') as per the following slabs with the Exchange which shall be determined based on the Assets Under Custody (AUC) which is same as the Custody Position held under its Participant Account with CDC:

AUC (in PKR)		Required Amount of BMC (in PKR)
From	To	
0	50,000,000	16,000,000
50,000,001	250,000,000	17,000,000
250,000,001	500,000,000	19,000,000
500,000,001	1000,000,000	21,000,000
1000,000,001	2,500,000,000	23,000,000
2,500,000,001	5,000,000,000	26,000,000
5,000,000,001	10,000,000,000	28,000,000
Over 10,000,000,000		31,000,000

Provided that the above AUC slabs shall not exceed the Maximum Custody Limits authorized by the CDC to a Broker being its Participant in terms of the Capital Adequacy Level of such Broker as provided by the CDC in its Regulations and Procedures made thereunder. The terms, 'Custody Position', 'Maximum Custody Limit' and 'Capital Adequacy Level' shall have the same meanings as ascribed thereto under the CDC Regulations.

Forms of BMC:

The Broker may maintain the BMC in any one or more of the following forms of collaterals in order to meet the required value of BMC:

S.#	Form
1	Cash
2	Bank Guarantee
3	Margin Eligible Securities, after applying Haircut as prescribed by NCCPL from time to time
4	Transferable TRE Certificate Lien Marked with Irrevocable Authority in favor of the Exchange in the manner prescribed
5	Shares of the Exchange presently blocked in CDC pursuant to Public Offering Regulations, 2017 held by TRE Certificate Holders as sponsors of the Exchange, lien marked in favour of the Exchange in accordance with the rights, obligations and terms and conditions specified in the letter of lien mark as may be prescribed by the Exchange from time to time.
6	Shares of surviving entities of Lahore Stock Exchange (LSE) and/or Islamabad Stock Exchange (ISE) pursuant to the Scheme of Integration approved by the Commission, maximum up to 100% of shares allotted to an initial shareholder of respective entity, after applying 30% Haircut on their breakup values.

Notes:

1. The Notional Value of transferable TRE Certificate shall be taken at Rs 2.5 million for the purpose of BMC Requirement.

2. In case the BMC is maintained in the forms 4 and 6 mentioned above, or in the form of equivalent value of Cash/ Bank Guarantee/ Margin Eligible Securities, by a TRE Certificate Holder inducted by the Exchange pursuant to the Scheme of Integration approved by the Commission and the combined value of these two (2) form of collaterals is insufficient to meet the required value of BMC, respective TRE Certificate Holder shall provide/arrange additional Cash and /or Bank Guarantee or Margin Eligible Securities including bank guarantee from the trust funds as provided in the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012.

Review and Updation of BMC

1. The Exchange shall determine the required Value of BMC for each Broker on the first working day of every month on the basis of AUC of such Broker as of the last working day of the preceding month.

2. The Broker shall be required to fulfill any shortfall in the BMC within next five (5) working days of the issue of notice by the Exchange.

Valuation of collateral forming part of BMC (Interim Review)

1. Mark-to-Market value of the Margin Eligible Securities and shares of the Exchange shall be conducted on daily basis. Provided that the shares of Exchange shall be valued after applying a haircut of 10% on the closing price or any other rate of haircut as specified by the Commission after six months of Self Listing of the Exchange.

2. Value of the shares of the surviving entities of LSE and ISE shall be valued semi-annually based on break-up value per share determined as per half yearly reviewed and annual audited financial statements of the surviving entities;

3. Notional Value of transferable TRE Certificate of the Exchange shall be reviewed on six-monthly basis subject to approval of the Commission; and

4. A Broker shall not be allowed to lien mark more than one TRE certificate to meet the applicable BMC requirements.

The Exchange shall also disseminate the information pertaining to point 2 to 3 above to the market participants.

Provided that in case value of collateral deposited by a Broker to meet its BMC requirement falls below its required value at trading day end, the Exchange shall require such Broker to deposit the shortfall in any of the forms as mentioned above within one trading day, failing which the Exchange shall restrict/suspend trading rights of such Broker till the time the Broker fulfills its BMC requirement.

Utilization of BMC in the event of default by a Broker or cancellation/forfeiture of its TRE Certificate:

In case of declaration of a Broker as defaulter or cancellation/forfeiture of its TRE Certificate under the applicable regulations of the Exchange, the Exchange shall utilize the proceeds of collaterals deposited to meet BMC requirement in accordance with the applicable regulations of the Exchange and in terms of the letter of pledge/undertaking/lien mark, where applicable.

Chapter 20: DISCIPLINARY ACTIONS AGAINST TRE CERTIFICATE HOLDERS REGULATIONS

20.1. ACTS REQUIRING DISCIPLINARY ACTIONS:

20.1.1. The Board may, upon its own motion or upon the recommendations of RAC, by a resolution, exercise any of the disciplinary powers as specified under clause 20.15 against a TRE Certificate Holder if such TRE Certificate Holder:

(a) Is guilty of fraudulent practices;
(b) Has transacted its own or its constituent's/client's business under fictitious names;
(c) In any manner circulates or causes to be circulated, any rumors;
(d) Repeatedly brings before the Exchange a charge, complaint or suit which, in the opinion of the Board, is baseless, frivolous, vexatious or malicious;
(e) If without the special permission of the Board a TRE Certificate Holder shares its brokerage with or carries on business or makes any deal for or with any TRE Certificate Holder which has been suspended or the TRE Certificate of which has been cancelled or forfeited as the case may be or which has been declared as Defaulter;
(f) Evades or attempts to evade or assists in evading the Margin requirements prescribed in the relevant NCCPL Regulations;
(g) Has refused or failed to comply with any resolution or decision of the Board;
(h) Has contravened PSX Regulations, policies or procedures, orders, notices, directions, decisions, instructions or rulings of the Exchange or the Commission;
(i) Is found guilty of dishonorable or disgraceful conduct;
(j) Has made a false declaration in its application for transfer/issuance of TRE Certificate to the Exchange or Commission;
(k) Has been convicted by a court of law for an offence involving fraud, financial or business misconduct/ malpractices or moral turpitude which renders it unfit to be a TRE Certificate Holder of the Exchange;
(l) Has willfully obstructed the business of the Exchange;
(m) Is incapable of performing its functions for any reason deemed sufficient in the discretion of the Board, including but not limited to the failure of its Chief Executive Officer or any authorized contact person on its behalf to attend to any notice, hearing or a claim from or by the Exchange for more than 30 days or his prolonged illness without making an alternate arrangement with the permission of Exchange or its financial precariousness or TRE Certificate Holder going into liquidation;
(n) Has refused or failed to provide any information or provided incomplete, false, forged or misleading information to the Exchange and/or the Commission.
(o) Has failed to pay any fine or penalty imposed upon it in accordance with PSX Regulations for the time being in force;
(p) Has failed to pay any money which may be due by it to the Exchange relating to trading, operational, and other administrative facilities within such time as may be determined by the Board;
(q) Has failed to submit to or abide by or carry out any award in arbitration passed by the Sole Arbitrator/ Sub Panel of Arbitrators, Appellate Panel or any other arbitration forum established by the Exchange.

Provided that before the above any disciplinary action is taken by the Board in respect of acts provided in sub-clause (o), (p) or (q) of this clause, the Board may allow maximum period of thirty (30) days to the TRE Certificate Holder from the due/implementation date, to pay such the money due or implement the arbitration award, as the case may be.

Provided further that no disciplinary powers as specified under clause 20.15 in respect of any of the above acts shall be exercised by the Board except after giving the TRE Certificate Holder an opportunity of being heard. Such hearing may be conducted by:

(a) the RAC or a sub-committee constituted by the RAC for an order other than cancellation or forfeiture of the TRE Certificate; and
(b) the Board or sub-committee constituted by the Board for an order of cancellation or forfeiture of the TRE Certificate.

The relevant authority conducting the hearing under this clause may proceed ex-parte against a TRE Certificate Holder who fails to appear for hearing in two consecutive hearings.

20.1.2. The imposition of fine or suspension of a TRE Certificate under the PSX Regulations shall be without prejudice to the power of the Board to subsequently suspend, cancel or forfeit TRE Certificate of such TRE Certificate Holder, as the case may be, in case it fails to pay the fine imposed or removes the cause of suspension within stipulated time.

20.2. PROCESS TO BE FOLLOWED FOR TAKING DISCIPLINARY ACTION PURSUANT TO SUB-CLAUSES (o), (p) AND (q) OF CLAUSE 20.1.1.:

20.2.1. FAILURE TO PAY DUES:

If a TRE Certificate Holder fails to pay its annual subscription/fee/penalty or any other money which may be due on its part to the Exchange within a period allowed by the Board under the first proviso to Clause 20.1.1 after the same has become due, the CRO shall issue a formal two (2) working days demand notice to that TRE Certificate Holder for making the required payment.

20.2.2. SUSPENSION:

In case a TRE Certificate Holder fails to pay the outstanding amount even after the expiry of two (2) working days from the date of receipt of the notice from the CRO as provided above, the CRO may, as empowered by the Board or subject to the passing of Board resolution as per Clause 20.1.1, suspend such TRE Certificate Holder until it pays the outstanding amount or complies with the arbitration award, as the case may be, and until then such TRE Certificate Holder shall remain

suspended and debarred from exercising any of the rights and privileges of a TRE Certificate Holder until the CRO revokes its suspension.

20.2.3. FURTHER NOTICE:

If a TRE Certificate Holder does not clear its outstanding amount or comply with the arbitration award, as the case may be, even after its suspension for a period of two months, the CRO shall issue a further demand notice to that TRE Certificate Holder advising it to remove the cause of suspension within five (5) trading days from the date of receipt of the said notice.

20.2.4. CANCELLATION/FORFEITURE OF TRE CERTIFICATE:

If the requisition in such further notice is not complied with, the Board may by a Resolution order for cancellation or forfeiture of the TRE Certificate of such TRE Certificate Holder in a manner as provided in sub-clause 20.1.1.

20.3. INVESTIGATION AND COMPLIANCE POWERS:

20.3.1 Where the Exchange, on the basis of the information available to it, is of the opinion that it is necessary to investigate into a matter of possible breach of provisions of the PSX Regulations, Exchange shall have all supervisory and investigatory powers that are necessary for the exercise of its functions. It shall exercise such powers either directly or, where appropriate, in collaboration with other authorities, including the Commission.

20.3.2 The powers referred to above shall be exercised in conformity with the Securities Exchanges (Licensing and Operations) Regulations, 2016 and the PSX Regulations and shall include the right to:

(a) Have access to any information in any form whatsoever (whether electronic and/or paper based) and to receive a copy of same;
(b) Demand information from any TRE Certificate Holder and if necessary, to summon and hear any such TRE Certificate Holder;
(c) Carry out on-site inspections or engage external consultants/auditor;
(d) Require existing telephone and data traffic records from TRE Certificate Holder.

20.3.3 In the event of any apparent violation/non-compliance of any of PSX Regulations, the CRO or authorized officer of RAD may, after giving a notice in writing and under intimation to the Board, suspend operation of all trading terminals of such TRE Certificate Holder, whenever in its opinion it is necessary to take an emergent action in the best interest of market, subject to its action being confirmed by the RAC in its emergent meeting/through resolution by circulation within three working days commencing from the next day of switching-off of the trading terminals. The RAC may or may not ratify such action of the CRO or any authorized officer of RAD and such switching-off of trading terminals shall not continue for more than seven (7) trading days. However, in appropriate cases, the RAC may hear the concerned TRE Certificate Holder itself or for this purpose constitute any committee.

Provided that where the RAC does not ratify such decision of CRO, the CRO shall not be liable whatsoever for any losses, damages, claims, legal costs or other expenses that a TRE Certificate holder may directly or indirectly suffer or incur, (including any loss of profit or any damage to reputation) arising by virtue of such decision taken by CRO.

20.3.4 In the event of refusal by the Commission to renew Broker registration of a TRE Certificate Holder or failure by the TRE Certificate Holder to apply for renewal till the date of expiry of the broker registration, or cancellation of registration by the Commission, the CRO or authorized officer of RAD shall suspend the complete trading terminals of such TRE Certificate Holder after obtaining confirmation of the Commission.

20.4. HEARING AND APPEAL PROCEDURES:

20.4.1 Any officer of RAD, not below the level of Senior Manager, authorized in this regard by the CRO, shall have the authority to conduct a hearing in respect of any violation/ non-compliance by a TRE Certificate Holder of provisions of PSX Regulations in all the matters where contravention attracts imposition of fine of up to an aggregate amount of Rs. 1 million. The Chief Executive Officer or any other Senior Management Officer of the TRE Certificate Holder concerned or any of its Representatives including Agents who is well conversant with the case and is authorized in this regard shall appear for the hearing with proof of such authorization. Upon completion of the hearing, the officer of RAD who conducted the hearing shall send his recommendations to the CRO for his approval and final decision.

