



PAKISTAN STOCK EXCHANGE LIMITED

**MEMORANDUM  
AND  
ARTICLES OF ASSOCIATION**

**Updated upto October 19, 2018**

**Company Limited by Shares, Corporatized and Demutualized pursuant to Stock  
Exchanges (Corporatization, Demutualization and Integration) Act, 2012**



## Certificate of Incorporation.

No. SIND 489 of 19 48 1949.

I hereby certify that ..... THE KARACHI  
STOCK EXCHANGE LIMITED.

is this day incorporated under the Indian  
Companies' Act, 1913, and that the  
( as applicable to Pakistan )  
Company is Limited.

Given under my hand at ..... KARACHI  
this ..... TENTH ..... day of ..... MARCH

One thousand nine hundred and ..... FORTYNINE.

*Sav 77018-11 7/9/12*  
**Certified to be True Copy**

*[Signature]*  
Asst./Deputy Registrar of Company

*[Signature]*  
Registrar of Joint Stock Companies for Sind.





SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
COMPANY REGISTRATION OFFICE, KARACHI

**CERTIFICATE OF RE-REGISTRATION**


Under section 6 of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012

Corporate Universal Identification No. **0000262**

I hereby certify that **KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED** is this day changed its status from a company limited by guarantee and re-registered with the name and style as **KARACHI STOCK EXCHANGE LIMITED** as a public company limited by shares under the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (XV of 2012).

Given under my hand at **Karachi** this **Twenty Seventh** day of **August**, Two **Thousand** and **Twelve**.



  
(Sidney Custodio Pereira)  
Joint Registrar of Companies  
Karachi

Diary No: 16926 dated: 27/08/2012





B006323

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

**CERTIFICATE OF INCORPORATION ON CHANGE OF NAME**

[Under section 40 of the Companies Ordinance, 1984 (XLVII of 1984)]

**Company Registration No. 0000262**

I hereby certify that pursuant to the provisions of section 39 of the Companies Ordinance, 1984 (XLVII of 1984), the name of **KARACHI STOCK EXCHANGE LIMITED** has been changed to **PAKISTAN STOCK EXCHANGE LIMITED** and that the said company has been duly incorporated as a company limited by **shares as a public company** under the provisions of the said Ordinance.

This change is subject to the condition that for period of one year from the date of issue of this certificate, the company shall continue to mention its former name along with its new name on the outside of every office or place in which its business is carried on and in every document or notice referred to in clauses (a) and (c) of section 143.

Given under my hand at Karachi this 11<sup>th</sup> day of January Two Thousand and Sixteen.



(Sidney C. Pereira)

**ADDITIONAL REGISTRAR OF COMPANIES**  
Company Registration Office, Karachi



Fee Rs. 5,000/-

D. NO. 13461.

Dated 11.1.2016.

**THE COMPANIES ACT, 2017**

**[COMPANY LIMITED BY SHARES, CORPORATISED AND DEMUTUALIZED  
PURSUANT TO STOCK EXCHANGES (CORPORATISATION, DEMUTUALIZATION  
AND INTEGRATION) ACT, 2012]**

**MEMORANDUM OF ASSOCIATION  
OF  
PAKISTAN STOCK EXCHANGE LIMITED**

**1. Name**

The name of the company is “**Pakistan Stock Exchange Limited**” hereinafter referred to as the “**Exchange**”.

**2. Registered Office**

The Registered Office of the Exchange will be situated in the province of Sindh.

**3. Business and Objects of the Exchange**

**3.1 Principal line of Business of the Exchange**

The principal line of business of the Exchange shall be to undertake in or outside Pakistan the following businesses:

3.1.1 To function as a securities exchange and to assist, regulate or control the business of buying, selling and dealing in Securities and to maintain or provide a market place or facilities for bringing together buyers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a securities exchange.

3.1.2 To function as a futures exchange and to assist, regulate or control the business of buying, selling and dealing in future contract based on securities and any other financial instruments as permissible by the Commission and to maintain or provide a market place or facilities for bringing together buyers and sellers of future contract based on securities and any other financial instruments as permissible by the Commission or for otherwise performing with respect to future contract based on securities and any other financial instruments as permissible by the Commission, the functions commonly performed by a futures exchange.

3.2 The Exchange may carry on or undertake any lawful business or activity or do any act or enter into any transactions being incidental and ancillary thereto, which is necessary in attaining its business activities.

3.3 It is hereby undertaken that the Exchange shall not:

3.3.1 engage in any unlawful operation;

3.3.2 launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business; and

- 3.3.3 engage in any of the permissible business unless the requisite approval, permission, consent or licence is obtained from competent authority as may be required under any law for the time being in force.

**4. Limited Liability**

The liability of the members of the Exchange is limited.

**5. Capital**

The authorised share capital of the Exchange is Rs.10,000,000,000 (Pak. Rupees Ten Billion only) divided into 1,000,000,000 (One Billion) equity shares of Rs.10 (Pak. Rupees Ten) each and the Exchange shall have power to increase or reduce the capital to consolidate or subdivide the shares into shares of larger or smaller amounts, and to issue all or any part of the original or any additional capital as fully paid shares and with any special or preferential rights or privileges or subject to any special terms or conditions, and either with or without any special designation, and also from time to time to alter, modify, commute, abrogate or deal with any such rights, privileges, terms, conditions or designations in accordance with the regulations for the time being of the Exchange.

We, the several persons whose names and addresses are subscribed agree to be members of the Exchange in pursuance of this Memorandum of Association of the Exchange.

<b>Names</b>	<b>Addresses</b>
MOHAMMAD HUSSAIN MALIK	2 Ready Road, Karachi.
G. ALLANA	Haroon Chambers, South Napier Road, Karachi.
FAKHRUDDIN VALIBHOY	Valika Chambers, South Napier Road, Karachi.
M. S. MANIAR	20, Cotton Exchange Building, McLeod Road, Karachi.
ANWAR H. HIDAYATULLAH	Consolidated Commercial Co., Garden Road, Karachi.
SHERIAR F. IRANI	Mercantile Chambers, Bunder Road, Karachi.
S. A. KHAN	569, Garden East, Karachi-5.
MANECK H. P. BYRAMJI	162, Bunder Road, Karachi-2.
SULTAN H. MERCHANT	Mohatta Building, McLeod Road, Karachi.

Witness: H. J. Rahimtoola  
Secretary

Mohatta Building, McLeod Road, Karachi.

Dated the 9th Day of March, 1949

THE COMPANIES ACT, 2017

[COMPANY LIMITED BY SHARES, CORPORATISED AND DEMUTUALIZED  
PURSUANT TO STOCK EXCHANGES (CORPORATISATION, DEMUTUALIZATION  
AND INTEGRATION) ACT, 2012]

ARTICLES OF ASSOCIATION  
OF  
PAKISTAN STOCK EXCHANGE LIMITED

INTERPRETATION AND DEFINITIONS

1. In these Articles of Associations unless repugnant to the context or meaning thereof:

**“Act”** means the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012.

**“Anchor Investor”** for the purpose of these Articles means the consortium comprising China Financial Futures Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, Pak China Investment Company Limited and Habib Bank Limited and any other entity forming part of such consortium holding not less than 40% shares of the Exchange, as per the Regulations.

**“Applicable Law”** includes the Companies Act, the Act, the Securities Act, the Futures Act, the Electronic Transactions Ordinance, the Share Capital Rules and such other laws and rules and regulations, made or to be made under the law, as may be applicable to the Exchange from time to time.

**“Articles”** means these Articles of Association, as originally framed or as altered from time to time in accordance with applicable law.

**“Blocked Account”** means the CDC account opened and maintained by the Exchange in terms of the Act.

**“Board”** means the Board of Directors of the Exchange.

**“CDC”** means the Central Depository Company of Pakistan Limited established in pursuance of the Central Depositories Act, 1997 and the Central Depository Companies (Establishment and Regulation) Rules, 1996.

**“Chairman”** means the Chairman of the Board appointed from time to time pursuant to these Articles.

**“Chief Executive”** means the Chief Executive for the time being of the Exchange.

**“Class”** means a class of the Exchange’s Ordinary Shares and in relation to a Member means a Member holding shares of that class.

**“Closing Date”** means the date agreed between the Anchor Investor and Divestment Committee of Exchange under terms of Share Purchase Agreement on which Closing takes place.

**“Commission”** means the Securities and Exchange Commission of Pakistan.

**“Companies Act”** means the Companies Act, 2017 or any statutory modification or re-enactment thereof for the time being in force.



**“Connected Person”** means in relation to a natural person, a spouse, real step or half sibling, lineal ascendant or descendent 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 or substantial shareholder or an 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.

**“Corporatisation”** means the conversion of the Exchange from a company limited by guarantee to a public company limited by shares, and **“Corporatised”** shall mean a company limited by shares.

**“Court”** means the court having jurisdiction under the Companies Act.

**“Date of Corporatisation”** means the date on which the Registrar issues a certificate of re-registration to the Exchange as evidence of its change in status from a company limited by guarantee to a public company limited by shares.

**“Date of Demutualization”** means the date on which the Registrar issues a certificate of re-registration to the Exchange in accordance with the provisions of section 6 of the Act.

**“Demutualization”** means the segregation of the majority ownership of the Exchange from the right to trade on the Exchange.

**“Directors”** means the Directors of the Company including the Directors elected, appointed, nominated or Independent Directors, pursuant to these Articles, Companies Act, Act, Securities Act, Futures Act and regulation made thereunder and shall include alternate directors.

**“Divestment Committee”** means a Committee constituted by the Commission under the Regulations.

**“Electronic”** and **“Electronically”** includes electrical, digital, magnetic, optical, bio-metric, electro-chemical, wireless, electromagnetic technology or by any other means of information technology.

**“Equity Stake”** means 40% of total ordinary shares of Exchange out of ordinary shares lying in the blocked account of Exchange pursuant to Section 5(1)(c) of the Act, acquired by Anchor Investor and transferred in the name of Consortium members of Anchor Investor.

