

Date: September 22, 2025

PSX RESPONSE PAPER

[With reference to PSX Notice No. PSX/N-783 dated June 25, 2021]

Introduction of regulations governing Market Misconduct as a new chapter 7A in Pakistan Stock Exchange Limited (PSX) Regulations

1. INTRODUCTION:

- 1.1 PSX publishes 'Response Paper' on its website after close of consultation process on proposed amendments to PSX Regulations. The Response Paper sets out PSX's response to the comments received on the proposed regulatory amendments.
- 1.2 PSX vide notice No. PSX/N-783 dated June 25, 2021 invited public to submit their comments and feedback on the proposed amendments to PSX Regulations in relation to introduction of regulations governing Market Misconduct as a new chapter 7A in PSX Regulations, latest by July 05, 2021. Readers may peruse such notice by clicking the following link:
<https://www.psx.com.pk/psx/resources-and-tools/listings/public-comments>
- 1.3 PSX received comments from three respondents who consented to reveal their identity along with comments. PSX is thankful to the respondents for submitting comments.

The names of the respondents are mentioned below:

S. #	RESPONDENT'S NAME	DESIGNATION	COMPANY
I	Mr. Muhammad Imran	Department Head - Board Coordination, Shares and Regulatory Reporting Corporate Affairs Division	MCB Bank Limited
II	Mr. Mohammad Sohail	Chief Executive Officer	Topline Securities Limited
III	Pakistan Stock Brokers Association (PSBA)	Secretariat	PSBA

- 1.4 Comments received along with responses of PSX are mentioned below:

S. #	COMMENTS	RESPONSES OF PSX
(I) COMMENTS BY MUHAMMAD IMRAN [MCB BANK LIMITED]		
1	The definition included in 7A.1.1. (a) and (b) of Annexure "A" is already covers under Part X on Insider Trading, of the Securities Act, 2015, and the listed companies are already complying with its requirements; therefore, it is duplication, thus not needed;	These definitions are provided in line with the Securities Act, 2015 and the Futures Market Act, 2016. In the approved amendments, the definition of "Inside Information" has been updated to link it with the definition given in the Securities Act, 2015.

		Further, it is pertinent to highlight that Section 7 of the Securities Act, 2015 requires the Securities Exchange to make provisions for effective surveillance and monitoring to detect and prevent insider trading and market abuses. Therefore, it is considered important to keep these important definitions in PSX Regulations for ready reference of market participants.
2	<p>The criteria of “insider” defined in the Securities Act, 2015 is sufficient for the purpose; therefore, there is no need of inclusion of “Relevant Person” and “Related Person”;</p> <p>The definition of relevant person includes all the employees of the company without any threshold. Instead, definition of the term “Executive” given in Clause 5.6.1 and 5.6.4 of the Rule Book of the Pakistan Stock Exchange should be adapted/ cross referred for the purpose; and</p> <p>The definition of related persons including “parents, siblings, spouse and children” should be restricted for those dependent of the reportees.</p>	PSX agrees with this comment and has accordingly updated the PSX Regulations by removing these definitions and linking it with Section 130 of the Securities Act, 2015 and Section 74 of the Futures Market Act, 2016..
(II) COMMENTS BY MUHAMMAD SOHAIL [TOPLINE SECURITIES LIMITED]		
1	7A.1.1 (a)(ii): This point refers to all the employees of the brokerage house, whereas it should be limited to the specific Traders and Kats operators as they are the ones receiving and executing client orders. Moreover, many orders are online in which case no one is aware of the orders	PSX principally disagrees with the part of comment pertaining to limiting this sub-clause to specific Traders and System Operators due to the fact that clients’ orders can also be received by CEO, COO, CFO etc., therefore, they become insiders. However, to avoid confusion, PSX has updated the definition to link it with the definition as given under the Securities Act, 2015 and the Futures Market Act, 2016.
2	7A.6.1: This entire section is very vague and open ended and contains lot of unclear scenarios. Intraday trades that accounts for almost 50% of daily trading where beneficial ownership is not changes also comes under this. It is better to give examples to clarify this clause	As per the approved amendments to PSX Regulations, proposed clause 7A.6 has been removed and replaced with 7A.5.2.
3	7A.6.2: These clues will restrict the use of cross deals/transactions and	As per the approved amendments to PSX Regulations, proposed clause 7A.6 has been removed and replaced with 7A.5.2.

	ready future transactions. More clarity is needed here.	
4	7A.7.2: NDM are for block and cross trades. Including this also creates confusion and this needs to be clarified. Moreover, NDM is for ready deals and there is no option available for NDM of Futures.	As per the approved amendments to PSX Regulations, proposed clause 7A.7 has been removed and replaced with 7A.5.3.
5	We again request you to please arrange a session of market participants to discuss this. Any change in rules will become more effective if a Consultation session is organized before making the required changes.	At the time of public consultation, PSX conducted various sessions with market participants and after having concurrence with them, amendments to PSX Regulations have been updated and approved by SECP. Moreover, PSX will also conduct session(s) on this area, including others, from time to time as a part of its drive to conduct awareness sessions for the market participants.
6	<p>(i) Overall regulatory change is subjective, general, and open-ended, therefore, requires a discussion so that the applicability can be discussed and understand. For this, we had earlier requested the Commission that the intention of the legislation requires deliberation and the meeting is yet to be held with the Commission.</p> <p>(ii) In this era of technology where we are promoting digitalization, such restrictions on Securities Brokers would not be in favor.</p> <p>(iii) In this manner, we need to study some regional practices.</p>	<p>At the time of public consultation, PSX conducted various sessions with market participants and after having concurrence with them, amendments to PSX Regulations have been updated and approved by SECP. Moreover, PSX also conducted session on this area, including others, for market participants as a part of its drive to conduct awareness sessions for the market participants. PSX will also hold more sessions in future to create stronger awareness.</p> <p>Chapter 7A has been introduced in PSX Regulations which is primarily aligned with Sections 72, 76, 78, 128, 132 and 133 of the Securities Act, 2015 and the purpose to introduce this Chapter is to empower PSX to detect Market Misconducts such as Insider Trading and other Market Abuses to ensure orderly and fair market.</p>

2. IMPLEMENTATION OF PROPOSED AMENDMENTS:

The proposed amendments have taken effect from **November 29, 2022**.