Provided that the sub-committee of the RAC shall have the authority to conduct a hearing in respect of any violation/non-compliance by a TRE Certificate Holder of provisions of PSX Regulations in all matters where contravention attracts imposition of aggregate fine above Rs. 1 million.

Provided further that in case the officer of the RAD conducting a hearing finds during any stage of hearing that the aggregate amount of fine for apparent violation/non-compliance is likely to exceed the aggregate amount of Rs. 1 million, then he shall refer the case to the sub-committee of the RAC.

20.4.2 All cases of violation/non-compliance by a TRE Certificate Holder shall be disposed-off within thirty (30) days of the date of first hearing by the RAD or the sub-committee of the RAC, as the case may be.

20.4.3 In case hearing could not be disposed-off within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension up to a maximum of 15 days shall be communicated in writing:

(a) to the sub-committee of the RAC, in case of delay by the RAD;

(b) to the RAC, in case of delay by the sub-committee of RAC.

20.4.4 An appeal by an aggrieved TRE Certificate Holder against the decision of the CRO made on the recommendations of the authorized officer of RAD, shall be heard and decided by the sub-committee of RAC. The decision of the sub-committee of the RAC in such appeal shall be final and binding on the concerned TRE Certificate Holder.

20.4.5 Subject to sub-clause 20.4.7 herein below, an appeal by an aggrieved TRE Certificate Holder against the decision of the sub-committee of RAC shall be heard and decided by the RAC itself. The decision of the RAC shall be final and binding on the concerned TRE Certificate Holder.

20.4.6 An appeal filed pursuant to above decisions, shall be disposed-off within forty five (45) days of its filing. However, if such appeal is not disposed-off within this prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension shall be communicated in writing to the RAC, in case of appeal filed with the sub-committee of the RAC, and to the Board in case of appeal filed with the RAC.

Provided that no appeal against the decision of the CRO or sub-committee of the RAC, as the case may be, shall be filed beyond 14 days of receipt of such decision by the concerned TRE Certificate Holder and any such appeal even if filed shall not be entertained by the Exchange.

20.4.7 No second (2nd) appeal shall be entertained against the appellate decisions of the sub-committee of RAC or RAC, as the case may be.

20.4A. DISCIPLINARY ACTIONS:

20.4A.1. Pursuant to Clause 20.4 hereinabove, the CRO, sub-committee of RAC or RAC, as the case may be, may initiate disciplinary actions against a TRE Certificate Holder under sub-clause 20.4A.2 when it is prima facie established that such TRE Certificate Holder has breached one or more of the PSX Regulations or failed to comply with a policy, procedure, order, notice, guideline, direction, manual, decision, instruction or ruling of the Exchange or failed to provide any required information or provided incomplete, false, forged or misleading information to the Exchange as may be required from time to time.

20.4A.2. GENERAL DISCIPLINARY ACTIONS:

Disciplinary actions that may be taken pursuant to sub-clause 20.4A.1 are as follows:

(a) Issue a warning in writing to act more carefully and vigilantly;
(b) Reprimand in writing that the conduct warrants censure;
(c) Impose a fine;
(d) Impose any one or more conditions or restrictions;
(e) Mandate educational qualification, training or such other program as may be determined by the relevant authority to be undertaken or implemented by the Broker for its employees;
(f) Direct to take remedial actions to rectify the breach including appropriate action(s) against any of its employees or agents concerned behind such breach, whether directly or indirectly ; and/or take such other action as the relevant authority may deem appropriate;
(g) Suspend any or all trading terminals.

20.4A.3. In determining the sanctions, the relevant authority is to take into account the following factors:

(a) the nature and seriousness of the non-compliance;
(b) the duration and frequency of the non-compliance;
(c) the manner in which the non-compliance was discovered;
(d) the actual or potential market impact of the non-compliance, and any other consequences;
(e) whether the non-compliance was deliberately, recklessly or negligently caused;
(f) the general compliance history of the relevant TRE Certificate Holder and specific history relating to the non-compliance;
(g) the conduct and remedial action taken by the relevant TRE Certificate Holder in responding to the matter;
(h) the nature and severity of sanctions which would be fair in the circumstances, taking into consideration the relevant aggravating and mitigating factors; and/or
(i) consistent and fair application of the regulations;

20.4A.4. If investigations suggest that the law prohibiting market misconduct could have been breached, the matter will be referred to the SECP for further investigation and action.

20.4A.5. RAC may, considering the factors identified under 20.4A.3, recommend the Board to exercise disciplinary powers under clause 20.15.

20.4A.6. If RAC has reasons to believe that the broker, its sponsors, directors and/ or senior management officers are no longer fit and proper persons, it shall refer the matter to the Commission.

20.5. SPECIFIC DISCIPLINARY ACTIONS:

In case it is established that a TRE Certificate Holder has failed to comply with any PSX Regulation(s) in respect of matters specified in Clauses 20.5A, 20.5B, 20.5C, 20.5D, 20.6, 20.7, 20.8 and 20.9 below, the relevant authority may, in addition to or apart from the general disciplinary actions prescribed in sub-clause 20.4A.2., take any one or more of the specific

disciplinary actions provided in the respective sub-clauses as aforesaid by considering the factor(s) laid down in Clause 20.4A.3.

20.5A. DISCIPLINARY ACTIONS IN RESPECT OF AUDIT ACTIVITIES:

20.5A.1 If the audit report identifies any non-compliance(s) including that of the Articles, Regulations, Securities laws and regulations and directives/notices/circulars/guidelines of the Exchange, Commission, etc., the CRO may, after giving the TRE Certificate Holder an opportunity of being heard, impose a fine not less than Rs 10,000/- but not exceeding Rs. 200,000/- per instance of non-compliance, in addition to the specific Penalty/enforcement action as provided in the relevant law, rules and regulations.

20.5A.2 If a TRE Certificate Holder fails to co-operate with the Auditor, the CRO shall upon receiving a written complaint from the Auditor, call a hearing of the TRE Certificate Holder and the Auditor and may impose a fine not exceeding Rs.100,000/- on the said TRE Certificate Holder. If the TRE Certificate Holder, subsequent to the imposition of the said fine fails to cooperate with the Auditor or fails to pay the fine, the CRO shall refer the matter to RAC/Board as the case maybe for initiation of disciplinary actions under PSX Regulations.

20.5A.3 If any TRE Certificate Holder fails to pay the audit fees and charges within the specified time, the CRO may impose a Penalty on such TRE Certificate Holder as it may deem fit.

20.5A.4 Where the Exchange neglects or otherwise fails to take necessary action against a TRE Certificate Holder, the Commission may suo-moto or on receiving any complaint after giving due opportunity of hearing to the TRE Certificate Holder, impose penalties as provided above and take such other necessary action as deemed fit by the Commission.

20.5B. DISCIPLINARY ACTIONS IN RESPECT OF COLLATERAL ACCOUNT AND/OR SEGREGATION OF CLIENTS' ASSETS:

20.5B.1. DISCIPLINARY ACTIONS IN RESPECT OF COLLATERAL ACCOUNT:

In case of non-compliance of sub-clause 4.18.1.(c) or 4.18.3 by a TRE Certificate Holder, CRO may, after providing an opportunity of hearing in accordance with clause 20.4. hereinabove, impose a penalty on such TRE Certificate Holder equivalent to 1.0% of the market value of securities moved, subject to a maximum penalty of Rs. 1 million.

20.5B.2. DISCIPLINARY ACTIONS IN RESPECT OF SEGREGATION OF CLIENTS' ASSETS:

In case non-compliance with sub-clause 4.18.1.(a), 4.18.1(b) or 4.18.2 by a TRE Certificate Holder is established, the CRO may, after providing an opportunity of being heard in accordance with clause 20.4. hereinabove, impose penalty equivalent to 5.0% of the funds and/or market value of securities moved, as the case may be, subject to a maximum of Rs. 2 million on such TRE Certificate Holder.

20.5B.3. DISCIPLINARY ACTIONS IN RESPECT OF REPORTING OF CLIENTS' ASSETS SEGREGATION STATEMENT:

In case non-compliance of Clause 4.18.6 (a) or 4.18.6 (b) by a TRE Certificate Holder is established, the CRO may, after providing an opportunity of being heard in accordance with clause 20.4. hereinabove, impose a penalty of Rs. 100,000 and after issuing notice for seeking explanation of such non-compliance within three (3) trading days of issuance of notice switch off all trading terminals, except one; in case of non-submission of requisite information or unsatisfactory explanation.

20.5C. DISCIPLINARY ACTIONS IN RESPECT OF CONFIRMATION OF CLIENTS' ORDERS BY TRE CERTIFICATE HOLDERS/ BROKERS:

In case of non-compliance with Clause 4.19 CRO may, after providing an opportunity of being heard in accordance with clause 20.4. hereinabove, impose a fine not less than Rs. 20,000/- but not more than Rs. 50,000/- per default.

20.5D. DISCIPLINARY ACTIONS IN RESPECT OF TRADING BY EMPLOYEES OF BROKERAGE HOUSES:

The CRO may, after providing an opportunity of being heard in accordance with clause 20.4. hereinabove, impose a fine not more than Rs100,000/- on the TRE Certificate Holders for any single breach/violation of Clause 4.21 hereinabove including the Code of Conduct by the TRE Certificate Holders or its employees.

20.5E. DISCIPLINARY ACTIONS IN RESPECT OF INTERNET BASED TRADING:

In case of non-compliance with sub-clause 9.12.3, the CRO may, after providing an opportunity of being heard to the Broker in accordance with clause 20.4, hereinabove, impose a fine of not more than Rs. 500,000/- per instance of non-compliance.

20.6. DISCIPLINARY ACTIONS IN RESPECT OF PROPRIETARY TRADING ACTIVITIES:

If a TRE Certificate Holder contravenes with any provisions of Chapter 7 of PSX Regulations, the CRO may, after giving an opportunity of hearing in accordance with clause 20.4. hereinabove, by order in writing take any one or both of the following disciplinary actions against such TRE Certificate Holder:

(a) Impose a fine not exceeding Rs.200,000 per contravention.
(b) Suspend the trading terminals for a period determined by the Board from time to time.

20.7. DISCIPLINARY ACTIONS IN RESPECT OF TRADING SYSTEM ACTIVITIES:

The CRO shall, in the event of non-compliance of any provision of Chapter 8A and Chapter 8B, after providing an opportunity of being heard in accordance with clause 20.4. hereinabove, take any one or both of the following disciplinary actions against such TRE Certificate Holder:

(a) Impose fine not exceeding Rs. 1 million.
(b) Suspend any or all trading terminals up to a period of three (3) months and on second or third violation suspension of trading may be extended to 1-2 years.

20.8. DISCIPLINARY ACTIONS IN RESPECT OF MARKET MAKING ACTIVITIES:

20.8.1. The CRO may immediately, restrict or suspend activities of Market Maker or cancel its appointment where a Market Maker:

(a) Is found involved in activities that are not commensurate with the responsibilities assigned to a Market Maker or are detrimental to the interest of market and general investors;
(b) Fails to perform its duties as prescribed in Market Making Agreement under chapter 12 dealing with Market Makers or any other requirement under PSX Regulations;
(c) Fails to renew its agreement on its expiration;
(d) Fails to pay any fine or penalty imposed upon him within the specified time in accordance with these Regulations.

Provided no such action shall be taken by CRO except after giving the Market Maker an opportunity of being heard. However, in case where it is necessary in the opinion of CRO to take an emergent action in the best interest of market, CRO may, after giving a notice in writing, immediately suspend the market making activities of Market Maker. However, subsequent to such suspension the CRO shall provide the Market Maker with an opportunity of being heard in accordance with procedures and take appropriate action as provided in PSX Regulations.

20.8.2. In case of suspension, default of a TRE Certificate Holder or cancellation of TRE Certificate of TRE Certificate Holder being appointed as a Market Maker, the CRO shall immediately restrict the Market Maker to perform its market making activities.

Provided that the CRO shall notify the AMC if Market Maker was appointed by such AMC for ETF prior to taking any action under these Regulations.

20.8.3. In case of exceptional circumstances affecting the market, which result in significant order imbalance, the CRO under intimation to the Commission may, on the request of the Market Maker, allow suspension of market making activities in the Designated Products for the requested period.