**“Exchange or Company”** means Pakistan Stock Exchange Limited.

**“Financial Institution”** includes foreign or local commercial banks, development financial institutions, non-banking finance companies, insurance companies, stock exchanges, commodity exchanges, derivative exchanges or any such other entity which has been notified by the Commission as a financial institution for the purposes of the Act.

**“Futures Act”** means Futures Market Act, 2016.

**“Futures Exchanges Regulations”** means Futures Exchanges (Licensing and Operations) Regulations, 2017 for the time being in force as framed or amended by the Commission under the Futures Act.

**“Government”** means the Federal or any Provincial Government in Pakistan.

**“Independent director”** means a director of the Exchange defined under Securities Exchanges Regulations and the Futures Exchanges Regulations.

**“Initial shareholders”** mean the legal owners of the shares of the Exchange on the date of corporatisation.

**“Member”** means a subscriber to the memorandum of the company and every person to whom is allotted, or who becomes the holder of, any share, scrip or other security which gives him a voting right in the company and whose name is entered in the register of members.

**“Memorandum”** means the Memorandum of Association of the Exchange as originally framed or as altered from time to time in accordance with the provisions of the Companies Act and the Act.

**“Month”** means a calendar month according to the Gregorian calendar.

**“Office”** means the registered office for the time being of the Exchange.

**“Ordinary Shares”** mean the shares issued by the Exchange carrying voting rights in proportion to the shareholding, subject to the provisions of the Companies Act.

**“Register of Members”** means the Register of Members to be maintained by the Exchange, pursuant to the Companies Act.

**“Regulations”** means Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012 for the time being in force as framed or amended by the Commission from time to time.

**“Seal”** means the common seal of the Exchange.

**“Secretary”** means any person appointed by the Board to perform the duties of a Secretary as specified in these Articles.

**“Securities”** means the Securities as defined under the Securities Act and the Futures Act.

**“Securities Act”** means Securities Act, 2015.

**“Securities Exchanges Regulations”** means Securities Exchanges (Licensing and Operations) Regulations, 2016 for the time being in force as framed or amended by the Commission under the Securities Act.

**“Share Purchase Agreement” or “SPA”** means the Agreement executed on December 27, 2016 amongst the Divestment Committee, the Exchange and the Anchor Investor for sale of Equity Stake to Anchor Investor.

**“Strategic Investor”** means a stock exchange, depository company, a derivative exchange or a clearing house approved by the Commission in accordance with the prescribed criteria, for the purposes of acquiring shares of a stock exchange in pursuance of section 12 of the Act.

**“TRE Certificate or Trading Right Entitlement Certificate”** means a certificate issued by the Exchange evidencing the 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.

**“TRE Certificate Holder or Trading Right Entitlement Certificate Holder”** means a person who is issued a TRE Certificate or who purchases or acquires such TRE Certificate or is issued a fresh TRE Certificate in accordance with the provisions of the Act and the regulations framed thereunder.

**“Undertaking”** means any trade or business of the Exchange.

**“Writing” / “in writing” / “written”** includes printing, typewriting and lithography and where permitted or specified by the Board, also includes Electronic transmission, including but not



limited to facsimiles, telex, downloading through computers, electronic mail, other modes of representing or reproducing words in a visible form and any usual substitutes.

2. The provisions of the applicable law for the time being in force, shall override the provisions of these Articles, to the extent of inconsistency and shall be subject to such law, rules and regulations.
3. The model regulations contained in the First Schedule to the Companies Act shall not apply to the Exchange except as reproduced hereunder.
4. In these Articles, unless repugnant to the context or meaning thereof:-
  - (i) The Article's headings shall not affect the construction or interpretation of any Article.
  - (ii) Words importing the masculine gender also include the feminine gender.
  - (iii) Expression referring to writing shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography and other modes of representing or reproducing words in a visible form
  - (iv) Words importing persons include bodies corporate.
  - (v) Word importing singular numbers shall also include plural numbers and vice versa.
  - (vi) Unless the context otherwise require, words and expressions occurring but not defined in the Articles shall have the same meanings respectively assigned to them in the Companies Act, the Act, the Securities Act and the Futures Act or any statutory modification or re-enactment.

## **BUSINESS**

5. Any branch or kind of business which the Company is either expressly or by implication authorized to undertake may be undertaken by the Directors at such time or times as they shall think fit, and further may be suffered by them to be in abeyance whether such branch or kind of business may have been actually commenced or not so long as the Directors may deem it expedient not to commence or proceed with such branch or kind of business.

## **CAPITAL AND CLASS OF SHARES**

6. The authorized share capital of the Exchange is Rs.10,000,000,000/- (Rupees Ten Billion Only) divided into 1,000,000,000 Ordinary Shares of Rs.10/- each. The Exchange may increase, reduce, consolidate, divide and sub-divide, cancel or otherwise vary the rights of its shares or reorganize its share capital and issue shares of different kinds or classes therein of higher or lower denominations in accordance with the provisions of the Companies Act, and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions and to vary, modify or abrogate any such rights or conditions in such manner as may for the time being be provided by the Exchange in such manner as the Exchange may be authorized to do subject to applicable laws.
7. Subject to applicable law and in particular Section 58 of the Companies Act, the Exchange may issue shares with different rights, restrictions and privileges including but not limited to the following as approved by the Exchange by Special Resolution:
  - (i) different voting rights, voting rights proportionate to the paid-up value of shares held or voting rights for specific purposes only or no voting rights of shares;
  - (ii) different rights for entitlement to receive notices and to attend the general meeting;
  - (iii) different rights for entitlement of bonus shares or right shares;

- (iv) different rights for entitlement to Dividends;
  - (v) rights and privileges for an indefinite period, for a limited specified period or for such period or periods as may from time to time be determined by the Exchange; and
8. As regards the voting rights, the holders of the preference shares shall not be entitled to receive notice of, attend, or vote at, any general meeting of the Exchange, except as otherwise provided by the Companies Act, whereby the holders of such shares would be entitled to vote separately as a class, that is with respect to voting entitlement of the holders of preference shares on matters affecting respectively their substantive rights and liabilities. Without prejudice to the foregoing, the holders of preference shares may attend the general meetings of the Exchange as observers with permission of the chairman of the meeting.
  9. As regards the entitlement of bonus or rights shares, the holders of preference shares shall not be entitled to the first right to subscribe to the Ordinary Shares of the Exchange, in the event that the Exchange increases its capital by the further issue of Ordinary Shares or otherwise.
  10. As regards the income of the Exchange, the profits which the Exchange may determine to disburse in respect of the financial year or other period for which the accounts shall be made up, shall be applied in the following priority:
    - (i) in paying the holders of the preference shares, the rights to a preferential Dividend, cumulative or non-cumulative, as determined by the Board on the capital paid up thereon payable as regards each financial year out of the profits of the Exchange resolved to be distributed for that year, but shall not be entitled to any further participation in profits; and
    - (ii) subject to the rights of any class of shares for the time being issued, in distributing the balance amongst the Ordinary Shares, according to the amount paid up on the Ordinary Shares held by them, respectively.
  11. As regards the conversion, the Exchange may partly or wholly convert the preference shares in accordance with the terms and conditions of their issue.
  12. As regards the capital or return of capital in a winding up or otherwise (except upon the redemption of shares of any class of preference shares or the purchase by the Exchange of its own shares), the surplus assets of the Exchange remaining after payment of its liabilities shall be applied in the following order of priority:
    - (i) in paying to the holders of the preference shares, the capital paid up on the same without any further right to participate in profits or assets; and
    - (ii) subject to the rights of any other class of shares for the time being issued in distributing the balance amongst the holders of the Ordinary Shares, according to the amounts paid up on the Ordinary Shares held by them respectively.
  13. For so long as the share capital of the Exchange is divided into different Classes, the rights attached to either Class may only be varied or abrogated with the consent in writing of the holders of three / fourths in nominal value of the issued shares of that Class or with the sanction of a Special Resolution passed at a general meeting of the holders of the shares of that Class.

#### **ISSUE OF SHARES**

14. The Exchange shall issue and allot shares in dematerialized format, for consideration other than cash, to all the initial shareholders of the Exchange in accordance with the Act. All such shares shall not, at any time or for any reason, be convertible into physical format.



15. The Exchange shall disinvest shares held in the Blocked Account in accordance with the Act.
- Provided that, in accordance with the provisions of the Act the right to exercise the voting powers attached to such shares in the blocked account shall remain suspended till the time of sale of these shares.
- Provided further that all rights in respect of the shares of each Initial Shareholder deposited in the Blocked Account shall vest and be exercised in accordance with the Act.
16. Any other shares issued by the Exchange in any manner other than prescribed above, shall be in accordance with the provisions of applicable law and in particular the Companies Act.
17. The Exchange shall not issue partly paid shares. In the case of an issue of shares for cash, the amount payable on application shall be the full nominal amount of the share, except where shares are issued at a discount.

#### **FRACTIONAL SHARES**

18. Subject to the terms of the Companies Act, if and whenever as a result of an issue of new shares or any consolidation or sub-division of shares any Member becomes entitled to hold shares in fractions, the Board shall not be required to offer or issue such fractional shares and shall be entitled to sell whole shares at a reasonable price and pay and distribute to and amongst the members entitled to such fractional shares in due proportion the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Board may authorise any person to transfer the shares sold to the purchaser thereof, and the purchaser shall be registered as the holder of the shares comprised in such transfer but he shall not be entitled to see the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

#### **SHARES IN PAYMENT FOR PROPERTY**

19. Subject to the terms of the Companies Act and the Act, the Board may allot and issue shares in the capital of the Exchange as payment or part payment for any property sold or transferred, goods or machinery supplied, or for services rendered to the Exchange in the conduct of its business or affairs, and any shares which may be so allotted may be issued as fully paid up shares, and if so issued, shall be deemed to be fully paid up shares.

