

Date: February 02, 2024

## PSX RESPONSE PAPER

[With reference to PSX Notice No. PSX/N-293 dated March 22, 2023]

### Proposed amendments to PSX Regulations in relation to introduction of an appellant forum for hearing and deciding appeals filed by the listed companies

#### 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-293 dated March 22, 2023 invited public to submit their comments and feedback on the proposed amendments to PSX Regulations in relation to introduction of an appellant forum for hearing and deciding appeals filed by the listed companies amongst other regulatory matters, latest by March 31, 2023. 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 only one respondent i.e. MJ Panni & Associates who consented to reveal their identity along with comments. PSX is thankful to the respondent for submitting comments.
- 1.4 Comments received along with responses of PSX are mentioned below:

S. #	COMMENTS	RESPONSES OF PSX
<b>COMMENTS BY MJ PANNI &amp; ASSOCIATES</b>		
1 (i)	It would have been much appreciated if the said notice should have been sent to all the listed companies and invited to give their comments on the appellant forum. Since it a matter of paramount importance, PSX may hold a consultative meeting along with SECP so that useful recommendations may come in the interest of the capital market. Comments on the proposal are attached.	In addition to placing the notice on the PSX website, PSX also disseminated the notice individually to the designated email addresses of all the listed companies. In the instant case, a subsequent reminder to all listed companies was also sent for submission of their comments, if any, before the last date of submission of comments.
1 (ii)	<u>Proposed amendment in Regulation 5.21 - Disciplinary Actions:</u>  This is a mechanism of initial hearing before an officer of the RAD. If the	This is exactly the practice of PSX, whereby, all orders are issued under the signature of the Chief Regulatory Officer (CRO), even if the hearing is conducted by any officer of RAD not below the level of Senior Manager and authorized in this regard by the CRO.

	recommendations by the officer, who conducted the hearing, are to be sent to CRO, then the order must be issued under the signature of CRO.	
2	<u>Proposed amendment in Regulation 5.25 - Appeal Procedure:</u>  The provision in Regulation 5.21.1 for filing of appeal appears to be OK.	Noted.
3 (i)	<u>Proposed amendment in Regulation 5.25.2:</u>  The proposed authority is against the normal legal forum for appeal.	Appeal against CRO must be heard and decided at superior/upper forum. In the proposal, the authority to conduct and dispose-off appeal is the Committee to be formed by the Board on a case to case basis, which shall include industry expert(s), senior management staff and independent director(s) of the Exchange. Therefore, the principle of justice is adequately provided.
3 (ii)	The appeal must be heard by the Board's Regulatory Affairs Committee (RAC) of PSX and none else. The decision of the appellant forum is to be issued in writing and signed by the Committee members.	RAC is a Committee constituted by the Board which is responsible for handling the regulatory matters and supervising the affairs of CRO and Regulatory Affairs Division headed by the CRO. Therefore, the appeal forum has to be independent and free from any potential conflict of interest. The proposed authority as Appellant Committee to dispose-off the appeal is well suited.
3 (iii)	Appeal against the Regulatory Affairs Committee must lie before SECP as provided for securities broker under section 11(4) of the Securities Act, 2015.	Agreed.
4 (i)	<u>Proposed amendment in Regulation 5.25.3:</u>  The appeal should be filed with the Secretary of the RAC of BoD who may act as Secretary of the Committee.	Agreed. PSX Regulations have been amended to require that all appeals are to be filed with the Secretary of the Appellant Committee.
4 (ii)	The period of filing of appeal before RAC should be thirty (30) days of the receipt of the order and not fourteen (14) days.	This suggestion has been taken into consideration. The time period for filing an appeal against the decision of CRO by the concerned listed company has been increased to thirty (30) days from fourteen (14) days.
4 (iii)	There should be no processing fee for filing an appeal. No adjudicating forum charge such a fee. The	The appeal processing fee has been significantly reduced to an amount of PKR 5,000.

	objective of fixing processing fee will mean to discourage companies from seeking redress of their grievances.	
4 (iv)	The provisions mentioned in clauses (b) and (c) of regulation 5.25.3 should be scrapped.	
4 (v)	It will be beyond the jurisdiction of PSX to be provided that no appeal shall be entertained against the decision of the RAC Appellant Committee. This is against the rights of companies to seek justice. There has to be final appeal provision before SECP.	This is to clarify that the limitation to file second appeal against the decision of the Appellant Committee is applicable to the extent of PSX only. However, the party has the right to file appeal at other appropriate forum.
5	<p><u>Proposed amendment in Regulation 5.25.5:</u></p> <p>As proposed above final appeal must lie before SECP being the Government Regulatory Authority for PSX.</p>	

## 2. IMPLEMENTATION OF PROPOSED AMENDMENTS:

The proposed amendments have taken effect from **November 28, 2023**.