20.8.4. If appointment of Market Maker is restricted, suspended or cancelled for any reason in accordance with PSX Regulations or Market Making Agreement, then the suspended/ terminated Market Maker may carry out all other trading activities of a TRE Certificate Holder as a Broker.

20.8.5. The Exchange shall disseminate to the market as soon as possible the information relating to imposition of restriction, suspension or cancellation of appointment of Market Maker through the Public Address System of the Exchange. All such information shall also be made available to general public through the Exchange's Website.

20.8.6. CRO may impose financial penalty on the Market Maker up to the amount of transaction fee refunded to such Market Maker during the last six months or any additional penalty up to a maximum of Rs.100,000/-.

20.8.7. All the above mentioned actions of suspension, restriction and/or imposition of financial penalty on TRE Certificate Holders, by the CRO and to give effect to such decision the same shall be ratified by the RAC in its meeting or through resolution by circulation within three working days commencing from the next day of such action.

20.9. DISCIPLINARY ACTIONS IN RESPECT OF SHORT SALE/BLANK SALE ACTIVITIES:

20.9.1. In case a TRE Certificate Holder, contravenes any provision of Chapter 10 or Chapter 13 of PSX Regulations, on its proprietary account or client's account on UIN basis, the CRO may, after providing an opportunity of being heard to the Broker in accordance with Clause 20.4 hereinabove take the following disciplinary action(s) against such TRE Certificate Holder:

(a) First Violation:

(i) In case of non-compliance in client's account:

i. 5% of the value of such Short/Blank Sale or Rs. 100,000/- whichever is higher; and/or
ii. confiscation of profits made on such Short/Blank Sale.

(ii) In case of non-compliance in proprietary account:

i. 10% of the value of such Short/Blank Sale or Rs.200,000/- whichever is higher; and/or
ii. confiscation of profits made on such Short/Blank Sale.

(b) Second Violation within one year of First Violation:

(i) In case of non-compliance in client's account:

i. 10% of the value of such Short/Blank Sale or Rs.200,000/- whichever is higher; and/or
ii. confiscation of profits made on such Short/Blank Sale.

(ii) In case of non-compliance in proprietary account:

i. 20% of the value of such Short/Blank Sale or Rs. 400,000/- whichever is higher; and/or
ii. confiscation of profits made on such Short/Blank Sale.

(c) Subsequent violation within one year of Second Violation:

(i) In case of non-compliance in client's account:

i. 20% of the value of such Short Sale or Rs. 400,000/- whichever is higher; and/or
ii. confiscation of profits made on such Short/Blank Sale.

(ii) In case of non-compliance in proprietary account:

i. 40% of the value of such Short Sale or Rs. 800,000/- whichever is higher; and/or
ii. confiscation of profits made on such Short Sale.

20.9.2. It is prohibited for a Broker and a client to engage in a series of transactions in order to create actual or apparent active trading in a security or to depress the price of a security for the purpose of inducing the purchase or sale of the security by others. Thus, Short Sale and/or Blank Sale effected to manipulate the price of a security are prohibited. If investigation apparently reveals that the price of a security has been manipulated or attempted to be manipulated, the matter may be referred to the Commission for further investigation and action.

20.10. DISCIPLINARY ACTIONS IN RESPECT OF MATTERS RELATED TO SUBMISSION OF FINANCIAL INFORMATION:

In case of non-compliance with regulation 4.27 of the Regulations, the CRO shall issue a notice of seven (7) days to the Broker for ensuring compliance. Upon failure to comply, the CRO shall immediately restrict the trading facility of such Broker and shall only allow it to close out the open position in a controlled environment. Such restrictions shall remain in force until the Broker submits the information and, where the action is taken due to non-submission of information to the Commission, after seeking confirmation from the Commission.

Provided that actions against a Broker for failure to provide any information to the Commission, as required under regulation 4.27, shall be taken by the Exchange upon details of such non-submission by the Broker being provided to the Exchange by the Commission.

20.11. CONSEQUENCES OF TRE CERTIFICATE HOLDER'S SUSPENSION / CANCELLATION/FORFEITURE OF TRE CERTIFICATE:

20.11.1. A suspended TRE Certificate Holder, during the terms of his suspension, will not exercise or enjoy any of the rights or privileges of TRE Certificate.

20.11.2. The suspension or cancellation/forfeiture of a TRE Certificate shall not affect the right of creditors against such TRE Certificate Holder.

20.11.3. The Exchange shall, as soon as possible, notify together with cause of such suspension/cancellation/ forfeiture to the TRE Certificate Holders and the public through placement on its website any decision of suspension or cancellation/forfeiture of a TRE Certificate. Further, in case of cancellation/forfeiture of TRE Certificate, Exchange shall publish such notice in at least two widely circulated newspapers.

20.11.4. A TRE Certificate Holder shall not, without the special permission of the Board, carry on business for or with an individual TRE Certificate Holder or in case of Corporate Brokerage House, its Nominee Director/Chief Executive and other directors (holding 20% or more of its shares) who has been suspended or whose TRE Certificate has been cancelled/forfeited by the Exchange.

20.11.5. When a TRE Certificate is cancelled/forfeited, all the rights and privileges of concerned TRE Certificate Holder shall stand withdrawn but any liability of any such TRE Certificate Holder to the Exchange or to any other TRE Certificate Holder of the Exchange shall continue and remain unaffected by cancellation.

20.11.6. Upon cancellation/forfeiture of a TRE Certificate, the Exchange may utilize the following assets of TRE Certificate Holder for the purpose of discharging such TRE Certificate Holder's obligations related to transactions and dealings made subject to any PSX Regulations or NCCPL Regulations towards NCCPL, other TRE Certificate Holders and customers:

(a) All monies, securities and other assets due or deliverable to the TRE Certificate Holder by any other TRE Certificate Holder of the Exchange or NCCPL in respect of transactions or dealings made subject to any Regulations of the Exchange or NCCPL;
(b) Securities, if any, held in the custody of the Exchange;
(c) Securities and/or cash/bank guarantee, if any, held in the custody of NCCPL; and
(d) Base Minimum Capital maintained with the Exchange in accordance with the Regulations Governing Risk Management of the Exchange.

Provided that in case where a TRE Certificate Holder has a subsisting right to transfer its TRE Certificate and such TRE Certificate is a component of the Base Minimum Capital maintained by such TRE Certificate Holder under the Regulations Governing Risk Management such TRE Certificate will not be cancelled and instead shall be forfeited and transferred by the Exchange and proceeds shall be utilized under these Regulations. However, all the provisions of these regulations

applicable consequent upon cancellation of TRE Certificate shall remain so applicable on the TRE Certificate Holder considering as if its TRE Certificate has been cancelled.

20.11.7. No TRE Certificate Holder shall, without special permission of the Board, take into or continue in his employment in any capacity in any business carried on by him, a former TRE Certificate Holder whose TRE Certificate has been suspended, cancelled or forfeited.

20.12. DISPOSAL OF ASSETS COMPRISING BASE MINIMUM CAPITAL AND PROCEEDS OF SHARES OF EXCHANGE HELD IN THE BLOCKED ACCOUNT THEREOF:

20.12.1. The assets comprising Base Minimum Capital and proceeds of shares held in the blocked account, shall be free of all rights, claims or interest of such TRE Certificate Holder or anyone else and the Exchange shall be entitled to deal with or dispose of such assets in such manner and at such price, as the Exchange may consider fit. If the Exchange disposes-off the assets, the sale proceeds thereof shall be utilized exclusively for satisfying the customers' claims against the TRE Certificate Holder. Any amount remaining unutilized shall be deposited in the CCPF.

20.12.2. In case the customers' claims admitted by the Exchange against a TRE Certificate Holder, in accordance with the procedures specified by the Exchange from time to time, are more than the balance amount left unutilized out of the amount realized from Base Minimum Capital and proceeds of shares held in the blocked account for satisfying such claims, all the claims will be satisfied on pro-rata basis. The claims still remaining unsatisfied after pro-rata sharing will then be paid from the CCPF in accordance with chapter 24 of PSX Regulations.

20.12.3. Notwithstanding anything contained hereinabove, the Exchange may, with prior approval of the Commission, where amount realized from Base Minimum Capital and proceeds of shares held in the blocked account, subject to compliance with the applicable laws are not immediately available, for any reason whatsoever, in the interest of the customers allow settlement of customers' admitted claims first from the CCPF to the extent of the maximum permitted amount provided under chapter 24 of PSX Regulations. However, in the event the amount realized from Base Minimum Capital and proceeds of shares held in Blocked Account become available subsequently, then after satisfaction of all claims as provided for in 20.12.1 above, any amount remaining unutilized out of the amount realized from Base Minimum Capital and proceeds of shares held in Blocked Account, shall be deposited in the CCPF.

20.13. VERIFICATION OF INVESTORS' CLAIMS, INSPECTION OF BOOKS & RECORDS AND CONDUCTING OF ENQUIRY:

The Exchange may verify genuineness of investors' claims against a TRE Certificate Holder and may inspect books and records of any TRE Certificate Holder and/or conduct enquiry into his/its dealings and business affairs for verification of investor's claims and/or for checking compliance with the Regulations and for this purpose may also appoint an auditor selected from the panel of auditors prescribed by the Exchange under chapter 23 captioned "System Audit (Regulatory Compliance)" of the PSX Regulations.

20.14. RESTORATION OF TRE CERTIFICATE:

The Board may, by passing a resolution in this regard, restore TRE Certificate of any TRE Certificate Holder whose TRE Certificate may have been cancelled/forfeited, if such TRE Certificate Holder submits an application within one year of cancellation/forfeiture of his/its TRE Certificate and proves to the satisfaction of the Board the removal of cause of cancellation/forfeiture of TRE Certificate.

Provided that a TRE Certificate Holder shall only be restored if:

(a) In the case of forfeiture , the TRE Certificate has not yet been disposed-off by the Exchange;
(b) All the investor complaints, lodged with Exchange and the Commission against such TRE Certificate Holder, are settled/withdrawn. However, Exchange shall also obtain prior written consent from all complainants with regard to their settlements/withdrawals;
(c) Prior written confirmation of the Commission is obtained to confirm the 20.14.(a) above.

The Board shall not restore a TRE Certificate cancelled/forfeited on violation/non-compliance of regulation 20.1.1.(a), (b), (i) and (k) above.

20.15. DISCIPLINARY POWERS OF THE BOARD:

Without prejudice to the generality of the powers vested in the Board and in addition to the disciplinary actions/powers envisaged under clause 20.4A that the CRO, sub-committee of RAC or RAC (as the case may be) may take, the Board may further exercise any one or more of the following disciplinary powers against a TRE Certificate Holder pursuant to clause 20.1:

(a) Impose a fine up to a maximum of Rs. 5 million;
(b) Restrict, suspend or cancel the market making activities of the TRE Certificate Holder in a particular market / product available for trading at the Exchange or its status as Authorized Participant in case of ETF on such terms and for such period as the Board may deem fit;
(c) Suspend, withdraw or revoke the right of the TRE Certificate Holder's access to the Trading System(s) on such terms and for such period as the Board may deem fit;
(d) Restrict or suspend TRE Certificate Holder's trading activities in a particular market / product available for trading at the Exchange on such terms and for such period as the Board may deem fit;
(e) Suspend a TRE Certificate on such terms and for such period as the Board may deem fit;

(f) Cancel / Forfeit / Revoke TRE Certificate;
(g) Recommend to the Commission to suspend or revoke the registration of a Representative of the TRE Certificate Holder; and/or
(h) Take any other action as the Board may deem fit; subject to prior consultation with the Commission.

20.16. GENERAL:

20.16.1. Where a TRE Certificate Holder is found guilty of non-compliance with any provision of PSX Regulations, and no specific penalty for such non-compliance has been prescribed in the PSX Regulations, the following amount of fine may be imposed:

(a) Up to a maximum of Rs. 1 million by CRO;
(b) Up to a maximum of Rs. 5 million by RAC.

20.16.2. Notwithstanding any disciplinary proceedings being instituted against the TRE Certificate Holder or any conditions being imposed upon it and/or any of its rights being suspended a TRE Certificate Holder shall continue to remain bound by PSX Regulations and the disciplinary procedures of the Exchange.

20.16.3. Where the Board has ordered for forfeiture of TRE Certificate of a TRE Certificate Holder under this Chapter and if such TRE Certificate Holder has:

(a) a subsisting right to transfer its TRE Certificate; and
(b) such TRE Certificate is a component of the BMC maintained by such TRE Certificate Holder under Chapter 19 of PSX Regulations.