#### **NO PURCHASE OF OR LOAN ON EXCHANGE'S SHARES**

20. Except as permitted in Sections 86, 87 and 88 of the Companies Act and any rules in that regard made under the Companies Act, the Exchange shall not purchase or otherwise acquire any of its shares or the shares of its holding company (if any), and shall not give whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of any shares of the Exchange or its holding company (if any) or give any loan upon the security of any shares of the Exchange or those of its holding company (if any).

#### **EVIDENCE OF MEMBERSHIP**

21. Any application for subscription signed by or on behalf of an applicant or subscriber for shares in the Exchange, followed by an allotment of any shares therein, shall, be an acceptance of shares within the meaning of the Articles, and every person who thus or otherwise accepts any shares and whose name is entered on the Register of Members shall for the purposes of the Articles be a Member.

## **NAMES AND ADDRESSES OF SHAREHOLDERS**

22. Every shareholder shall name a place to be registered as his address and such address shall, for all purposes, be deemed his place of residence.
23. Any shareholder who shall change his name or place of abode shall notify the change of name or abode, as the case may be, to the Exchange in order that the same may be registered.

## **TRUST NOT RECOGNISED**

24. Save as herein otherwise provided, the Exchange shall be entitled to treat the person whose name appears on the Register of Members as the holder of any shares as the absolute owner thereof, and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognise any trust or equity or *benami*, equitable, contingent or other claim to or interest in such shares, on the part of any other person whether or not it shall have express or implied notice thereof.

## **REGISTER**

25. The Exchange shall keep at its Office a register of its Directors and managers containing with respect to each of them the particulars as required by the Companies Act and shall send to the Registrar of Companies a return in the prescribed form containing the particulars specified in the Register and shall from time to time notify to the Registrar of any change that takes place in such Directors and managers, as required by the Companies Act.
26. (1) The Directors shall cause to be kept, in one or more books or as an Electronic Record, a Register of Members.  
  
(2) The aforesaid registers shall be kept at the Office, and except when closed under the provisions of these Article, shall be open to the inspection of the Members and debenture holders of the Exchange during the business hours, subject to such reasonable restrictions, as the Exchange in General Meeting may impose, so that not less than two (2) hours in each day be allowed for inspection. The registers shall be open to the inspection of the Members or debenture holders of the Exchange gratis and to the inspection of any other Person on payment of such amount not exceeding the prescribed amount as the Exchange may fix; and any such Member, debenture holder or other Person may make extracts there from.

## **UNDERWRITING AND COMMISSION**

27. The Exchange may at any time pay a commission to any person for subscribing or agreeing to subscribe, (whether absolutely or conditionally) for any shares or debentures or procuring or agreeing to procure subscription, whether absolute or conditional, for any shares or debentures of the Exchange, but so that the amount or rate of commission shall not exceed the rate determined by the Exchange (or such other rate as may be prescribed by the Commission under the Companies Act) of the price at which the shares are issued or of the nominal value of the debentures in each case subscribed or to be subscribed. The Exchange may also pay brokerage on such rate as may be prescribed by the Commission in respect of any subscription for shares or debentures.

## **RESTRICTION ON SHAREHOLDING**

28. (1) Shareholding structure of the Exchange shall be in accordance with requirements of the Applicable Laws for the time being in force.  
  
(2) No Initial Shareholder, member of the general public, including a company, a TRE Certificate Holder, Anchor Investor or a financial institution shall, directly or indirectly, acquire, hold or control Shares in excess of the thresholds prescribed in the Act or by the Commission from time to time.



## **CERTIFICATES AND TRANSFER AND TRANSMISSION OF SHARES**

29. The Exchange shall satisfy all conditions and apply for its shares to be declared as eligible securities by CDC.
30. The transaction of transfer of any shares in the Exchange shall be transacted by the transferor and transferee in accordance with the procedure laid down in the Companies Act and the procedures as prescribed by CDC.

## **WHEN REGISTER MAY BE CLOSED**

31. The Board shall have power on due notice (given in the manner prescribed in the Companies Act) to close the Register of Transfers of Shares for such period(s) of time not exceeding thirty days in each year.

## **TRANSMISSION OF SHARES OF DECEASED MEMBER**

32. In the case of the death of a shareholder, the survivor, where the deceased was a joint holder, and (subject as hereinafter provided), where the deceased was a sole or only surviving holder, the executors or administrators of the deceased holding a Grant or Probate or Letters of Administration or Succession Certificate or any person or persons mentioned in any Succession Certificate effective in Pakistan shall be the only persons recognised by the Exchange as having any title to the shares, but nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability, (whether sole or joint), in respect of any share solely or jointly held by him. In any case in which a grant of probate or letters of administration or succession certificate to the estate of a deceased sole or only surviving holder has not been obtained or a nomination was not made by the deceased as above mentioned, the Board may, but shall not be bound to, recognise the title of any person claiming to be entitled to the deceased holder's share on production by such claimant of any other evidence of title as the Board may deem sufficient, and upon the claimant furnishing such indemnity, if any, as the Board may require.
- 32A. A person may on acquiring interest in the Exchange as member, represented by shares, at any time after acquisition of such interest deposit with the Exchange a nomination conferring on a person, being the relatives of the member, namely, a spouse, father, mother, brother, sister and son or daughter, the right to protect the interest of the legal heirs in the shares of the deceased in the event of his death, as a trustee and to facilitate the transfer of shares to the legal heirs of the deceased subject to succession to be determined under the Islamic law of inheritance and in case of non-Muslim members, as per their respective law. Such nominated person shall, after the death of the member, be deemed as a member of the Exchange till the shares are transferred to the legal heirs.

## **RESTRICTION ON TRANSFERS**

33. No Member shall transfer or otherwise dispose of any of his shares except in accordance with the provisions of these Articles, being at all times subject to the provisions of the Companies Act and the Act.

## **RIGHT OF SURVIVOR TO RECEIVE DIVIDENDS AND OTHER ADVANTAGES**

34. A person becoming entitled to a share under Articles 32 and 32A, shall be entitled to the same dividends and other advantages to which he would be entitled if he was the registered holder of the share, except that he shall not before being registered as a Member in respect of the share, be entitled in respect of it to exercise any rights conferred by membership in relation to meetings of the Exchange.

### **LIABILITY FOR TRANSMISSION**

35. The Exchange shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same shares, notwithstanding that the Exchange may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and the Exchange shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, but the Exchange shall nevertheless be at liberty to regard and attend any such notice and give effect thereto, if the Board shall so think fit.

### **FEE ON TRANSMISSION**

36. There shall be paid to the Exchange in respect of every transmission of Shares such fee as the Directors may from time to time prescribe.

### **CONDITIONS OF BONDS**

37. Any bonds, debentures or other securities to be issued by the Exchange shall be under the control of the Board which may issue them upon such terms and conditions and in such manner and for such consideration as shall be considered by the Board to be for the benefit of the Exchange.

### **ISSUE AT DISCOUNT**

38. Any bonds, debentures or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, convertibility into shares, attending and voting at general meetings of the Exchange, appointment of Directors, and otherwise, subject to Section 66 and Section 82 and other provisions of the Companies Act.

### **PAYMENT BY DIRECTORS**

39. If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Exchange, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Exchange by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

### **GENERAL MEETING WHEN TO BE HELD**

40. A general meeting, to be called the "Annual General Meeting", shall be held, in accordance with the provisions of Section 132 of the Companies Act, once at least in every calendar year within a period of one hundred and twenty days following the close of the financial year of the Exchange.
41. The Exchange may provide video-link facility to its members for attending general meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members. If the members holding at least ten percent of the total paid up capital or such other percentage of the paid up capital as may be specified by the Commission, are resident in any other city, the Exchange may provide the facility of video-link to such members for attending Annual General Meeting of the Exchange, if so required by such members in writing to the Exchange at least seven days before the date of the meeting.

### **EXTRAORDINARY GENERAL MEETING**

42. Any general meetings of the Exchange other than Annual General Meetings shall be called "Extraordinary General Meetings".

## **WHO MAY CALL EXTRA-ORDINARY GENERAL MEETINGS**

43. The Directors may call an Extraordinary General Meeting. Further the Extraordinary General Meetings shall also be called on such requisition, or in default, may be called by such requisitionists, as is provided by Section 133 of the Companies Act. An Extraordinary General Meeting may be held in such places in Pakistan as the Board may determine. The particulars of business to be transacted in the Extraordinary General Meeting shall be detailed in the agenda of the meeting and business transacted at an Extraordinary General Meeting shall be restricted to the business on the agenda for the said meeting.

## **NOTICE OF MEETINGS**

44. Subject to requirements of the Companies Act, twenty-one (21) days' notice at the least (exclusive of the day on which the notice is served or deemed to be served, but inclusive of the day for which notice is given) specifying the place, the day and the hour of general meeting and, in case of special business, all material facts concerning such business, shall be given in a manner provided by the Companies Act for the general meetings to such persons as are, under the Companies Act or the Articles, entitled to receive such notices from the Exchange. In addition a notice of a General Meeting shall be published in English and Urdu languages at least in one issue each of a daily newspaper of respective language having nationwide circulation. Subject to the provisions of the Companies Act, notices of general meeting may be given to Members by electronic means or in any other manner as may be specified by the Commission.
45. Where any special business, that is to say business other than consideration of the financial statements and the reports of the Board and Auditors, the declaration of any dividend, the appointment and fixation of the remuneration of Auditors and the election and appointment of Directors in place of those retiring (all such matters being herein referred to as ordinary business) is to be transacted at a General Meeting, there shall be annexed to the notice of such meeting a statement setting out all such facts as may be material for the consideration of such business including the nature and extent of the interest (whether direct or indirect) of any Director, and where the item of business involves approval of any document, the time and place appointed for inspection thereof, and to the extent applicable such a statement shall be annexed to the notice also in the case of ordinary business to be transacted at the meeting.
46. Where a resolution is intended to be proposed for consideration at a General Meeting in some special or particular form, a copy thereof shall be annexed to the notice convening such meeting.
47. A notice for a General Meeting convened for the election of Directors shall state the number of Directors to be elected at that meeting and the names of the retiring Directors.
48. The notice of every General Meeting shall prominently specify that a proxy may be appointed who shall have the right to attend, demand and join in demanding a poll and vote on a poll and speak at the meeting in the place of the Member appointing him and shall be accompanied by a form of proxy acceptable to the Exchange.

