



PSX RESPONSE PAPER

[In continuation to PSX Notice No. PSX/N-117 dated January 27, 2021]

Proposed amendments to PSX Regulations in relation to (i) Power of PSX to regulate listed companies through issuance of Directions, Decisions, Notices, Guidelines, Clarifications and Circulars besides through PSX Regulations in accordance with Section 6(5) of the Securities Act, 2015 (ii) Aligning education and experience requirements of Directors and CEO of Securities Broker laid down in PSX Regulations with the requirements given in Securities Brokers (Licensing and Operations Regulations, 2016

JUNE 03, 2022

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-117 dated January 27, 2021 invited public to submit their responses and comments on proposed amendments to PSX Regulations in relation to the following matters, among others, latest by February 02, 2021:
- (A) Insertion of power of PSX to regulate listed companies through issuance of Directions, Decisions, Notices, Guidelines, Clarifications and Circulars besides through PSX Regulations in accordance with Section 6(5) of the Securities Act, 2015; and
 - (B) Aligning education and experience requirements for Directors and Chief Executive Officer (CEO) of a Securities Broker laid down in PSX Regulations with the requirements given in Securities Brokers (Licensing and Operations) Regulations, 2016.

Note: For details on the above notice, readers may peruse the same by clicking the following link:

<https://www.psx.com.pk/psx/resources-and-tools/listings/public-comments>

- 1.3 PSX received comments from two respondents who consented to reveal their identity along with comments. PSX is thankful to the respondents for submitting comments.

S. #	Respondent's Name	Designation	Company
1	Hammad Ali Faisal	Chief Compliance Officer	Central Depository Company of Pakistan Limited (CDC)
2	Mr. Sani Khan	Chief Executive Officer	Securities Exchange Management Suite (SEMS)

- 1.4 Comments received by CDC along with PSX' response in relation to matter (A) are mentioned below:



PAKISTAN STOCK EXCHANGE LIMITED

Stock Exchange Building, Stock Exchange Road, Karachi-74000

UAN: 111-001-122 Fax: 32437560

Comments	Responses of PSX
<p>Section 6(5) of the Securities Act, 2015, specifies the duties of Securities Exchange, which among others include to ensure that the listed companies and its designated officers shall comply with the regulations, policies, procedures and practices of the securities exchange.</p> <p>We understand this provision under the Securities Act, 2015, does not empowers to issue direction/ directive. PSX has ample powers to make inquiries, investigation and take necessary enforcement actions, under their regulatory framework. However, making any Regulatory amendments in support of statute is not relatable.</p> <p>Rest Commissions powers to issue direction and necessary amendments in PSX Regulations in that context are appropriate.</p>	<p>Under Section 6 of the Securities Act, 2015, the Exchange has been assigned broader mandate to regulate market to ensure fairness, transparency and efficient functioning in securities market and also to safeguard the interest of investors. Moreover, it is the responsibility of PSX to ensure that the interest of investing customers always prevails where there is a conflict with the interest of the securities exchange, securities brokers or listed companies, shareholders, board of directors and management.</p> <p>Therefore, it was deemed appropriate to have wider range of administrative powers with PSX to also regulate listed companies through issuing directions in addition to the policies, procedures and practices. It may be noted that SECP has approved this power of PSX.</p>

1.5 Comments received by **SEMS** along with PSX’s response in relation to matter (B) are mentioned below:

<p>Removal of the requirement of academic qualification for the CEO of Securities Broker:</p> <p>The text of existing regulation is very clear and unambiguous. Whereas, it is the rationale which is vague and focusing on a detrimental approach toward the investors’ interests. The approach of uniformity may have been considered otherwise by the Management of the Exchange.</p> <p>Note: Given complex AML/CFT drive by SECP in CY2019 wherein a checklist of 498 points is in place, this recommendation is like a cherry on the top.</p>	<p>To bring uniformity and clarity, PSX has linked the academic and experience requirements of CEO and Directors of Securities Broker with the requirements prescribed in the Fit and Proper Criteria under Securities Brokers (Licensing and Operations) Regulations, 2016 of SECP.</p>
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2. IMPLEMENTATION OF PROPOSED AMENDMENTS:

The proposed amendments have taken effect from **December 03, 2021**.