Such TRE Certificate will not be cancelled and instead shall be forfeited and transferred by the Exchange and proceeds shall be utilized under these Regulations and all the provisions of these Regulations applicable consequent upon cancellation of TRE Certificate shall continue to remain applicable on the TRE Certificate holder treating it as if its TRE Certificate has been cancelled.

20.16.4. LIABILITIES:

(a) A TRE Certificate Holder who shall for any reason have ceased to be a TRE Certificate Holder of the Exchange shall nevertheless remain liable for and shall pay to the Exchange all monies, which at the time of it ceasing to be a TRE Certificate Holder shall have been due by him to the Exchange.
(b) The Exchange, its directors, employees, or representatives or any other person or entity associated with the Exchange shall have no liability whatsoever for any losses, damages, claims, legal costs or other expenses that a TRE Certificate holder may suffer or incur, whether directly or indirectly (including any loss of profit or any damage or reputation) by reason of any disciplinary proceedings instituted or disciplinary measures taken pursuant to PSX Regulations.

20.16.5. All penalties collected by the Exchange through powers exercised under these regulations shall be deposited in the CCPF.

Chapter 21: DEFAULT MANAGEMENT IN RESPECT OF TRE CERTIFICATE HOLDERS / BROKERS REGULATIONS

21.1. DEFINITIONS:

In this chapter, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

(a) "Default Management Committee" shall mean a committee of such name established under the NCCPL Regulations;
(b) "Default Committee" shall mean a committee constituted by the RAC from time to time in line with the plan for segregation of commercial and regulatory functions of the Exchange approved by SECP;
(c) "Defaulter" shall mean a TRE Certificate Holder declared as a defaulter by the Board in accordance with these Regulations;
(d) "NCCPL Final Notice" shall mean a notice issued to a suspended TRE Certificate Holder by NCCPL pursuant to NCCPL Regulations requiring the suspended Clearing Member to pay his final liabilities as determined by the Default Management Committee.

21.2. SUSPENSION ON ACCOUNT OF SETTLEMENT FAILURE OR FAILURE TO PAY OTHER AMOUNTS:

21.2.1. (a) In case a Broker fails to pay any amount payable by him or fails to deliver securities to the Exchange or to other Broker(s) as directed by the Exchange in accordance with these PSX Regulations, the Exchange shall issue a notice requiring such Broker to rectify the default within prescribed time. On failure to comply with the notice by the Broker within the time allowed, the trading rights of such Broker shall be restricted or suspended by the Exchange by issuing a notice in writing, a copy of which shall also be delivered to NCCPL and CDC.
(b) Upon receiving of a notice from the Exchange under 21.2.1.(a). above, the NCCPL shall also restrict or suspend such TRE Certificate Holder's access to the services offered by NCCPL under its relevant regulations.

21.2.2. In case a Broker is suspended by NCCPL as its Clearing Member in accordance with NCCPL Regulations and:

(a) if the suspension notice from NCCPL is received after the trading hours of the Exchange, the Exchange shall immediately suspend such Broker; and
(b) if such suspension notice is received during the trading hours of the Exchange, the Exchange shall immediately restrict such Broker's access to all Trading System terminals in a manner that such Broker is not able to take any further exposure in any of the Markets during the remaining trading hours on that day, provided that one or more Trading System terminals of such Broker may be operated under the supervision of the Exchange for the purpose of reducing his exposure. The Exchange shall suspend such Broker after the end of the trading hours on that day.

21.3. CLOSING OUT OF UNSETTLED AND OPEN POSITIONS:

21.3.1. Upon suspension of a Broker, the matter shall be referred to the Default Management Committee. The Exchange shall provide all data and information relating to the unsettled and open positions of the suspended Broker in All Markets, trades, contracts and transactions, if not available with NCCPL, to the Default Management Committee.

21.3.2. The suspended Broker's unsettled and open positions in all markets shall be closed-out and squared up by NCCPL in coordination with the Exchange in the manner specified by the Default Management Committee and final liability of the suspended Broker shall be determined by the Default Management Committee.

21.3.3. Upon receipt of copy of NCCPL Final Notice, the Exchange shall serve a final notice to the suspended TRE Certificate Holder calling upon the suspended TRE Certificate Holder to pay the liabilities stated in the NCCPL notice within the time allowed in said notice.

21.4. DECLARATION AS DEFAULTER:

21.4.1. Upon receipt of a notice from NCCPL declaring the suspended Broker as defaulter under NCCPL Regulations, such Broker shall be declared Defaulter by the Board under relevant regulations of the Exchange.

21.4.2. An individual TRE Certificate Holder who has been adjudicated as insolvent and in case of Corporate TRE Certificate Holder against whom a winding-up order has been passed by the Court for failure to discharge its obligations towards creditors or a resolution for creditors' voluntary winding-up has been passed or a resolution for members' voluntary winding up has been passed without obtaining prior consent of the Exchange, shall ipso facto be declared as defaulter.

21.4.3. A TRE Certificate Holder whose TRE Certificate has been cancelled or forfeited by the Exchange or whose securities broker license was cancelled by the Commission due to non-compliance of any applicable laws, rules, regulations, notices, procedures, guidelines, directions, failure or refusal to abide by or carry out the award of arbitrator(s) or for non-settlement of customers' claims as directed by the Board etc., shall be considered and declared as a defaulter for the purpose of these Regulations.

21.5. CONSEQUENCES OF DEFAULT:

When a Broker has been declared as Defaulter by the Board, the Exchange shall at once forfeit/ cancel his TRE Certificate, if such TRE Certificate has not been already forfeited/ cancelled, and such Broker shall cease to be a TRE Certificate

Holder of the Exchange. All the assets of such Broker under the control of the Exchange including his Base Minimum Capital shall be utilized by the Default Committee in accordance with the requirements of this chapter.

21.6. FUNCTIONS OF THE DEFAULT COMMITTEE:

The Default Committee of the Exchange shall manage and supervise, in accordance with these regulations, all proceedings relating to the collection and realization of the assets of a Defaulter in accordance with these Regulations

21.6.1. *DEFAULTERS' ASSETS*:

The Default Committee shall recover securities and assets of the Defaulter and shall, if not contrary to the provisions of any law for the time being in force, vest the same with the Exchange for utilization in accordance with these Regulations. Without prejudice to the generality of the foregoing the assets of a Defaulter shall include:

(a) Office(s) within the Exchange premises, if any, in the control of the Exchange; and
(b) Base Minimum Capital maintained with the Exchange in accordance with the chapter 19 of these PSX Regulations and the proceeds of 0.3% shares of the Exchanges held in the blocked account where applicable subject to compliance with the applicable law.

21.6.2. *CLAIMS AGAINST DEFAULTER*:

(a) The Default Committee shall invite claims relating to Defaulter's obligations other than those which are already included in the closing out process pursuant to the relevant NCCPL Regulation from all TRE Certificate Holders of the Exchange and the investors against the Defaulter within a timeframe as may be determined by the Committee for this purpose.
(b) The Default Committee may not entertain any claim against the Defaulter which is not forwarded within the prescribed time limit. This time limit shall not be less than 30 days.
(c) The Default Committee shall also not entertain any claim against the Defaulter which does not arise out of any contract made between a claimant and such Defaulter subject to the Regulations of the Exchange or NCCPL.
(d) The Default Committee shall verify each claim to ascertain the genuineness of each claim and for such purpose may seek advice or employ the services of an independent expert.

21.6.3. *FALSE OR FICTITIOUS CLAIMS:*

The Board on the recommendation of Default Committee, may impose fine, suspend, cancel or forfeit the TRE Certificate of a TRE Certificate Holder when it is proved that any claim filed by such TRE Certificate Holder against the Defaulter was false or fictitious.

21.6.4. *ACCOUNTS OF THE DEFAULTER:*

The Default Committee shall keep a separate account in respect of the Defaulter`s assets covered under 21.6.1. above and shall defray there from all costs, charges and expenses incurred in or about the collection of such assets or in or about any proceedings taken by them in connection with the default.

21.6.5. *DISPOSAL OF THE DEFAULTER'S ASSETS:*

All assets of the Defaulter recovered or received by the Default Committee shall be disposed-off by the Default Committee.

21.6.6. *APPLICATION OF THE PROCEEDS*:

Proceeds of the Defaulter's assets realized by the Default Committee shall be utilized to settle claims admitted by the Default Committee as provided in Regulation 21.7 below.

21.7. SETTLEMENT OF CLAIMS:

21.7.1. The funds recovered from the sale of assets mentioned in regulation 21.6.1. above, shall be distributed in the following priority:

(a) Brokers other claims as per Regulations of the Exchange and verified by the Default Committee pursuant to Regulation 21.6.2.
(b) Investors claims as per Regulations of the Exchange.

Provided in case the customers' claims admitted by the Exchange against a Broker are more than the amount of funds recovered from the sale of assets mentioned in regulation 21.6.1.above, all the claims will be satisfied on pro-rata basis. The claims still remaining unsatisfied after pro-rata sharing will then be paid from the CCPF in accordance with the chapter 24 of these PSX Regulations.

21.7.2. Any surplus funds/assets available after satisfying claims in the above manner shall be deposited in the CCPF.

Provided where the amount of Base Minimum Capital and the proceeds of shares of Exchange held in the Blocked Account is not immediately available and contribution from CCPF is utilized first, prior to the sale of assets comprising Base Minimum Capital and proceeds of shares of Exchange held in Blocked Account, for satisfaction of claims admitted by the Exchange, any amount remaining unutilized out of the sale proceeds of the defaulter/non-compliant TRE Certificate Holder's assets, after satisfying customer claims shall be deposited in the CCPF.

Provided further that the proceeds of the assets comprising the Base Minimum Capital and the shares of the Exchange held in Blocked Account of a Defaulter shall only be utilized towards satisfying customer claims in accordance with these Regulations.

21.8. BUSINESS WITH DEFAULTER FORBIDDEN:

Except with the prior permission of the Board, no Broker shall carry on business for or with an entity where such entity or its directors/sponsors/substantial shareholders have been declared a Defaulter by the Exchange and notice regarding such prohibition has been issued by the Exchange.

Explanation: for the purpose of this chapter, the term "substantial shareholder" shall mean a shareholder holding more than 10% shares of a brokerage house".

21.9. RE-ADMISSION OF A DEFAULTER:

21.9.1. If a Defaulter has paid his entire unpaid obligations to Exchange, NCCPL, TRE Certificate Holders, Non-Broker Clearing Members admitted into NCSS by NCCPL and Investors and has reimbursed the amount utilized from any of the funds established or maintained by the Exchange or NCCPL, the Board may upon recommendations of RAC subject to such conditions as they think fit re-admit a Defaulter, if in opinion of the Board such Defaulter:

(a) had defaulted owing to the default of his clients whom he might reasonably have expected to be good for their commitments.
(b) had not been guilty of bad faith or breach of any Regulations of the Exchange.
(c) had kept his operation within a reasonable proportion of his means or resources.

Provided that in the case of forfeiture, the TRE Certificate of such Defaulter has not yet been disposed-off by the Exchange.

21.9.2. A Defaulter shall not be re-admitted if his default had been contributed to by reckless dealings on his own account or his conduct had been marked by indiscretion and by the absence of reasonable caution and/or not in accordance with the Regulations of the Exchange and or NCCPL.

21.9.3. A TRE Certificate Holder who as an insolvent has been declared a Defaulter shall not be eligible for re-admission until he has paid in full all claims and dues against him and has been discharged as an insolvent by a court of competent jurisdiction.

21.9.4. A notice of every application by a Defaulter for re-admission shall be posted on the notice board of the Exchange for at least fifteen days previous to his re-admission decision.

21.9.5. Any TRE Certificate Holder or any other creditor intending to object to the re-admission of the Defaulter shall communicate the grounds of his objection to the Board by a letter within fifteen days of the date of posting of the notice of the application for re-admission. All such objections shall be deemed privileged and confidential.

21.10. CONFLICT RESOLUTION:

In case of any conflict in the matters prescribed in these regulations of the Exchange and NCCPL Regulations dealing with default management of defaulter Broker Clearing Member who is admitted into NCSS as Clearing Member by NCCPL, it shall be resolved by Commission in consultation with Chief Executive Officers of the Exchange and NCCPL.

21.11. OVERRIDING EFFECT:

In case of any conflict or inconsistency between these Regulations and any other existing regulations of Exchange, these regulations shall prevail to the extent of such conflict or inconsistency.

Chapter 22: BROKERS' OFFICE/BRANCH OFFICE REGULATIONS

22.1. DEFINITIONS:

In this chapter, unless there is anything repugnant in the subject or context:

(a) "Broker's Main Office" shall mean an office where the Chief Executive Officer of a Corporate Brokerage House supervises the said office himself/herself, provided number of such offices shall not exceed one at any time.