## **SPECIAL BUSINESS**

49. All business shall be deemed special that is transacted at an Extraordinary General Meeting and also all that is transacted at an Annual General Meeting with the exception of the consideration of financial statements and the reports of the Board and Auditors, the declaration of any dividend, the appointment and fixation of the remuneration of Auditors and the election and appointment of Directors in place of those retiring. Where it is proposed that a Special Resolution be moved at a general meeting, notice of the meeting shall specify the intention to propose the resolution as a Special Resolution.



### **OMISSION TO GIVE NOTICE**

50. In a case in which notice of any meeting is given to the shareholders individually, the accidental omission to give notice to any of the Members or the accidental non-receipt thereof shall not invalidate the proceedings at any such meeting.

### **QUORUM AT GENERAL MEETING**

51. Ten (10) members present in person, or through video-link and representing not less than twenty five percent (25%) of the total issued shares of the Exchange either on their own account or as proxies shall be the quorum for a general meeting. No business shall be transacted at any general meeting unless the requisite quorum is present at the time when the meeting proceeds to business.

### **WHO TO PRESIDE IN GENERAL MEETING**

52. The Chairman shall be entitled to take the chair at every general meeting. If there is no Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may elect a Director as Chairman and if none of the Directors is present or being present is unwilling to act as Chairman, the members present whether in person or by proxy shall choose one of the members to be the Chairman.
53. No business shall be discussed at any General Meeting except the election of a chairman so long as the chair is vacant.

### **ADJOURNMENT OF MEETING FOR LACK OF QUORUM**

54. If within half an hour of the time appointed for the holding of a general meeting a quorum is not present, the meeting shall stand adjourned to the same day in the following week at the same time and place. If at the adjourned meeting a quorum is not present the members present personally or through video-link being not less than two shall be the quorum and may transact the business for which the meeting was called.

### **ADJOURNMENT BY CHAIRMAN**

55. The Chairman may (and shall if so directed by the meeting) adjourn the meeting from time to time, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for ten days or more, notice of the adjourned meeting shall be given as in the case of an original meeting, but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

### **VOTING BY SHOW OF HANDS**

56. Upon a show of hands every Member entitled to vote and present in person or by proxy shall have one vote, and upon a poll every Member entitled to vote and present in person or by proxy shall have one vote for every share held by him.

### **VOTING ON RESOLUTIONS**

57. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the results of the show of hands) demanded. The procedure for demanding a poll is provided in these Articles, subject to the provisions of Sections 143, 144 and 145 of the Companies Act.

58. A declaration by the Chairman that a resolution put to the vote in a General Meeting has been carried or carried unanimously or by a particular majority and an entry to that effect in the books of the proceedings of the Exchange shall be conclusive evidence of the fact without further proof of the number or proportion of the votes recorded in favour of or against such resolution.

### **POLL**

59. A poll may be ordered to be taken by the Chairman, on his own motion or if demanded by Members present in person, through video-link or by proxy and having not less than one-tenth of the total voting power. A poll may be ordered by the Chairman to be taken, through secret ballot, on his own motion or if demanded by Members present in person, through video-link or by proxy and having not less than one-tenth of the total voting power.

At any general meeting, the Exchange shall transact such businesses as may be notified by the Commission, only through postal ballot.

60. If a poll is demanded as aforesaid it shall be taken in such manner and at such time and place as the Chairman of the meeting directs, and either at once or after an interval or adjournment of not more than fourteen days from the day on which the poll is demanded and the results of the poll shall be the resolution passed at the meeting at which the poll was held. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.
61. Any poll demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment.
62. If a poll is demanded, it shall be taken in such manner as the chairman of the meeting directs. The votes given on a poll shall be scrutinized by the chairman or a scrutineer nominated by him and, where Members or proxies have demanded the poll also by a scrutineer nominated by them. The result of the poll shall be announced by the chairman and shall be deemed to be the decision of the meeting on the resolution in respect of which the poll was demanded.
63. The demand for a poll shall not prevent the continuation of a meeting for the transaction of any business, other than the question on which the poll was demanded.

### **MINUTES**

64. Minutes shall be made in books provided for the purpose of all resolutions and proceedings at general meetings, and any such minutes if signed by any person purporting to have been the Chairman of the meeting or next following meeting shall be receivable as evidence of the facts therein stated without further proof.

### **MINUTE BOOKS**

65. The Books containing minutes of proceedings of general meetings (including proceedings through video-link, if any) of the Exchange shall be kept at the Office of the Exchange and shall during business hours (subject to reasonable restrictions as the Board may from time to time impose but so that no less than two hours each day is allowed for inspection) be open to the inspection of any Member without charge.

### **REPRESENTATIVES OF CORPORATE MEMBERS**

66. Any company or other body corporate which is a Member of the Exchange may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Exchange or of any class of Members of the Exchange, and the person so authorised shall be entitled to exercise the same powers on behalf of the company or body corporate which he represents as that company or body corporate could exercise if it were an individual Member of the Exchange, present in person. The production before or at

the meeting of a copy of such resolution purporting to be signed by a director or the secretary of such company or body corporate and certified by him as being a true copy of the resolution shall be accepted by the Exchange as sufficient evidence of the validity of the appointment of such representative. A company or body corporate which is a Member of the Exchange but which is not resident in Pakistan may appoint a representative as aforesaid by telex message or facsimile transmission or electronic mail which, if purporting to be sent by such company or corporation, need not be certified as a true copy as aforesaid.

#### **VOTING BY MEMBER OF UNSOUND MIND**

67. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on show of hand or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote through video link or by proxy.

#### **PROXY**

68. Every proxy shall be appointed in writing under the hand of the appointer or by an agent duly authorised under a Power of Attorney or if such appointer is a company or corporation under the Common Seal of the Exchange or corporation or the hand of its Attorney who may be the appointer. A proxy need not be a Member. A proxy shall have such right as respects speaking and voting at a meeting as are available to a Member personally present at the meeting. A Member shall not be entitled to appoint more than one proxy to attend any one meeting. If any Member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the Exchange, all such instruments shall be rendered invalid.

#### **PROXY TO BE DEPOSITED AT THE OFFICE**

69. No person shall act as proxy unless the instrument of his appointment and the power of attorney, if any, under which it is signed, shall be deposited at the Office at least forty-eight hours before the time for holding the meeting at which he proposed to vote.

#### **FORM OF PROXY**

70. An instrument appointing a proxy may be in the following form, a form as near thereto as may be, or in a form thereof translated into Urdu Language:

*I, \_\_\_\_\_ of \_\_\_\_\_, being a member of Pakistan Stock Exchange Limited, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as my proxy to vote for me and on my behalf at the (annual, extraordinary, as the case may be) general meeting of the Exchange to be held on the \_\_\_\_\_ day of \_\_\_\_\_ and at any adjournment thereof.*

*Dated: \_\_\_\_\_*

*Signed: \_\_\_\_\_*

#### **VALIDITY OF PROXY**

71. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the company at the Office before the commencement of the meeting or adjourned meeting at which the proxy is used. Provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.



## **VALIDITY OF VOTE**

72. No objection shall be made to the validity of any vote except at the meeting or the poll at which such vote shall be tendered, and every vote whether given personally or by proxy not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll.

## **CHAIRMAN TO HAVE A CASTING VOTE**

73. If any question is raised, the Chairman of the meeting shall decide on the validity of every vote tendered at such meeting in accordance with these Articles. In the case of any equality of votes, whether on a show of hands or on a poll, the Chairman shall have and exercise a casting vote.

## **CHAIRMAN**

74. Prior to the completion of Demutualization, the Chairman of the Exchange shall be elected by the Board from amongst the directors nominated by the Commission.
75. Following the Closing Date, the Chairman of the Exchange shall be elected from amongst the Independent Directors in accordance with the requirements of the Securities Exchanges Regulations and the Futures Exchanges Regulations.

## **FIRST DIRECTORS**

76. The first Directors of the Exchange shall be appointed in accordance with the provisions of the Act and shall comprise of four (4) nominees who will be approved by the Board and six (6) nominees who will be nominated by the Commission. The first directors nominated by the Board shall stand replaced within thirty (30) days of the date of Demutualization by directors elected at the general meeting of the Exchange and the first directors nominated by the Commission shall stand replaced in accordance with these Articles.

## **ELECTION OF DIRECTORS**

77. Subject to these Articles and the provisions of the Act, after the first appointment of Directors, the number of elected Directors fixed by the Board under these Articles shall be elected to office by the members in general meeting in the following manner, namely:
- (i) a Member shall have such number of votes as is equal to the product of voting shares held by him and the number of Directors to be elected;
  - (ii) a Member may give all his votes to a single candidate, or divide them between more than one of the candidates in such manner as he may choose; and
  - (iii) the candidate who gets the highest number of votes shall be declared elected as Director and then the candidate who gets the next highest number of votes shall be so declared, and so on until the total number of Directors to be elected has been so elected.
78. Where the number of candidates is equal to or less than the number of Directors to be elected it will not be necessary to hold an election as laid down in this Article and all the candidates shall be deemed to have been elected under this Article.

## **CONSENT TO ACT AS DIRECTOR TO BE FILED**

79. No person shall be appointed or nominated as a Director or Managing Director/Chief Executive Officer of the Exchange or shall represent as holding such office, nor shall any person describe or name any other person as a Director or proposed Director or Managing Director/Chief Executive Officer or proposed Managing Director/Chief Executive Officer of the Exchange unless such person or such other person has given his consent in Writing to

such appointment or nomination and that consent has been filed by the Exchange with the Registrar before such appointment or nomination or being described or named as a Director or proposed Director or Managing Director/Chief Executive Officer of the Exchange, as the case may be.

## **DIRECTORS**

80. (i) The first Directors shall be appointed in accordance with Article 76 above read with the provisions of the Act.
- (ii) The first Directors appointed by the Commission shall continue to hold office until such time as they stand replaced on a directive of the Commission in terms of the Act, in the manner provided herein below:
- (a) Upon sale of shares representing Equity Stake held in Blocked Account to the Anchor Investor, four (4) persons nominated by the Anchor Investor shall be co-opted as directors of the Exchange, to replace four (4) nominees of the Commission in pursuance of directive of the Commission.
  - (b) Upon sale of shares held in Blocked Account to the general public, the Commission shall issue a directive in terms of the Act specifying the manner, number and eligibility of Directors who shall replace the nominees of the Commission representing shareholder interest of the general public, in an election of Directors held as per the requirements of the Companies Act.
  - (c) When all first Directors nominated by the Commission have been co-opted or replaced by the Directors representing shareholder interest of the strategic investor(s)/Anchor Investor, general public or financial institution(s), all Directors of the Exchange shall be elected in the manner as provided in the Companies Act but not inconsistent with any provisions of the Act or the Securities Act or the Futures Act or any regulations made or directions issued thereunder. However, before every General Meeting at which Directors are to be elected, except for the first election under section 10 of the Demutualization Act, and not later than thirty-five days preceding the date of such meeting, the Directors shall fix the number of elected Directors that the Exchange shall have from the effective date of the election at such meeting. The number of Directors so fixed shall not be increased or reduced by the Directors so as to have effect before the effective date of election at the next such General Meeting at which Directors are to be elected, except with the prior approval of the Exchange in a General Meeting.
- (iii) All Directors shall have to fulfill the formalities of the "Fit & Proper Criteria" as prescribed under the Securities Exchanges Regulations and the Futures Exchanges Regulations in this regard, prior to their appointment as Directors and comply with any other regulations of the Exchange.
- (iv) The Chief Executive, shall by virtue of his office be, a Director on the Board.
- (v) Every director and senior management officer (defined under Securities Exchanges Regulations and the Futures Exchanges Regulations) shall abide by the Code of Conduct specified in Securities Exchanges Regulations and the Futures Exchanges Regulations.
- (vi) (a) After the date of sale of up to forty percent shares of the Exchange lying in the blocked account under the Act, the Board shall be reconstituted in accordance

with the requirements of the Securities Exchanges Regulations and the Futures Exchanges Regulations and any directions of the Commission within a period of six months from the date of sale and shall have following categories of directors:

- Independent Directors;
- Shareholder Directors; and
- Chief Executive Officer.

- (b) the Independent Directors shall be appointed by the Board with prior written approval of the Commission in accordance with the Securities Exchanges Regulations and the Futures Exchanges Regulations.
- (c) the Board shall have Independent Directors in accordance with the Securities Exchanges Regulations and the Futures Exchanges Regulations. The directors nominated by the Commission on the Board shall be considered as Independent Directors till such time as provided in the Securities Exchange Regulations.
- (d) the Chairman of the Board shall be from amongst the Independent Directors.

81. The Members in General Meeting shall elect the Directors who are not ineligible in accordance with Section 153 of the Companies Act and this Article. Any person claiming to be eligible who desires to offer himself for election shall, whether he is a retiring Director or not, file with the Exchange not later than fourteen days before the date of the General Meeting at which Directors are to be elected, a notice that he, being eligible, intends to offer himself for election as a Director at that meeting and that he consents to act as a Director if elected. If such person is elected a Director, then the Exchange shall file his consent to act as a Director with the Registrar of Companies within fifteen days of his election as required by Section 167 of the Companies Act. A person offering himself for election as a Director may withdraw his candidature at any time before the holding of the election and may do so by withdrawing the notice in which he offered himself for election. Not later than seven days before the date of the meeting the Exchange will notify the Members of the persons offering themselves for election as Directors at such meeting and shall so notify the Members by publication in in English and Urdu languages at least in one issue each of a daily newspaper of respective language having wide circulation.

82. In addition to and subject to terms of the Act, a Director shall cease to hold his office:

- (a) if he becomes ineligible to be appointed as a Director on any one or more of the grounds specified in Section 153 of the Companies Act. Provided that the requirement of Section 153(i) of the Companies Act shall not be applicable on independent directors or directors nominated by the Commission; or
- (b) if he ceases to be a Director by virtue of any provision of any law or he becomes prohibited by law from being a Director; or
- (c) if he becomes bankrupt or a receiving order is made against him or he makes any arrangement or composition with his creditors generally; or
- (d) if he is, or may be, suffering from mental disorder and an order is made by a court claiming jurisdiction in that behalf (whether in Pakistan or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person by whatever name called to exercise powers with respect to his property or affairs; or

- (e) if he absents himself from three (3) consecutive meetings of the Directors without leave of absence from the Directors; or
- (f) he or any firm of which he is a partner or any private company of which he is a director without the sanction of the Exchange in General Meeting accepts or holds any office of profit under the Exchange other than that of a Chief Executive or a legal or technical adviser; or
- (g) if he by notice in writing resigns from his office; or
- (h) he or any of his relatives accepts a loan or guarantee from the Exchange in contravention of Section 182 of the Companies Act; or
- (i) if he is concerned or interested in or participates in the profit of any contract with or work done for the Exchange, without the sanction of the Board; or
- (j) in the case of the Chief Executive, he ceases to hold such office; or
- (k) in the case of a Director other than an Independent Director and Director nominated by the Commission, if he is removed by ordinary resolution of the Exchange in accordance with any law.

#### **TERM OF OFFICE**

83. A Director elected under these Articles shall hold office for a period of three (3) years, unless he earlier resigns, becomes disqualified from becoming Director or otherwise ceases to hold office. A retiring Director shall be eligible for re-election.

#### **REMOVAL**

84. The Exchange in General Meeting may remove a Director, except an independent director or a director nominated by the Commission, from office by a resolution passed with the requisite number of votes determined in accordance with the provisions of Section 163 of the Companies Act. However, an independent director may be removed in accordance with the provisions of the Securities Exchanges Regulations, whereas, a Director nominated by the Commission shall only be removed upon a directive of the Commission.

#### **CONTINUING DIRECTORS TO ACT**

85. The continuing Directors may act notwithstanding any vacancy in their body, but if the minimum falls below the minimum number fixed by Companies Act, the Directors shall not, except for the purpose of filling a vacancy in their number or convening a general meeting, act so long as the number remains below the minimum.

#### **FILLING CASUAL VACANCY**

86. Any casual vacancy occurring among the elected or independent Directors shall be filled up by the Directors not later than ninety days from the date of occurrence of the vacancy, after complying with the provisions of the Companies Act and the Securities Exchanges Regulations, with clearance of the Commission, but a person so appointed shall hold office for the remainder of the term of the Director in whose place he is appointed. Any casual vacancy occurring among the independent Directors may only be filled with prior approval of the Commission. The Company shall prior to every such appointment secure in the form prescribed for this purpose, the consent and certificate of the person concerned consenting to act as a Director and certifying that he is not ineligible to become a Director and shall within fifteen days of his appointment file such consent with the Registrar of Companies as required by Section 167 of the Companies Act. A casual vacancy in respect of a Director nominated by the Commission shall be filled up as per the directive of the Commission.



## **REMUNERATION OF DIRECTORS**

87. Subject to any general or specific conditions or restrictions imposed by the Commission or under the Companies Act or any other law applicable, to the Exchange and until otherwise determined by the Exchange in general meeting, every Director (including an alternate Director but excluding the Chief Executive and a full time Working Director) shall be entitled to be paid remuneration for his services as may be determined in accordance with the applicable law. In addition, subject to the applicable law and in particularly Section 170 of the Companies Act, each Director (including each alternate Director and the executive Directors), shall be entitled to be reimbursed his reasonable expenses as determined by the Board incurred in consequence of his attendance at Board meetings of the Directors, or of Committee of Directors.

### **EXTRA REMUNERATION MAY BE PAID TO A DIRECTOR**

88. Any Director who serves on any Committee or who devotes special attention to the business of the Exchange or who otherwise performs services which, in the opinion of the Board, are outside the scope of the statutory duties of a Director may be paid such extra remuneration as may be determined by the Board.
89. The Directors on behalf of the Exchange may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Exchange or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance as may be determined by the Company in its general meeting.

## **SHARE QUALIFICATION FOR DIRECTORS**

90. A Director must be a Member holding shares of the nominal value of Rupees One Thousand in the Exchange, in his own name at least fourteen days prior to the election or within two months after the co-option of such Member on the Board (unless he represents a member which is not a natural person, or is a whole-time director who is an employee of the Exchange, or a Chief Executive, or a person representing a creditor on the Board or other special interests by virtue of contractual arrangements or is nominated by the Commission), to qualify to act as a Director of the Exchange. In the case of Directors representing interests holding shares of the requisite value, no such share qualification shall be required, provided intimation in writing as to such representation is lodged with the Exchange forthwith upon appointment / election of a Director. Provided, no such share qualification shall be required in case of Independent Directors appointed by the Board with prior written approval of the Commission in the manner prescribed in the Securities Exchanges Regulations and the Futures Exchanges Regulations.

## **GENERAL POWERS OF EXCHANGE VESTED IN DIRECTORS**

91. The control of the Exchange and of the management of the business of the Exchange shall vest in the Board which, in addition to the powers and authorities provided by these Articles or otherwise expressly conferred upon them under any applicable law, in particular the Companies Act, may exercise all such powers and do all such acts and things as may be exercised or done by the Exchange and are not hereby or by statute law expressly directed or required to be exercised or done by the Exchange in a general meeting but subject nevertheless to the provisions of any law and of these presents and to any regulations from time to time made by the Exchange in general meeting provided that no regulation so made shall invalidate any prior act of the Board which would have been valid if such regulation had not been made.