(b) "Office(s) or Branch Office(s)" shall mean an Office/Branch/Shop opened and maintained by a Broker within or outside the premises of the Exchange for conducting the business and trading of securities and includes Broker's Main Office but excludes the Broker's Telephone Booth.

Provided that the operation of Trading Systems Terminal, a terminal linked with the CDS in the capacity of CDC Participant, and/ or computer connected with the NCSS in the capacity of a Clearing Member within or outside KSE Building shall also be treated as Office(s)/Branch Office(s) for the purpose of these Regulations.

Provided further that in case where a Broker has only one location of operation and does not have an Office/Branch Office at an alternate/second location, he/she shall mandatorily be required to install one Remote Disaster Recovery (DR) Terminal in accordance with the Trading Systems Regulations of the Exchange, and may be installed at any place which shall not deemed to be Office/Branch Office under these Regulations.

(c) "Head Office" shall mean a Broker's Office/Branch Office designated as the principal place of business.

(d) "Manager" shall mean a person appointed by the Broker to operate and supervise the Office/Branch Office in accordance with the Rules and Regulations of the Exchange and who is registered with the Commission as Agent under the Brokers and Agents Registration Rules, 2001.

Provided that an individual Broker or Nominee Director of a Corporate Broker shall be deemed to be the Manager of the Broker's Main Office.

(e) "Broker's Telephone Booth(s)" shall mean the space within the Trading Hall of the Exchange where additional Trading Systems Terminals and telephones are provided to the Brokers and it shall be deemed to be a part of the Broker's Main Office.

(f) "Capital Market Hub" shall mean a compound or building designated as Capital Market Hub by the Commission from time to time.

(g) "Certificate" shall mean a Certificate of Registration of the Office/Branch Office issued by the Exchange.

22.2. PROCEDURE FOR OPENING OF OFFICE/BRANCH OFFICE:

A Broker may open 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:

(a) making of an application on the form attached as Annexure-A;

(b) an undertaking on the form attached as Annexure-B;

(c) list of existing branches along with names of the Agents and copy of the respective agreements;

(d) business prospects for opening the branch;

(e) list of products/services to be offered at the new branch;

(f) system of supervision and controls employed at the new branch;

(g) name, number and location of branches of other Brokers in the vicinity;

(h) detail of payment of Registration/Renewal fee per office/per branch as prescribed by the Exchange from time to time;

(i) copy of the documents evidencing ownership of the Office or Branch Office and/or Agreement with owner of the office, if that office is not owned by the Broker;

(j) name of the Manager of the office, his/her residential and permanent addresses, copy of CNIC, two latest photographs, three references form the vicinity where Offices(s)/Branch Office(s) is to be opened, detailed profile and specimen signature and in case of Office/Branch Office other than Broker's Main Office the Certificate of Registration as Agent;

(k) branch-wise list of employees, along with their CNIC and residential and permanent addresses and the same information shall be updated on UIN database of NCCPL before opening of such branch;

(l) the Broker shall submit details of the proposed Trading Terminals to be made operational at the new Office(s)/Branch Office(s) including details of Internet Protocols (IP) addresses of each Trading Terminals, the number of trading workstations connected through Fix Gateway, Internet Based Trading System (IBTS) and Karachi Internet Trading System (KiTS).

Provided that no brokers 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 accompany with the aforementioned information/documents along with the recommendation of the Exchange.

Provided further that the Broker shall complete and submit above information with the Exchange at least 30 days prior to proposed date of opening of its Office/Branch Office.

22.3. ELIGIBILITY FOR THE PERSON APPOINTED AS A MANAGER OF THE BROKER'S OFFICE/BRANCH OFFICE:

The person to be appointed as a Manager of the Office/Branch Office shall fulfill the following conditions:

(a) He is not less than 21 years of age.

(b) He has not been convicted of any offense, involving fraud or breach of trust.

(c) He has passed at least graduation examination and possesses at least one year experience as trader/agent in a brokerage house.

(d) He has sufficient stock market experience and knowledge.

(e) He has not been adjudicated as insolvent or has suspended payments or has compounded with his creditors.

(f) NOC from his previous employer.

Provided that the above conditions shall not be applicable on the Individual Broker / Nominee Director of Corporate Brokerage House supervising the Broker's Main Office.

22.4. GRANT OF CERTIFICATE OF REGISTRATION:

On completion of all requirements, the Exchange shall grant a Certificate of Registration of Office/Branch Office in the prescribed form annexed as (Annexure-C).

22.5. OBLIGATIONS OF A BROKER WITH RESPECT TO OFFICE/BRANCH OFFICE:

22.5.1. *DISPLAY OF NAME OF STOCK EXCHANGE BROKER*:

The Broker desirous of opening office/branch within or outside Exchange must prominently display his/its name outside the Broker's Office/Branch Office

22.5.2. *MAINTENANCE OF PROPER BOOKS OF ACCOUNTS, RECORDS ETC*.:

The Broker shall keep and maintain all the client related record/information of the Office/Branch Office at the Head Office/ Registered Office and shall make necessary arrangements to provide at all reasonable times respective information/record to their clients dealing through such Office(s)/Branch.

22.5.3. *DISPLAY OF INFORMATION AT OFFICE/BRANCH OFFICE*:

The Broker shall keep displaying all the times at a visible location at the reception/front office of the Office(s)/Branch Office(s) the following information:

(a) Certificate of Registration of Office/Branch Office.

(b) Certificate of Registration of Manager as Agent with the Commission except in case of Broker's Main Office.

(c) Names of persons and their signatures authorized by the Broker to deal with the customers.

(d) 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.

(e) 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 "Jama Punji" covering the following contents:
   (i) Who is Stock Broker;
   (ii) Procedure for investment in stock market;
   (iii) Procedure for opening an account with CDC

(f) Investors Guide, issued by the Exchange.

22.5.4. *A BOARD AT A CONSPICUOUS PLACE AT THE RECEPTION/FRONT OFFICE WHICH SHOULD CONTAIN*:

(a) Name of the person authorized to deal with the customers.

(b) A warning that the branch cannot deal in cash, except as provided in the Standardized Account Opening Form.

(c) That the customer must demand deliveries as per these Regulations.

(d) That nobody is authorized to take deposit money on fixed profits which is illegal.

22.5.5. *PUBLICATION*:

The Broker shall at the time of change of his/its Manager/Agent, 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. The said notice should also be displayed at visible place in Office(s)/Branch Office(s).

22.5.6. *STATIONERY*:

The Broker shall ensure that all stationery, i.e. confirmation/contract/cash memo/any other document will be issued only in his name. The Broker(s) will also be required to clearly state on the printed stationery the addresses of all his offices/branch offices simultaneously.

22.5.7. *STAFF, SECURITY ARRANGEMENTS AND CUSTOMER SUPPORT:*

The Broker shall ensure the following with respect to their Office(s)/Branch Office(s):

(a) It shall employ any person who has not been convicted of any non-compliance and violation by the Exchanges, Commission and/or any other competent authority;

(b) Properly trained staff/human resources;

(c) Security arrangements including installation of CCTV cameras for the safety of staff and record;

(d) Proper arrangement for guidance and customer support for filling up of Account Opening Forms and completion of documentation;

(e) Drop box facility for collection of complaints;

(f) Product information related to various products/services being offered by the Broker at the Office/Branch Office through printed brochure for the information of potential/existing clients.

22.5.8. *OTHER OBLIGATIONS:*

The Broker shall ensure the following:

(a) All the dealings at the Office(s)/Branch Office(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), acts of agents/employees in accordance with these Regulations, Securities Act, 2015, Securities Brokers (Licensing and Operations Regulations), 2016 and Securities Exchange Rules, 1971 and shall be liable thereof;

(c) Status of Office(s)/Branch Office(s) including their closure or change of Manager shall be notified along with reasons of closure in writing to the Exchange within 24 hours for updating the status of Office(s)/Branch Office(s) on its website;

(d) 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.

22.6. OFFICE(S)/BRANCH OFFICE(S) OF A CORPORATE BROKERAGE HOUSE:

A Corporate Brokerage House while opening Office(s)/Branch Office(s) shall also comply with all the above regulations and shall provide the necessary information to the Exchange duly supported by the Board Resolution.

22.7. SUSPENSION, CANCELLATION OF REGISTRATION ETC. BY THE EXCHANGE:

If the Broker fails to comply with any of the provisions or requirement of these Regulations, the Exchange can take action against such Broker(s) including suspension of registration of a particular office/branch and/or suspension of his/its TRE Certificate.

22.8. SUSPENSION OR SHIFTING/CLOSURE OF OFFICE(S)/BRANCH OFFICE(S) BY THE BROKERS:

The Broker may temporarily suspend trading facility at the Office(s)/Branch Office(s) with a one month prior notice in writing to the Exchange and all its clients. However, the Broker will ensure that the Office(s)/Branch Office(s) remain open for a period of at least one month thereafter for disposal of pending matters.

(a) In case of permanent closure of any Office/Branch Office, the Broker shall:
  (i) give 90 days prior notice to the Exchange and all its clients for closure of any of its Office/Branch Office along with the specific reason thereof.
  (ii) 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.
  (iii) publish of closure at least 30 days prior to closure of Office/Branch Office in two (English and Urdu) newspapers having wide circulation in the province(s) where its Head Office, Main Office and branch Office(s) is situated.
  (iv) submit copy of the published notices of closure to Exchange and the Commission within two days of their publication.

(v) inform its clients in writing about future correspondence address/mechanism, names and contact details of relevant contact person(s) and transfer of their relevant record to their Head Office or nearest Office/Branch Office as deemed appropriate.
(vi) submit a final statement at least 15 days prior to the closure of Office/Branch Office to the Exchange.

(b) The Broker may relocate its existing Office/Branch Office within nearby vicinity of 15 KM provided the Broker shall:
(i) report the same to the Exchange 15 days prior to shifting.
(ii) inform its clients in writing about new address.
(iii) visibly display the information for shifting of Branch shall be at the respective Office/Branch Office at least15 days prior to its relocation.

22.9. INSPECTION OF RECORDS AT OFFICE(S)/BRANCH OFFICE(S):

(a) The Exchange shall conduct periodic visit/inspection of the Office(s)/Branch Office(s) and submit a report to the Commission on annual basis as per Annexure-E.

(b) The Exchange may ask for any information or documents and/or appoint one or more of its employees to undertake inspection of books of accounts, other accounts and documents if the Office(s)/Branch Office(s) maintained either at the Head Office or any other Office(s)/branch Office(s) and the broker shall ensure to provide such information/documents and assistance which may be required.

(c) 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.

Annexure-A

ON THE LETTERHEAD OF THE BROKER

Dated: _____

The Managing Director

Pakistan Stock Exchange Limited

Karachi.

APPLICATION FOR CERTIFICATE OF REGISTRATION
OF OFFICE/BRANCH OFFICE WITHIN/OUTSIDE THE EXCHANGE

Dear Sir,

I am/we are enclosing herewith the documents for grant of registration for opening of Office/Branch Office at _____ and issuance of Certificate of Registration in this regard.

Thanking you.

PARTICULARS

1. Name of the Broker with Code No. _____

2. Address of Office/Branch Office: _____

   Phone No. _____

   Fax No. _____

3. Form of Organization: ☐ Corporate Body other than SMC ☐ Financial Institution

4. Please give names of Proprietor / Directors: _____

   _____

5. Whether Broker of more than one Stock Exchange? If so, please give name(s) of the other Stock Exchange(s) with Code Number(s). _____

   _____

   _____

6. Name of Manager along with CNIC and residential address. _____

   _____

   (In case of Broker's Main Office, details of Broker/Nominee Director be mentioned)

7. Whether the premises of Branch Office are on ownership basis or rented. In case of rented premises, state the name of landlord and provide a copy of Tenancy Agreement. _____

8. List of employees, along with their CNICs and residential address. _____

9. List of authorized persons who will operate bank accounts at the Office/Branch Office. _____

10. Details of Telephone Booth(s) _____

(In case of Broker' Main Office)

I/we declare that the information given in this form is true to the best of my/our knowledge and belief.

I/we further undertake to abide by all the applicable Exchange in the matter.

Yours faithfully,

(Rubber Stamp of Broker) (Signature of Broker)

Annexure-B

U N D E R T A K I N G

(On Non-Judicial Stamp Paper of Rs. 200/-)

I/we, _____ Broker of the Pakistan Stock Exchange Limited, having office at _____ and an applicant for Certificate of Registration for opening a Office/Branch Office within ***/*** outside the Exchange premises, hereby agree and undertake as under:

1. That I/we will abide by all these Regulations governing the trading and operations of Office/Branch Office, which are in force and/or are amended from time to time.