## SPECIAL POWERS OF EXCHANGE VESTED IN DIRECTORS

92. Subject to the provisions of the Companies Act and any other law for the time being in force and without prejudice to the general powers conferred by these Articles, the Directors shall have the following powers:
- (i) To purchase or otherwise acquire for the Exchange any property rights privileges which the Exchange has authorized to acquire at such price and generally on such terms and conditions as they think fit and to sell, let, exchange or otherwise dispose of absolutely or conditionally any part of the Exchange privileges upon such terms and conditions and for such consideration as they may think fit.
  - (ii) To pay for any property, rights, privileges acquired by or services rendered to the Exchange either wholly or partially in cash or in shares subject to the provision of Section 83 of the Companies Act, bonds, debentures or other securities of the Exchange any such bonds, debentures or other securities may be either a specific charge upon all or any part of the property of the Exchange or not so charged.
  - (iii) To make, draw, endorse, sign, accept, negotiate and give all cheques, bills of lading, drafts, orders, bills of exchange and other promissory notes and negotiable instruments required in the business of the Exchange.
  - (iv) To secure the fulfillment of any contract, agreement or engagement entered into by the Exchange by mortgage or charge of all or any of the property(s) of the Exchange for the time being or in such other manner as they may think fit.
  - (v) Subject to the provisions of the Act, to appoint and at their discretion to remove and / or suspend such agents other than managing agents, managers, secretaries, officers, servants for permanent or temporary or special services as they may from time to time think fit and to determine their powers and duties and fix their salaries and emoluments and to require securities in such instances and to such amount as they think fit.
  - (vi) To appoint any person or persons whether incorporated or not, to accept and hold on trust for the Exchange any property belonging to the Exchange or in which it is interested or for any other purpose and to execute and to do all such deeds, documents and things that may be requisite in relation to any such trust and to provide for the remuneration of such trustee or trustees.
  - (vii) To institute conduct defend, compound or abandon any legal proceedings by or against the Exchange or its officers or otherwise concerning the affairs of the Exchange and also to compound and allow time for payment or satisfaction of any debt due or any claims or demands by or against the Exchange.
  - (viii) To refer any claims or demands by or against the Exchange to arbitration and observe and perform the awards.
  - (ix) To make and give receipts, releases and other discharge for money payable to the Exchange and for the claims and demands of the Exchange.
  - (x) To act on behalf of the Exchange in all matters relating to bankruptcy and insolvency.
  - (xi) To determine who shall be entitled to sign on the Exchange's behalf; bills, notes, receipts, acceptances, endorsements cheques, releases, contracts and documents.
  - (xii) From time to time to provide for the management of the Exchange either in different parts of Pakistan or elsewhere in such manner as they think fit and in particular to establish branch offices and to appoint any person to be the attorney(s) or agent(s) of

the Exchange with such powers, including the power to sub delegate and upon such terms as they may think fit.

- (xiii) To invest and deal with any of the monies of the Exchange not immediately required for the purpose thereof upon such securities not being shares in this Exchange and in such manners as they may think fit and from time to time vary or release such investments.
- (xiv) To execute in the name and on behalf of the Exchange in favour of any Director of the Exchange or other person who may incur or may be about to incur any personal liability for the benefit of the Exchange such mortgages of the Exchange's property, present and future, as they may think fit and such mortgage may contain a power for sale and such other powers, provisions and covenants as shall be agreed on.
- (xv) To give to any person employed by the Exchange, a commission on the profit of any particular business or transaction or a share in the general profit of the Exchange and such commission or share of profits shall be treated as part of the working expenses of the Exchange.
- (xvi) From time to time to make vary and repeal bye-laws for the regulation of the business of the Exchange its officers and servants.
- (xvii) To enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Exchange as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Exchange.
- (xviii) To establish, maintain, support and subscribe to any charitable or public objects and any institution, society or club which may be for the benefit of the Exchange or the employees or may be connected with any town or place where the Exchange carries on business; to give pension, gratuities or charitable aid to any person or persons who has/have served the Exchange or to the wives, children or dependents of such person or persons that may appear to the Directors just or proper whether any such person, his widow, children or dependents have or have not a legal claim upon the Exchange.
- (xix) Subject to the provisions of Section 218 of the Companies Act before recommending any dividends to set aside a portion of the profit of the Exchange to form a fund to provide for such pensions, gratuities or compensation or to create any provident or benefit fund in such or any other manner as to the Directors may seem fit.
- (xx) To make and alter rules and regulations concerning the time and manner of payment of contributions of the employees and the Exchange respectively to any such funds and accrual, employment, suspension and for future of the benefits of the said fund and the application and disposal thereof and otherwise in relation to the working and management of the said fund as the Directors shall from time to time think fit.
- (xxi) To delegate all or any of the powers hereby conferred upon them to such person or persons as they may from time to time think fit.
- (xxii) To formulate out-sourcing policy as provided under the Securities Exchanges Regulations and the Futures Exchanges Regulations. Provided that the Board shall not out-source the core business activities of Exchange and compliance functions.

#### **POWER TO OBTAIN FINANCES AND GIVING OF SECURITIES**

93. The Board may exercise all the powers of the Exchange to borrow from time to time any moneys for the purposes of the Exchange from the members or from any other persons, firms, companies, corporations, government agencies, institutions or banks, or the Directors may

themselves lend moneys or provide finance to the Exchange in accordance with the Companies Act provided that the moneys being raised does not exceed the share capital of the Exchange. Further, the Board may mortgage or charge Exchange's undertaking, property and assets, (both present and future), and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Exchange, or of any third party. The Board may from time to time borrow and accept deposits in accordance with the applicable law (but not to act as a finance or banking company) from the members or other persons and lend any sum or sums of money for the purpose of the Exchange, for which they shall in particular have the following powers:

- (i) To raise in such manner as the Exchange shall think fit in pursuance of its objects and in particular by commercial papers, bonds, participation term certificates, term finance certificates, modaraba certificates, musharika, leasing, mark up and by issue of all securities including securities not based on interest for raising redeemable capital, resource funds from banks or financial institutions and to secure if required the repayment of any money borrowed, raised or owing by mortgage, charge or lien upon all or any of the property or assets of the Exchange both present and future including its uncalled capital for the time being and also by a similar mortgage, charge or lien to secure and guarantee the performance by the Exchange or any other person or company, of any obligation, undertaking by the Exchange or any other person or company, as the case may be, but not to act as a finance or banking company. Whenever any uncalled capital of the Exchange is included in or charged by any security to the person in whose favour the same is executed or any other persons in respect of such uncalled capital the provision hereinbefore contained in regard to calls shall mutatis mutandis apply to calls made under such authority and may be made exercisable either conditionally or unconditionally, presently or contingently, and whether to the exclusion of the Directors powers or otherwise and shall be assignable if expressed so to be.
- (ii) To raise money on commercial papers on such terms and conditions as they may deem fit.
- (iii) To issue Certificates or other securities at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawing or otherwise and framed in such a way that the same shall be assignable free from any equities between the Exchange and the original or any intermediate holders.
- (iv) To facilitate and encourage the creation, issue or conversion of Certificates, bonds, obligations, shares, stocks, securities and to act as trustees in connection with any such securities and to take part in undertakings or companies.
- (v) To constitute any trust with a view to the issue of preferred or deferred or any other special stocks or securities based on or representing any shares, other assets specially appropriated for the purposes of any such trust and to settle and regulate, and if thought fit, to undertake and execute any such trust and to issue dispose or hold any such preferred or deferred or other special stocks or securities.

#### **MINUTE BOOKS AND RECORD**

94. The Exchange shall cause a fair and accurate summary of all proceedings of general meetings and meetings of its Board and Committees along with the names of those participating in such meetings to be entered in properly maintained books.
95. The Board shall cause minutes to be made in books provided for the purpose:
  - (i) of all appointments of officers made by the Directors;



- (ii) of the names of Directors present at each meeting of the Board and of any committee of Directors; and
- (iii) of all resolutions and proceedings at all meetings of the Exchange, and of the Board, and of committee of Directors; and every Director present at any meeting of Board shall sign his name in a Book to be kept for the purpose.

Any such minutes of any meeting of the Board or of a Committee of Directors, if signed or purporting to be signed by the Chairman of such meeting, or of the next succeeding meeting, shall be receivable as evidence of the matters stated in such minutes.

### **MEETING OF THE BOARD OF DIRECTORS**

96. The Directors may meet for the purpose of dispatch of business, adjourn, and otherwise regulate meetings of the Board as they think fit, provided that the Directors shall meet at least once in each quarter of a calendar year. A resolution moved at any meeting of Directors shall be passed by a simple majority vote. In case of an equality of votes, the Chairman shall have a second or casting vote. The Chief Executive or the Secretary may at any time, and shall on the written requisition of two Directors at any time, summon a meeting of the Board. Unless otherwise decided by the Board, at least seven clear days notice must be given to all Directors to summon a meeting of the Board, and such meeting shall set forth the purpose or purposes for which such meeting is summoned. With the consent of all the Directors entitled to receive notice of a meeting, or to attend or vote at any such meeting, a meeting of the Board may be convened by shorter notice than specified in this Article. Any Director may waive notice of the time, place and purpose of any meeting of Directors before, at or after such meeting. In case of urgent business, a meeting of the Board may be called at shorter notice provided that notice in writing of such meeting is sent to all the Directors. Board meetings may be held in such places in or outside Pakistan and may be held by video conferencing or by other audio visual means, as the Board may determine.
97. Subject to any rules framed under or any regulations or directives issued pursuant to the Companies Act, Directors or Members of a Committee may participate in a meeting of the Directors or a Committee of Directors by means of any communication equipment whereby all persons participating in the meeting can speak to, view and hear each other. Participation in a meeting in this manner shall be deemed to constitute presence of such Director at such meetings for the purposes of constituting a quorum. Meetings will be treated as taking place where the largest group of the Directors are or, if there is no such group, where the Chairman of the meeting is.

### **DISCLOSURE TO MEMBERS OF DIRECTOR'S INTEREST**

98. Where by any contract or resolution of the Directors an appointment or a variation in the terms of an existing appointment is made (whether effective immediately or in the future) of a Chief Executive, whole-time Director, Chief Operating Officer, Chief Financial Officer or Secretary of the Exchange, in which appointment of any Director of the Exchange is, or after the contract or resolution becomes, in any way, whether directly or indirectly, concerned or interested, the Director shall disclose the nature of his interest or contract at a meeting of the Board in the manner required by Section 213 of the Companies Act and shall comply with the requirements of that Section.

### **QUORUM OF DIRECTORS' MEETINGS AND POWERS**

99. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under the Articles vested in or exercisable by the Board generally. The quorum required for a meeting of the Directors shall not be less than one-third (1/3rd) of the total number of directors or four (4), whichever is

greater. Provided that at least one half of Independent Directors must be present in a meeting of the Board to constitute a quorum.

100. If as a consequence of the Directors or some of them being concerned or interested in any contract or arrangement a quorum is not available for the transaction of any business relating thereto on account of the provisions of Section 207 of the Companies Act, such business shall be referred to the Exchange in General Meeting whose decision shall be carried into effect.

#### **AS TO PRESIDING AT DIRECTORS MEETING**

101. The Chairman shall, whenever present, preside as Chairman at each meeting of the Board, but if at any meeting the Chairman is not present, the Chairman may appoint an Independent Director to act as a Chairman for that meeting or in the event the Chairman has not appointed such Director to act as Chairman and is not present at the meeting then, the Directors present shall within fifteen minutes of the time fixed for the meeting, choose one of the Independent Directors to be Chairman of such meeting.

#### **WHEN ACTS OF MEETINGS OF THE BOARD OR COMMITTEE VALID NOTWITHSTANDING DEFECTIVE APPOINTMENT ETC**

102. All acts by any meeting of the Board or of a Committee of Directors, or by any person acting as a Director or alternate Directors, or by any person acting as a Director or alternate Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or persons acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Director or person had been duly appointed and was qualified to act. Provided that as soon as any such defect has come to notice, the Director or other person concerned shall not exercise the right of this office till the defect has been rectified.

#### **RESOLUTION BY CIRCULATION**

103. A resolution in writing, signed by all the Directors (or in their absence their Alternate Directors) or by all the members of a committee, entitled to receive notice of a meeting of directors or committee of directors, shall be as valid and effectual as if it had been passed at a meeting of the Directors, or as the case may be of such committee, duly called and constituted in accordance with the provisions of the Companies Act and these Articles. Such resolution may be contained in one document or in several documents in like form each signed by all the Directors or members of the committee concerned. A telex message or facsimile transmission or electronic mail sent by a Director or a member of the committee shall be deemed to be a document signed by him for the purposes of this Article. Provided, such resolution shall be noted at a subsequent meeting of the board or the committee thereof, as the case may be, and made part of the minutes of such meeting.

#### **POWER TO APPOINT ALTERNATE DIRECTOR**

104. Any Director not resident in Pakistan or any Director who is resident in Pakistan and who is about to leave or is absent for a period of ninety days or more from Pakistan may with the approval of the Directors appoint any person who is eligible under Section 153 of the Companies Act for appointment as a Director to be an Alternate Director during his absence from Pakistan and such appointment shall have effect and such appointee, whilst he holds office as an Alternate Director, shall be entitled to exercise in place of his appointer all the functions of his appointer as a Director of the Exchange but he shall ipso facto vacate office as and when his appointer returns to Pakistan or vacates office as a Director or removes the appointee from office. Any appointment or removal under this Article shall be effected by notice in writing under the hand of the Director making the same. Such Alternate Director may be one of the Directors of the Exchange. In such case he shall be entitled to act in both capacities including right to vote on behalf of his appointer in addition to his own right to vote. An Alternate Director need not hold any share qualification.

## **COMMITTEE OF DIRECTORS**

105. The Board may from time to time delegate all, or any of their powers not required to be exercised at a meeting of the Board to a committee consisting of two or more Directors and any other persons as the Board thinks fit. Any committee so formed shall conform to any regulations that may be imposed upon it by the Board and shall be governed, in the exercise of the powers so delegated, by the provisions herein contained for regulating meetings and proceedings applicable to the Directors.

## **APPOINTMENT OF CHAIRMAN**

106. Subject to Article 80(v) above, upon the first election by the Board, and thereafter, within fourteen (14) days from the date of each election of Directors, the Directors shall elect a Director as the Chairman of the Board from among the non-executive directors, who shall hold office for a period of three (3) years unless he earlier resigns, becomes ineligible or disqualified under any provision of the Companies Act or removed by the directors. Provided that after reconstitution of the Board as mentioned in Article 80(vi), the Chairman of the Board to be elected by Directors shall be from amongst the Independent Directors.
107. The offices of Chairman and the Chief Executive shall not be held by the same person.

## **APPOINTMENT OF CHIEF EXECUTIVE**

108. Within fourteen (14) days from the date of an election of the Directors in accordance with these Articles above or within fourteen (14) days from the date on which office of the Chief Executive falls vacant for whatsoever reason, the Board shall appoint any person, subject to Article 115A, who is not a TRE certificate holder and does not represent a TRE certificate Holder or a connected person to be the Chief Executive of the Exchange.

Provided that the person so appointed shall not engage himself in any business, profession or vocation directly or indirectly including trading or dealing in shares and securities during the period he holds office and comply with the Fit and Proper Criteria as under the Securities Exchanges Regulations and the Futures Exchanges Regulations.

Provided further that the appointment, removal and termination of the Chief Executive shall be made with the prior approval of the Commission and for this purpose the term "removal and/or termination" shall include "non-renewal of his contract".

109. Upon the expiry of appointment under these Articles a Chief Executive shall be eligible for re-appointment.
110. The Chief Executive shall, if he is not already a Director of the Exchange, be deemed to be its Director and be entitled to all the rights and privileges, and subject to all the liabilities of the office of Director of the Exchange.
111. The Directors of the Exchange by a resolution passed by not less than three-fourths (3/4) of the total number of Directors for the time being, or the Exchange by way of a Special Resolution, may remove a Chief Executive before the expiration of his term of office notwithstanding anything contained (if any) in these Articles or in any agreement between the Exchange and the Chief Executive.
112. The Board shall determine the manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/appointment of the Chief Executive Officer.
113. A Chief Executive shall receive, such remuneration as the Directors may determine and it may be made a term of his appointment that he be paid a pension and/or gratuity and/or other benefits on retirement from his office.

## **POWERS OF CHIEF EXECUTIVE**

114. The Chief Executive shall have overall authority over and responsibility for the management of the affairs of the Exchange and the conduct, and the custody and maintenance of its properties, assets, records and accounts subject to the direction and control of the Board.
115. The Board may also entrust to and confer upon Chief Executive any of the powers exercisable by the Board other than the powers which are required to be compulsorily exercised under the Act or the Companies Act by the Board at its meeting upon such terms and conditions and with such restrictions as it may think fit, and may from time to time revoke, withdraw, alter, vary all or any of such powers.

## **KEY MANAGERIAL POSITIONS**

- 115A. After Closing Date, notwithstanding anything contained in these Articles, the directors representing Anchor Investor's interest shall be entitled to nominate fit and proper candidates for the following key managerial positions of Exchange:

- (i) Chief Executive Officer
- (ii) Chief Regulatory Officer
- (iii) Chief Financial Officer

The appointment of such nominees shall be subject to the approval of the Board of Exchange. Additionally, the appointment of Chief Executive Officer and Chief Regulatory Officer shall be with the approval of the Commission and in accordance with the manner as provided under the Applicable Law.

## **SECRETARY**

116. Subject to the provisions of the Act:
- (a) A Secretary may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any Secretary so appointed may be removed by the Board; provided that the Secretary of the Exchange immediately prior to the Demutualization shall continue as Secretary of the Exchange upon Demutualization and subject to the same terms and conditions.
  - (b) A Director may be appointed as Secretary.
117. The Secretary shall send out all notices and agenda papers and attend all meetings of the Exchange and of the Board, and, if necessary and provided that the Secretary is the Secretary of such Committee, of Standing and other Committees, and shall cause proper minutes to be kept of the proceedings of all such meetings.
118. The Secretary shall maintain or cause to be maintained such records and registers as required under Companies Act.

## **LOCAL MANAGEMENT**

119. The Directors may, from time to time, provide for the management and transaction of the affairs of the Exchange in or from any specified locality, whether in Pakistan or elsewhere, in such manner as they think fit, and shall be without prejudice to the general powers conferred by this Article.
120. The Directors may, at any time, and from time to time, by power of attorney under the Seal, appoint any person to be the attorney of the Exchange for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as the Directors may from time

to time think fit, and such appointment may (if the Directors think fit) be made in favour of anybody corporate, or of the members, directors, nominees or managers of anybody corporate or unincorporate, or otherwise in favour of any fluctuating body of persons, whether nominated directly or indirectly by the Directors, and any such power of attorney may contain such powers for the protection or convenience of persons dealing with such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him; and without prejudice to the generality of the foregoing any such power of attorney may authorise the attorney to institute, conduct, defend, compound or abandon any legal proceedings by or against the Company, whether generally or any particular case.

121. Any such delegate or attorney as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities or discretions for the time being vested in him.

#### **AUTHENTICATION OF DOCUMENTS**

122. Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Exchange and any resolutions passed by the Exchange or the Directors or any committee, and any books, records, documents and accounts relating to the business of the Exchange, and to certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts are elsewhere than at the Office the local manager or other officer of the Exchange having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Exchange or of the Directors or any committee which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Exchange upon the faith thereof that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting.

#### **CUSTODY OF SEAL**

123. The Board shall provide a common Seal for the purposes of the Exchange and for the safe custody of the Seal, and the Seal shall not be used except by the authority of the Board or a Committee of Directors authorized by the Board itself.
124. Every instrument to which the Seal shall be affixed shall be signed autographically in any of the following manners:
- (i) by one Director and the secretary;
  - (ii) by two Directors; or
  - (iii) by a person duly authorized by the Board either generally or in relation to specific instrument or instruments of specific description.
125. Notwithstanding the provisions of these Articles, the Board may resolve to dispense with autographic signatures of all or any person referred to therein, in relation to specific instruments or instruments of specified description and in substitution thereof to authorize signatures to be affixed by some method or system of mechanical or electronic signature approved by the Board.
126. The Exchange may exercise the powers conferred by Section 203 of the Companies Act with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.