2. That I/we hereby undertake to stop trading facility at any our Office/Branch office with a notice in writing to the Exchange. I/ we further undertake to ensure that the Office/Branch Office will remain open for disposal of pending matters for a period of at least one month after the suspension of trading at the Office/Branch Office.

3. That I/we undertake to settle all claims and transactions carried out by or through my/our Office/Branch with any outside person(s) as per these Regulations.

4. That I/we undertake that the stationery such as letterheads, receipts, various forms and stamps will bear the name of the head office and no fake and manipulated stationery will be used.

5. That I/we undertake that incase of removal of the Manager, I/we shall communicate such change to my/our respective clients dealing with my/our Branch Office.

6. That I/we undertake to provide any information/record asked by the Exchange from time to time and further undertake to allow inspection of all my/our records and books maintained in relation to our Office/Branch, to any representative of the Exchange at all times as and when desired.

7. That I/we hereby undertake to indemnify you and promise to keep you indemnified against all losses, charges, penalties, damages, expenses or other costs, which you may have to incur at any time, or in case of claims made by any authority or any other person as a result of you relying on the above information provided by me.

8. That whatever stated above is correct and true to the best of my/our knowledge and belief and nothing has been concealed hereof.

Signed this undertaking on _____ day of _____, _____ in presence of the following witnesses.

_____

Common Seal Signature of the Broker

WITNESSES:

1. _____

   Name: _____

   CNIC No.: _____

   Address: _____

   _____

2. _____

   Name: _____

   CNIC No.: _____

   Address: _____

   _____

Annexure-C

(On the Exchange Letter Head)

OFFICE/BRANCH OPENING AUTHORIZATION

Certified that in pursuance of Scheme(s) of Integration approved by the Securities and Exchange Commission of Pakistan vide Order No. _____ dated _____, M/s. _____ holding TREC No. _____ having its office at _____, a Broker of the Pakistan Stock Exchange Limited is hereby authorized to operate an Office / Branch Office at _____subject to these Regulations applicable in this regard.

The persons authorized to manage and supervise the Office/Branch Office are Mr. /Mrs. /Miss. _____s/o, w/o, d/o _____ holding CNIC No. _____whose photograph and specimen signature are affixed on this Certificate.

This Certificate is issued for the purpose of prominently displaying at the above Office/Branch Office.

Issued at Karachi on this _____ day of _____, _____.

PHOTOGRAPH

Specimen Signature

_____

Authorized Signatory of the Exchange

This Certificate has been issued in lieu of Certificate No. _____ dated _____.

Annexure-D

اسٹاک بروکر کون ہے؟

1. بازارِحصص (اسٹاک ایکسچینج) ایسی جگہ ہے جہاں سرمایہ کار، اسٹاک بروکر کے ذریعے، پبلک لسٹڈ کمپنیوں کے حصص کی خریدوفروخت کر سکتے ہیں۔
2. صرف اسٹاک بروکر ، اسٹاک ایکسچینج کے ذریعے ، حصص کی خریدوفروخت کے لئے، سرمایہ کاروں کی رہنمائی کرسکتا ہے جس کے عوض وہ فیس یا کمیشن وصول کرتا ہے۔
3. سرمایہ کاری صرف رجسٹرڈ اسٹاک بروکر کے ذریعےسے ہی کی جا سکتی ہے۔
4. اسٹاک بروکر پاکستان اسٹاک ایکسچینج کاٹریک (TREC)ہولڈر ہوتا ہے اور بطور اسٹاک بروکر کام کرنے کے لئے ایس ای سی پی کے پاس رجسٹرڈ اور اس سے لائسنس یافتہ ہوتا ہے۔
5. کسی بھی بروکر آفس یا اُس کی کسی بھی برانچ میں ، سرمایہ کاری کرنے سے قبل، اس بات کی تسلی کر لیں کہ اس کا SECPکا منظور شدہ رجسٹریشن سرٹیفیکیٹ نمایاں جگہ پر آویزاں ہے۔
6. بروکر کے بارے میں تصدیق کے لئے ، رجسٹریشن نمبر 8181پر میسج کریں۔ مزید تفصیلات کے لئے ایس ای سی پی کے جمع پونجی پورٹلjamapunji.pk اور ایس ای سی پی کی ویب سائٹ www.secp.gov.pkوزٹ کریں۔
7. رجسٹرڈ شدہ بروکر کی طرف سے مہیا کی جانے والی سہولتوں کے بارے میں جاننے کے لئے ، بروکر کی ویب سائٹ کا مطالعہ بھی کیا جاسکتاہے۔
8. قواعد و ضوابط کے بارے میں مزید جان کاری کے لئے پاکستان اسٹاک ایکسچینج کی ویب سائٹ www.psx.com.pk اور ایس ای سی پی کی ویب سائٹ وزٹ کریں۔

اسٹاک مارکیٹ میں سرمایہ کاری کا طریقہ کار

رجسٹرڈ اسٹاک بروکر کے پاس اکاؤنٹ کھلوانے کا طریقہ کار

اسٹاک مارکیٹ میں سرمایہ کاری کرتے وقت مندرجہ ذیل نکات کو مدِ نظر رکھیں۔

1. رجسٹرڈ اسٹاک بروکر سے، اکاؤنٹ کھلوانے کا فارم لیں، اسے پُر کر کے ضروری دستاویزات جیسا کہ قومی شناختی کارڈ کی کاپی، کے ساتھ بروکر کے پاس جمع کرائیں۔
2. اکاؤنٹ کھلوانے والے فارم میں وہ ساری تفصیلات ہونی چاہیے جو کہ ایکسچینج کے عمومی ضوابط میں دی گئی ہیں۔ یہ ضوابط پاکستان اسٹاک ایکسچینج کی ویب سائٹ www.psx.com.pkپر دستیاب ہیں۔
3. اکاؤنٹ کھلوانے کا فارم پُر کرتے وقت، سرمایہ کار، فارم پر دی گئی تمام ہدایات کابغورمطالعہ کرے، کسی بھی قسم کی غلط فہمی کی صورت میں اسٹاک بروکر سے رابطہ کرے۔ تسلی بخش جواب نہ ملنے کی صورت میں سرمایہ کار، اسٹاک ایکسچینج سے اس کے نمبر 021 111 00 11 22 یا ایس ای سی پی کے نمبر 051 111 327 117پر رابطہ کر سکتا ہے۔
4. اکاؤنٹ کھلوانے کا فارم پُر کرتے وقت، سرمایہ کار کو کسی بھی صورت میں ، بروکریج ہاؤس، بروکر یا ایجنٹ کو ،اپنا مختارکل نہیں بنانا چاہئے۔ سرمایہ کار ، صرف اپنا ای میل ایڈریس اور موبائل نمبر (جو اس کے نام پر رجسٹرڈ ہو) بروکر کو مہیا کرے تا کہ ضروری معلومات کی اطلاع اسے ملتی رہے۔
5. اکاؤنٹ کھلوانے کے فارم کی مصدقہ، باقاعدہ دستخط شدہ کاپی، اپنے ریکارڈ کے لئے ضرور حاصل کریں۔
6. بروکریج ہاؤس کے پاس اپنا آرڈر ، تحریری طور پر یا باقاعدہ رجسٹرڈ موبائل نمبر کے ذریعے لکھوائیں اور اس کی تصدیق حاصل کریں۔
7. سرمایہ کار کو اپنا اکاؤنٹ یا ذیلی اکاؤنٹ سینٹرل ڈیپازٹری کمپنی (CDC) کے پاس کھلوانا چاہیے۔ یاد رکھیں، ذیلی اکاؤنٹ کھلوانے کے فارم میں، کلائنٹ کی سیکیورٹیز کی دیکھ بھال کے لئے، بروکر کو عمومی مختار بنانے کے حوالے سے کوئی اجازت نامہ شامل نہیں ہوتا۔
8. بروکریج ہاؤس یا اس کا کوئی نمائندہ، گاہکوں سے نقد کیش وصول کرنے کا مجاز نہیں۔ ادائیگی ہمیشہ بروکریج ہاؤس کے نام کراس چیک کی صورت میں کی جائے اور اس کی رسید حاصل کی جائے۔

9. بروکریج ہاؤس کسی بھی صورت میں طے شدہ منافع کی گارنٹی نہیں دے سکتا ۔اگر بروکر کسی بھی قسم کے طے شدہ منافع کا وعدہ کے نام پر رقم وصول کرے تو فوری طور پر پاکستان اسٹاک ایکسچینج اور ایس ای سی پی کو اطلاع کریں۔
10. اپنے اکاؤنٹ کی تفصیل اور سٹیٹمنٹ، بروکریج ہاؤس سے باقاعدگی سے حاصل کریں۔ کسی بھی شکایت کی صورت میں فورًا ایکسچینج یا ایس ای سی پی کو اطلاع دیں۔

انتباہ: اسٹاک مارکیٹ میں سرمایہ کاری کو خطرات لاحق ہوتے ہیں، حصص کی قیمت میں اتار چڑھاؤ ہو سکتا ہے، حصص میں سرمایہ کاری سے پہلے یہ بات مدِنظر رکھنی چاہیے۔

سی ڈی سی کے پاس اکاؤنٹ کیسے کھولا جا سکتا ہے؟

1. سرمایہ کار براہِ راست سی ڈی سی کے پاس اپنا اکاؤنٹ کھول سکتاہے۔
2. سرمایہ کار کو اکاؤنٹ کھلوانے کا فارم پُر کرنا ہوتا ہے جو کہ سی ڈی سی کے دفاتر میں قائم کسٹمر سپورٹ کاؤنٹر یا سی ڈی سی کی ویب سائٹ (http://cdcpakistan.com/) سے حاصل کیا جا سکتا ہے۔ اکاؤنٹ کھلوانے کا فارم، درکار دستاویزات کے ساتھ، مناسب طریقے سے پُر کیا جائے۔
3. اکاؤنٹ کھلنے کے بعد، سرمایہ کار سیکیورٹیز اپنے اکاؤنٹ میں منتقل کر کے لین دین کر سکتا ہے۔
4. سرمایہ کار کو اپنے کوائف میں کسی بھی تبدیلی مثلاً موبائل نمبر یا رہائشی پتہ میں تبدیلی کے بارے میں فوراً سی ڈی سی کو آگاہ کرنا چاہئے۔
5. سرمایہ کار، سی ڈی سی کی طرف سے فراہم کردہ ویلیو ایڈڈ سروسز جیسا کہ موبائل یا ای میل پر ایس ایم ایس الرٹ حاصل کرسکتا ہے۔
6. سرمایہ کار https://www.cdcaccess.com.pkکے ذریعے اپنے اکاؤنٹ کے بارے میں معلومات حاصل کر سکتاہے۔
7. سی ڈی سی نے ایک کال سینٹر بھی قائم کیا ہے جس کا نمبر 0800 23275 ہے اس پر صبح 9بجے سے شام 6بجے تک، پیر تا جمعہ، مفت کال کی جا سکتی ہے۔

Annexure-E

I.

Detail of all Branches of TREC Holders as on _____						
Name of TREC Holder	Name and address of Branches at the start of year	Name and address of the Branches opened during the year	Name and address of the Branches Closed during the year	No. of branches at the end of year	Name of city where branches opened	Name of city where branches closed
-1-	-2-	-3-	-4-	-5-	-7-	-8-

II.

Detail of Branches in Capital Market Hubs				
Name of TREC Holder	Name and address of Branches at the start of year	Name and address of Branches opened during the year	Name and address of Branches Closed during the year	No. of branches at the end of year
-1-	-2-	-3-	-4-	-8-

III.

Detail of Branches opened by TREC holders During the year _____-						
Name of TREC Holder	Location of Branch(City)	Name of Agent/Manager appointed	No. of employees posted in the branch	No. of terminals at the branch	Detail of TREC holders having branch in same vicinity	
					Name of TREC holders	No. of branches
-1-	-2-	-3-	-4-	-5-	-7-	-8-

IV.

Detail of Branches closed by TREC holders During the year _____					
Name of TREC Holder	Name and address of Branch	Date of notice given by TREC holder for closure of branch	Date of Closure of branch	Duration for which branch remain operative	Reason for closure
-1-	-2-	-3-	-4-	-5-	-6-

V.

Detail of Branches shifted by the TREC holders during the year _____					
Name of TREC Holder	Name and address of Branch prior to shifting	New address of branch	Name of Agent/Manager prior to shifting	Name of Agent/Manager after shifting	Reason for shifting
-1-	-2-	-3-	-4-	-5-	-6-

Chapter 23: SYSTEM AUDIT [REGULATORY COMPLIANCE] REGULATIONS

23.1. DEFINITIONS:

The terms used in this chapter shall have the following meanings:

(a) “Audit" shall mean the System Audit of Brokers conducted as per these Regulations;
(b) "Auditor(s)" shall mean the Auditor(s) selected, in accordance with the criteria approved by the Board on the recommendation of RAC with the prior approval of the Commission;
(c) “Report” shall mean the compliance report submitted by the Auditor under this chapter.

All other words and expressions used but not defined in these Regulations shall, unless there is anything repugnant in the subject or context, have the same meanings as assigned to them in the Articles, Regulations of the Exchange, Securities and Exchange Ordinance, 1969 (XVII of 1969) and the Companies Ordinance, 1984 ((XLVII of 1984) and Rules and Regulations made there-under.

23.2. PANEL OF AUDITORS:

23.2.1. The RAD shall declare from time to time, the Panel of Auditors who shall be eligible to conduct Audit of the Brokers. The panel would consist of at least 10 Auditors and would fulfill the following prerequisites:

(a) The Auditors shall be a Chartered Accountants firm within the meaning of the Chartered Accountants Ordinance, 1961; and
(b) The Auditors must have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan;
(c) The Auditors shall satisfy the criteria devised by the RAC from time to time.

23.2.2. Further, the RAD shall annually review the Panel of Auditors to ensure ongoing eligibility of auditors on the Panel in line with the criteria.

23.2.3. No Auditor shall be appointed to conduct the Audit of a broker, if that Auditor has conducted the audit or other assignment of such Broker, at any time during the past two years immediately preceding from the date of balloting in which such Broker is selected for the Audit.

23.2.4. An officer of RAD designated by the RAC shall liaise with the Broker(s) and the Auditor(s) conducting the Audit of the Brokers.

23.2.5. The list of Auditors eligible to conduct the Audit shall be placed on the website of the Exchange and the same shall be updated as and when required.

23.3. ELIGIBILITY FOR AUDIT:

A Broker who has operational track record of at least one year preceding the ballot may be selected for Audit under these Regulations. The decision of the RAD through the ballot shall be binding on all the Brokers.

23.4. SELECTION OF BROKERS:

23.4.1. The selection of Brokers for the Audit shall be through random balloting. All eligible Brokers, as explained in clause 23.3. above, shall be audited once in each ‘cycle’ of two-year period. The selection shall be made through biannual balloting to be held in every calendar year latest by 31st January and 31st July.

The RAD shall determine the total number of Brokers eligible for Audit at the ballot date in the remaining ballots of a cycle by dividing the number of Brokers still to be audited in the cycle with the remaining ballots of the cycle to arrive at the optimum number of Brokers to be audited in a ballot. Provided the Brokers audited in the last two ballots of a cycle shall not be included in initial two ballots of the next cycle.

Explanation: If the total number of eligible Brokers at the first ballot of the cycle is 140. These shall be divided by 4 [number of ballots in 2 years]. Hence, 35 Brokers will be selected in the first ballot. At the next ballot date, assume that total eligible Brokers have been reduced to 130, then the number of Brokers selected shall be 32 [130 less 35 audited in previous ballot of a cycle divided by the 3 remaining ballots of a cycle].

23.5. SCOPE OF AUDIT:

The Auditor shall carry out the Audit to ensure compliance with the requirements of the Securities and Exchange Ordinance, 1969, the Securities and Exchange Rules, 1971, the Code of Conduct for Brokers as enshrined in the Third Schedule of the Brokers and Agents Registration Rules, 2001, any other relevant rules/regulations of the Commission, and directives/circulars/guidelines issued by the Commission/Exchange the Articles and these Regulations. However, the scope of Audit shall at least include the minimum activities as specified in Schedule-A hereof.

23.6. AUDIT PERIOD:

The Audit period shall be preceding twelve months as specified by the Exchange.

23.7. AUDIT PROCESS AND STATUS OF COMPLIANCES:

23.7.1. The RAD shall intimate the selected eligible Brokers whose Audit is to be conducted as per these Regulations by 31st JANUARY and 31st JULY of each year of their selection for Audit.

Within 30 days of intimation thereof, such Broker shall appoint an Auditor from the approved panel and submit the Auditor's declaration to the Exchange on the format prescribed by the Exchange from time to time.

23.7.2. If the Broker fails to appoint an Auditor within the time specified in these Regulations, the CRO shall appoint the Auditor for such Broker within 14 days after expiry of the requisite time period and may impose a fine not exceeding Rs. 50,000/-.

23.7.3. Such Broker shall provide required access to the information and documents needed by the Auditor for the Audit and co-operate with the Auditor for timely and smooth completion of the Audit.

23.7.4. Such Broker shall direct the Auditor to submit its Report directly to the CRO of the Exchange on the format prescribed by the Exchange, within two months from the date of appointment of the Auditor.

23.7.5. The CRO shall forward to the Commission copies of the Reports of the Brokers audited, along with the views, counter views and comments of the Brokers and the CRO on the discrepancies/observations, within 45 days of submission of the Reports.

Provided that, if the Report highlights any material non-compliance by the Broker, such Report shall be immediately forwarded to the Commission.

23.7.6. If the Report contains any non-compliance(s), the Broker shall rectify the same immediately and such Broker shall be subject to limited scope audit in the following year to confirm that such Broker has now rectified the non-compliances reported by the Auditor. The period for limited scope audit shall not be less than 3 months ensuring the discrepancies identified in the Report are rectified and the Broker has remained compliant during the said period. The limited scope audit may be conducted by the RAD itself, which shall not alter or affect the Broker's normal selection process or timing through random balloting. The CRO shall also provide a copy of such report of limited scope audit to the Commission within 15 days of conclusion of the same.

23.8. COSTS:

The Broker who is being audited shall pay all the fees, charges and costs of the Auditors. The said fees, charges and costs shall be deposited with the Exchange, by the said Broker, for onward payment to the Auditor.

23.9. SPECIAL AUDITS/INVESTIGATIONS:

The RAC and/or RAD in addition to the Audits conducted under these Regulations, may at any time, have a Broker audited/inspected/investigated or itself conduct audit/inspection, with expanded, restricted or different scope or period of audit given in these Regulations. Such audits/inspections/investigations, including but not limited to a financial audit and a regulatory compliance audit, shall be at the cost of the Broker.

Schedule-A

SCOPE OF AUDIT

1. Client level compliance

Check the complete trail of following for selected clients.

1.1 The Standardized Account Opening Form (SAOF) of the selected clients is in compliance with the requirements of these Regulations and any provision of such SAOF is not in contravention of the terms and conditions as laid down in the Annexure-I to the chapter 4 of these Regulations.

1.2 Obtain the understanding of Broker's Client Order mechanism.
If the orders for sale or purchase of securities are taken verbally by the Broker, check that Broker is authorized to take verbal orders as per the SAOF or otherwise written instructions for orders for sale or purchase of securities to the Broker are available.
For telephonic orders, also match the telephonic recording with orders placed.

1.3 Check that Broker has mandatorily collected margins from his clients in accordance with the chapter 19 of these Regulations.
Further, applicable margins were available in the clients account and reflected in books of accounts in identifiable and verifiable manner at the relevant times.

1.4 Check that confirmations are transmitted within twenty-four hours of execution of client order and such confirmations complied with the requirements mentioned in chapter 4 of these Regulations.
Further, duplicates or counterfoils of memos/confirmation issued to clients are preserved for a period of not less than five years.

1.5 Check that movements from clients' Sub-accounts through free-delivery facility are made in accordance with the CDC Regulations and/or after obtaining due authorization from clients.

1.6 Check that Broker has not pledged or deposited any security on account of a client as collateral in contravention of the PSX Regulations and the CDC Regulations. Further, check that:- a) the details of ownership of Securities lying in the house account of the Broker; b) bank-wise detail of Securities pledged with different financial institutions/banks and stock exchanges.

1.7 Check in respect of selected clients that all transactions for buying, selling in all markets, margins, payments, receipts, brokerage commissions charged, payable and receivable are recorded in records and books of accounts [manually or electronically] in timely, adequate, proper, identifiable and in a manner verifiable on UIN / Client Code basis. Further, check that:- a) Broker has disclosed the names of clients with provision of ageing of receivables and payables; b) details of collaterals for all credit limits obtained by the Broker on behalf of clients and/or for the proprietary account and the credit line sanctioned by any Financial Institution and the limits utilized by the Broker.

1.8 Check that the Broker has maintained record of extension or maintenance of credit or arranging for the extension or maintenance of credit to the clients for the purpose of purchasing or carrying any security in compliance with the relevant rules and regulations.

1.9 Check that the Broker has maintained record of borrowing on any security or lending or arranging for the lending of any security carried for the account of the clients in compliance with the relevant rules and regulations.

1.10 Check that the Broker has maintained order register/Trading Systems generated daily activity log and order log maintained by telephone recording, in compliance with the relevant rules and regulations.

1.11 Check that the Broker has provided quarterly account statement to each of its clients in a manner and with at-least such information as prescribed under Chapter 4 of PSX Regulations.

1.12 The minimum suggested sample size for client level compliance is:

- 50% or 100 clients whichever is less, out of which there must be 50% new clients' (client registered in last 12 months); and
- minimum 5 random orders at 5 different dates of each selected client are checked/confirmed with complete trail of steps from placement of order till settlement of securities in their respective accounts.

2. Recording of Orders Placed through Telephone

2.1 Clients' orders received and/or confirmed via telephonic [landline] communications must be recorded in the manner specified by the Exchange.

2.2 Where orders are received by mobile phones, an appropriate and reliable recording of the time of receipt and order details are being maintained.

2.3 Effective procedures are in place to ensure the integrity, reliability and security of the telephone recording system and timely detection of any malfunctioning therein.

2.4 Adequate compliance monitoring is exercised over the office staff that is responsible for recording the telephone order instructions.

2.5 Telephone recordings are being retained for a minimum period of six months or any other period specified by the Exchange and/or Commission. Further, in case of any complaint lodged by an Investor, the Broker has retained the record of such Investor till the resolution of the complaint.

2.6 All telephone lines under use of the traders, agents, dealers and authorized persons who are involved in trading, are connected to the telephone recording system of the Broker.

3. Details to be printed on Broker's Correspondence and Contract Notes

Review that the Broker's correspondence/contract notes relating to the transactions of business contain the information as specified by the Exchange from time to time and bear the name of the Broker along with address of principal place of business as per the PSX Regulations.

4. Registration with the Commission

Review that the persons working as Agents of the Broker have obtained certificate of registration from the Commission and such certificate of registration is being renewed every year.

5. Branch Offices & Agents

In case the Broker has any branch office for conducting the business and trading of securities within and outside premises of the Exchange:

5.1 Check that the Broker has obtained certificate of registration for all of its branch offices from the Exchange.
5.2 Check that the Broker has kept and maintained all the clients' related records/information of the Office/Branch Office at its head office.
5.3 Check that printed stationery of the Broker including confirmation/contract notes/cash memo/any other document is issued only in the Broker's name along with address of principal place of business.
Check that addresses of all offices/branches are clearly stated on such printed stationery.
5.4 Check that name of the Broker is prominently displayed outside the branch.
5.5 Check that Registration Certificate of Office/Branch Office is prominently displayed at the Office(s)/Branch Office(s).
5.6 Check that the Certificate of Registration of manager as Agent with the Commission except in case of Broker's Main Office is displayed.
5.7 Check that a board at a conspicuous place at the reception/front office is displayed which contains the requirements as mentioned in chapter 22 of these Regulations for conducting the business and trading of securities within and outside the Exchange.
5.8 a) Obtain list of all agents from the Broker and check that Broker properly maintains the register [manual or electronic form] of accounts of all agents.

b) Check that list of agents is matched with list of registered agents appearing in the records/website of the Exchange.

c) Review that all the managers of the branch offices have obtained certificate of Registration from the Commission and such Certificate of Registration is being renewed every year.

d) Verify the transactions to ensure that the agent does not deal with his clients in his own name. Dealing with clients includes receiving cash or cheque from the client in the agent's own name and issuing cash memos, receipts, delivery notes or any other document in his name.

5.9 Review the authority given to the agent or employee to perform all acts on behalf of the Broker.

Review the agreement with the agent specifying the scope of authority and responsibilities of the Broker and his agent.

5.10 Check that the business being done at the branch office is in the name of the Broker.
5.11 Check that the remedies available to investors and procedures for dispute resolution and arbitration in case of non-resolution of complaints are displayed at all times at a conspicuous location at the reception/front office of the Office(s)/Branch Office(s).
5.12 Check that branch offices' bank accounts are maintained in the name of the Broker.
5.13 Check that customer accounts are properly maintained or electronically accessible at the branch offices.

6. Segregation of Clients' Assets

Review compliance with the following as required in chapter 4 of these Regulations:

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:

(a) shall maintain necessary records and books of accounts to distinguish clients' funds and securities from Broker's funds 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.

(b) shall maintain separate sub-accounts under his Participant Account in CDS for each of his clients to maintain the custody of margins deposited by the clients in the form of securities and securities bought for clients.

(c) may maintain a Collateral Account under his Participant Account in CDS for all clients. This account shall be used exclusively for instances where outstanding payment has not been received from clients in respect of securities purchased on their behalf and relevant purchase obligation is to be settled. In such cases, the Broker will be allowed to transfer the securities on the respective settlement date from the respective sub-account to the Collateral Account for a maximum period of three (3) settlement days only to the extent of the transaction volume for which the client's payment is outstanding for whatsoever reason and comply with relevant requirements contained in the CDC Regulations. The Broker shall, in addition to the electronic reporting of such transfers through ways and means as specified by the Exchange report the Exchange in writing explaining the reason for utilizing the Collateral Account and / or for holding client's securities immediately after such transfer. The notice from the Broker will be accompanied with following documents:

(i) Non-payment notice served on the client through courier, personal delivery method with acknowledgement due, facsimile, email or properly recorded telephone line, advising him to make payment by the close of banking hours on the next business day after the settlement day and notifying that otherwise the Broker shall have a right to dispose off the required securities to cover the shortfall in the client's account at client's risk and cost**;**

(ii) Client's sub-account and Collateral Account Activity Report of movement date and;

(iii) Documentary evidence substantiating the genuineness and circumstances of the reason for non-payment by the client which may include failure of client to pay in time due to non-clearance of client's cheque, any natural calamity, law and order situation, non or delayed functioning of an automated procedure, e.g., NIFT. Provided that for a particular client, the Broker is allowed to transfer securities from the sub-account of client to the Collateral Account only once in a calendar month.

6.2 Except as permitted above, the clients' funds and securities shall not be used by the Broker for any purpose other than as authorized by the client in writing in the manner and procedure prescribed by the Exchange and/or CDC. The Broker shall be obliged to maintain and furnish documentary evidence to substantiate the compliance with the above regulations as and when required by the Exchange.

6.3 On the basis of documents mentioned under clause 6.1.(c) above, the Exchange shall determine if the requisite documents substantiate the transfer of client's securities by the Broker and shall maintain a database of such transfers. Exchange may also carryout enquiry and/or special audit in relation to non-compliance with this regulation.

7. Trading by employees of the Broker

7.1 Check that employees of the Broker who wish to trade have obtained prior written authorization from the Broker.

7.2 Check that the Broker has registered all its employees into the UIN database with all registration details including their respective designations and updates/modifies the registration details whenever any change occurs.

7.3 Check that employees (who are trading) have submitted to the Broker a written undertaking of their understanding and willingness to strictly abide by all the relevant rules, regulations, codes and procedures as prescribed by the Commission, the Exchange, CDC and NCCPL.

7.4 Check that a mechanism is in place by the Broker to monitor their employees' trades regularly.

7.5 Check that the Compliance Officer/Internal Audit Department of the Broker ensures compliance of relevant rules & regulations and any violation is communicated to Audit Committee/Chief Executive Officer of the Broker in case of a Corporate Brokerage House.

8. Illegal Financing

Check that Broker has not carried on any financing, borrowing, lending and pledging activity which is in contravention of applicable rules and/or regulations.

9. Internet Trading

If the Broker is providing Internet Trading services, check that the Broker has fully complied with the following in accordance with chapter 9 of these Regulations:

9.1 The Broker has minimum net worth as prescribed in the chapter 9 of these Regulations.

9.2 The Broker has well-defined procedures for allowing clients' access to its Internet Based Trading System (IBTS) including agreement with the Broker, assigning of trading limits, placement and execution of clients' orders, mode and timing of reporting of trade confirmation to the clients and margin requirements and margin calls. Further, the above procedures are available in writing and on the Broker's website for easy access by the clients.

9.3 The Broker has maintained monthly reports on the reliability and compliance status of the IBTS.

9.4 The Broker has not continued to provide IBTS without a valid internet trading certificate which has not been suspended or cancelled during such period.

9.5 The Broker's service requirements are as per the requirements given in the applicable Regulations.

9.6 The Broker has sufficient infrastructure, internal control procedures and technological and security measures and its encryption technology complies with the minimum requirements as prescribed by the Exchange from time to time.

9.7 The Broker's website meets all requirements as stipulated under the chapter 9 of these Regulations.

10. Leveraged Trading

10.1 Check that no transaction is executed by the Broker on behalf of a client in the Leveraged Market unless an appropriate agreement has been executed between the Broker and such client.
10.2 Check the Broker has fully disclosed all risks involved in the relevant transactions and has obtained a written confirmation from the client that they have understood and have the ability to bear the risks in such transactions.
10.3 Check that the Broker has fully disclosed and explained the options available to a client in respect of various financing facilities in the securities markets.
10.4 Check the Broker has evaluated the credit worthiness of the clients through a proper credit risk assessment methodology. Also check that credit limits are assigned to each client beyond which the client shall not be allowed to take a position in the Leveraged Market.
10.5 Check that adequate records are maintained by the broker, evidencing compliance with the clauses 10.1 to 10.4 above.
10.6 Minimum suggested sample size is 50 leveraged clients or 10% of leveraged clients whichever is lower.

11. General Obligations of the Broker

The Auditor shall also check the compliance in respect of the following:

11.1 The Broker has not advertised his business publicly unless permitted by the Exchange, as required by Clause C-4 of Code of Conduct of the Brokers and Agents Registration Rules, 2001;
11.2 All traders employed and working with the Broker meet the eligibility criteria mentioned in Rule 3(1) of Brokers' Agents and Traders (Eligibility Standards) Rules, 2001;
11.3 The Broker has not, without the special permission of the Board, taken into or continued in his employment in any capacity in any business carried on by him, a former TRE Certificate Holder who has been suspended or expelled, as required by these Regulations;
11.4 The Broker has taken prior permission of the Board, to carry on business for or with a person who has been declared a Defaulter by the Exchange and notice regarding such prohibition has been issued by the Exchange;
11.5 As laid down in chapter 4 of these Regulations, the Broker has formulated and implemented an effective Know-Your Customer (KYC) and Customer Due Diligence (CDD) internal policy and framework in accordance with the guidelines issued by the Exchange with the prior approval of the Commission and any notices/circulars issued by the Commission from time to time. Further, the said policy has been appropriately communicated to all the agents and branches of the Broker and the Broker has ensured that the said policy is understood by the relevant personnel;
11.6 All provisions of the Anti-Money Laundering Act, 2010 (Act VII of 2010) and any rules and regulations made there-under are complied with at all times;
11.7 The Broker has activated SMS and/or e-alerts services provided by the CDC to its clients.

12. Sampling Technique

While selecting a sample for the verification, the Auditor shall use random sampling technique to ensure that the selected sample is true representative of the population and its result can reasonably be used to draw conclusion for the whole population.

Chapter 24: CENTRALIZED CUSTOMERS PROTECTION COMPENSATION FUND (CCPF) REGULATIONS

24.1. DEFINITIONS:

In this chapter, unless the subject or context otherwise requires:

(a) "Compensation Fund Regulations' means the Centralized Customer Protection Compensation Fund Regulations, 2017 framed by the Commission;
(b) "Rules" means the Customers Compensation Fund (Establishment and Operation) Rules, 2017.

24.2. ESTABLISHMENT OF CCPF:

24.2.1. The Exchange has provided the CCPF under Regulation (3) of the Compensation Fund Regulations which is established and operated in the manner specified in the Rules.

24.2.2. The CCPF shall comprise the contributions stipulated in Regulation (5) of the Compensation Fund Regulations and any contribution made pursuant to Regulation 4(3) of the Compensation Fund Regulations.

24.2.3. The contribution stipulated in Regulation 5(iii)(a) of the Compensation Fund Regulations shall be paid by the securities broker in accordance with Schedule I of this Chapter.

24.2.4. The CCPF shall be utilized to compensate, either fully or partially, customer of a defaulter in the manner provided in the Rules, Compensation Fund Regulations and these Regulations.

24.3. ELIGIBILITY OF CLAIMS:

All claims of customers arising out of transactions entered into as per Regulations and/or the NCCPL regulations and approved by the Board/Committee constituted by the Board shall be eligible for consideration under these regulations.

24.4. PROCEDURE FOR SETTLEMENT OF CLAIMS:

24.4.1. In the event of default of a TRE Certificate Holder, if the customers' claims admitted by the Exchange against such a TRE Certificate Holder are more than the amount available out of sale proceeds of assets of such TRE Certificate Holder for satisfying such claims, in accordance with the relevant provisions of these Regulations for the time being in force, all the claims will be paid on prorate basis. The claims still remaining unsatisfied after pro-rata sharing shall then be paid from the CCPF by utilizing up to aggregate amount of Rs.25 million, in the following order of priority, whereby the per claimant distribution shall, in any case, not exceed the amount of claim.

(a) Initial Disbursement of up to a maximum of Rs.100,000/- equally per claimant among all claimants by utilizing 50% of maximum allowable contribution i.e. Rs.12.5 million. Such disbursement shall either be made to satisfy all claims or, if insufficient to settle all claims, be disbursed equally among all the claimants.
(b) Remaining amount to be disbursed by utilizing balance 50% of maximum allowable contribution i.e. Rs.12.5 million plus any unutilized portion of CCPF as stated at 24.4.1.(a) above. In case, such amount of Fund is insufficient to satisfy all such claims in full, then pro-rata distribution will be made.

24.4.2. The admitted claims of customers which remained unsatisfied or partially satisfied after pro-rata sharing against a TRE Certificate Holder/Member declared defaulter/ expelled or whose TRE Certificate was cancelled/ forfeited, on or after 1st August 2008 uptill the date specified by the Exchange with prior approval of the Commission, shall continue to be paid from the CCPF to the extent of maximum amount of Rs.75 million in the manner and order of priority then prevailing i.e.

(a) Initial disbursement of Rs. 500,000 equally among all claimants by utilizing up to 50% of permissible contribution i.e. Rs.37.5 million; and
(b) Remaining claim amount by utilizing balance 50% i.e. Rs.37.5 million plus any amount remaining unutilized out of initial disbursement, after deducting the amount already contributed by the CCPF, if any, to satisfy each customer's claim. In case, such amount from the CCPF is insufficient to satisfy all such claims in full, then pro-rata distribution will be made.

24.4.3. Notwithstanding anything contained hereinabove, the Board may, with prior approval of the Commission, in the event of default of a TRE Certificate Holder where proceeds of assets of such TRE Certificate Holder as prescribed in the relevant regulations of PSX, are not immediately available, for any reason whatsoever, in the interest of the customers, allow settlement of customers' admitted claims first from the CCPF to the extent of the maximum permitted amount under sub-clauses 24.4.1. or 24.4.2. above. However, where the proceeds of such assets become available subsequently, then after satisfaction in full of all customer claims, any amount remaining unutilized out of the sale proceeds of such assets, shall be deposited in the CCPF in accordance with these Regulations.

24.4.4. Provided that in case of default of a TRE Certificate Holder, any amount remaining unutilized out of the sale proceeds of the defaulter's assets sold subsequently shall after settlement of claims as stated in sub-clauses 21.6.6. and 21.7.1., be deposited in the CCPF in accordance with sub-clause 21.7.2.

Schedule-I

LEVY COLLECTED FROM SECURITIES BROKERS AS CONTRIBUTION TO THE CCPF

Market Name	Rate in Rupee	Basis	Mode	Collection Date
Ready Market Trade	0.67084	Per Rs100,000/- value	Through Payment Order	On Every Settlement Day
Odd Lots Market Trade	0.93809			
Deliverable Futures Contract Market- contract	0.93809			
Futures Trading in Provisionally Listed Securities Market	0.93809			
Cash-Settled Futures Contract Market-contract	0.93809			
Stock Index Futures Contract Market-contract	0.93809			
Squaring-Up Market-trade	0.93809			
Negotiated Deals Market- transaction	Nil			
Debt Market – Trades	Nil			
Trade Rectification-transaction	100% of the fee collected under point (b) of Trade Rectification Market as provided under 'Schedule for Trading Fee' of the 'Deposit, Fee, Contribution And Other Sums Schedule' notified through PSX website.	Value of Rectified Trade		On Month End