#### **DIVIDEND**

127. The Exchange in general meeting may declare dividends, but no such dividends shall exceed the amount recommended by the Board.

## **INTERIM DIVIDEND**

128. The Board may from time to time pay to the members such interim dividends as appearing to be justified by the profit of the Exchange.

## **DIVIDEND OUT OF PROFITS ONLY**

129. No dividends shall be paid otherwise than out of profits of the year, or any other undistributed profits of prior years and in the determination of the profit; available for dividends the Directors shall have regard to the provisions of the Companies Act and in particular to the provision of Sections 81 and 240 of the Companies Act.

## **DISTRIBUTION OF DIVIDENDS**

130. Subject to the rights of any persons entitled to shares with special rights as to dividends, the profits distributed as dividends shall be distributed among the shareholders and all dividends shall be declared and paid according to the amounts paid on the shares. If any share is issued on the terms that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

## **RECEIPTS FOR DIVIDENDS BY JOINT HOLDERS**

131. If several persons are registered as joint holders of any share, any one of them may give effectual receipts for any dividends payable on the share.

## **PAYMENT OF DIVIDEND**

132. Any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled members.
133. The unclaimed dividends, if any, shall be dealt in the manner as provided under Section 244 of the Companies Act.

## **PAYMENT OF DIVIDENDS IN SPECIE**

134. With the sanction of a General Meeting, the dividends may also be paid by the Exchange in specie, in accordance with the provisions of Section 241 of the Companies Act.

## **POWER OF BOARD TO CREATE RESERVE**

135. The Board may before recommending any dividend, set aside out of the profits of the Exchange such sum as it thinks proper as a reserve or reserves, which shall, at the discretion of the Board, be applicable for meeting contingencies, or for equalising dividends, or for any other purpose to which the profits of the Exchange may be properly applied, and pending such application may, in the like discretion, either be employed in the business of the Exchange or be invested in such investments (other than shares of the Exchange), as the Board may from time to time think fit.

## **CARRYING FORWARD OF PROFITS**

136. The Directors may carry forward any profits which they may think prudent not to distribute without setting them aside as a reserve.

## **CAPITALISATION OF RESERVES**

137. Any general meeting may, upon recommendation of the Board, by ordinary resolution resolve that any undistributed profits of the Exchange (including profits carried and standing to the credit of any reserve or reserves or other special accounts or representing premiums received on the issue of shares and standing to the credit of the share premium account and capital reserve arising from realised or unrealised appreciation of the assets or goodwill of the



Exchange or from any acquisition/sale of interests in other undertakings) be capitalised. Such capitalised undistributed profits and reserves shall be distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend, and in the same proportions, on the footing that they become entitled thereto as capital. All or any part of such capitalised fund may be applied on behalf of such shareholders for payment in full or in part either at par or at such premium as the resolution may provide, for any unissued shares or debentures of the Exchange which shall be distributed accordingly, and such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.

#### **BOOKS OF ACCOUNT TO BE KEPT**

138. The Board shall cause to be kept, proper books of account as required under the Companies Act and in compliance with the provisions of the Securities Act, the Futures Act, the Securities Exchanges Regulations and the Futures Exchanges Regulations.

#### **BOOKS OF ACCOUNTS WHERE TO BE KEPT**

139. The books of account shall be kept at the Office or at such other place in Pakistan as the Directors may decide and shall be open to inspection by the Directors during business hours. If the Directors decide to keep the books of account at a place other than the Office they shall comply with the directions contained in the proviso to Section 220(1) of the Companies Act.

#### **PERIOD FOR MAINTAINING BOOKS OF ACCOUNT**

140. The Company shall preserve in good order the books of account of the Exchange in respect of any financial year for a period of ten years following the close of that year.

#### **INSPECTION BY MEMBERS**

141. The Board shall from time to time determine whether and to what extent and at what time and places and under what conditions or regulations the accounts and books or papers of the Exchange or any of them shall be open to inspection of the members, and no members (not being a Director) shall have any right of inspecting any account and books or papers of the Exchange except as conferred by law or authorised by the Board or by Special Resolution.

#### **FINANCIAL STATEMENTS**

142. Within sixteen (16) months of the incorporation of the Exchange, and subsequently once at least in every calendar year, the Directors shall cause to be prepared and lay before the Exchange in general meeting the financial statements, both made up in accordance with the Companies Act to a date not more than one hundred and twenty (120) days before the date of the meeting for the period, in case of any subsequent financial statements, since the preceding account. Every such financial statements shall be accompanied by an auditor's report and the directors' report.
143. As required by Section 232 of the Companies Act, financial statements shall first be approved by the Board and when so approved shall be signed by the Chief Executive and at least one Director on behalf of the Board and also by the Chief Financial Officer, but if on account of his absence from Pakistan, the Chief Executive is not available, financial statements shall be signed by at least two Directors for the time being in Pakistan.
144. The directors' report and statement of compliance shall be approved by the Board and be signed as required under Section 227(5) of the Companies Act.

## **FINANCIAL STATEMENTS AND REPORTS OF CHAIRMAN, DIRECTORS AND AUDITORS TO BE SENT TO MEMBERS**

145. A copy of the financial statements together with a copy of the auditor's report and directors' report and the Chairman's review report shall be sent to all members along with the notice convening the general meeting before which the same are required to be laid at least twenty-one (21) days preceding the meeting and simultaneously be filed with the Commission, Registrar of Companies and the Exchange itself, being a self-listed company, and be posted on website of the Exchange in accordance with the Companies Act.
146. After the audited financial statements and the reports of the Chairman, directors and auditors have been laid before the Annual General Meeting of the Exchange and duly adopted and signed by the signatories thereto, a copy thereof (as provided under Section 233(1) of the Companies Act) shall be filed with the Registrar of Companies within thirty days from the date of the meeting and the Company shall also comply with the provisions of Section 233(2) of the Companies Act, if applicable.

## **QUARTERLY FINANCIAL STATEMENTS**

147. Within such times and in such manner as may be prescribed by the Companies Act or any rules framed thereunder or any regulations or directives issued pursuant thereto from the close of the first, second and third quarter of the year of account of the Exchange, the quarterly financial statements shall be placed on the Exchange's website for the information of its members and also be transmitted electronically to the Commission, the Registrar of Companies and the Exchange itself, being a self-listed company. Provided that a copy of the quarterly financial statements shall be dispatched in physical form if so requested by any member without any fee. Such quarterly financial statements need not be audited but must be signed in the same manner as the annual financial statements are required to be signed. The second quarter accounts shall be subjected to a limited scope review by the statutory auditors of the Exchange in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Commission.

## **APPOINTMENT OF AUDITORS AND THEIR DUTIES**

148. Auditors shall be appointed and their duties regulated in accordance with the provisions of the Companies Act, the Act, the Securities Exchanges Regulations and the Futures Exchanges Regulations.

## **HOW NOTICE TO BE SERVED ON MEMBERS**

149. A notice may be served on a Member of the Exchange at his registered address or, if he has no registered address in Pakistan, at the address supplied by him to the Exchange for the giving of notices to him against an acknowledgement or by post or courier service or through electronic means or in any other manner as may be specified.

## **SERVICE BY POST**

150. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and unless the contrary is proved, to have been effected at the time at which the letter would be delivered in the ordinary course of post.

## **NOTICE TO MEMBERS ABROAD BY ADVERTISING IN NEWSPAPERS**

151. If a Member or Director has no registered address in Pakistan and has not supplied to the Exchange an address within or outside Pakistan for the giving of notices to him, a notice addressed to him or to the shareholders generally and advertised in a newspaper circulating

in the Province in which the Office of the Exchange is situated shall be deemed to be duly given to him on the day on which the advertisement appears.

#### **NOTICE TO PERSONS ENTITLED BY TRANSMISSION**

152. A notice may be given by the Exchange to the persons entitled to a share in consequence of the death or insolvency of a Member by sending it through the post in a prepaid letter addressed to them by name, or by the title or representatives of the deceased, or assignee of the insolvent, or by any like description, at the address, (if any) in Pakistan supplied for the purpose by the persons claiming to be so entitled, or (until) such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or insolvency had not occurred.
153. Any notice or document delivered or sent by post or courier service or through electronic means to or left at the registered address of any Member in pursuance of these Articles shall notwithstanding such Member be then deceased and whether or not the Exchange has notice of his demise, be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such Member, until some other person be registered in his stead as the holder or joint' holder thereof and such service shall for all purposes of these Articles be deemed a sufficient service of such notice of document on his or her heirs executors or administrators and all persons, if any, jointly interested with him or her in any such share.

#### **NOTICE TO FOREIGN SHAREHOLDER**

154. Notwithstanding anything hereinabove to the contrary in addition to any other notice it or he shall be entitled to receive, a Member which is a foreign corporation a company or individual shall be given notice by electronic mail addressed to such Member at electronic mail address supplied by it or him to the Exchange or through any other electronic means.

#### **NOTICE OF GENERAL MEETING**

155. Notice of every general meeting shall be given in some manner hereinbefore authorised to (a) every Member of the Exchange except those members who, having no registered address within Pakistan, have not supplied to the Exchange an address within or outside Pakistan for the giving of notices to them and also to (b) every person entitled to a share in consequence of the death or insolvency of a Member, who but for his death or insolvency would be entitled to receive notice of the meeting, and (c) to the auditors of the Exchange for the time being.

#### **NO SHAREHOLDER TO ENTER THE PREMISES OF THE EXCHANGE WITHOUT PERMISSION**

156. No Member or other person (not being a Director) shall be entitled to enter the property of the Exchange, or to inspect or examine the Exchange's premises or properties of the Exchange, without permission of the Board or the Chairman, or Chief Executive, and to require disclosure of any information respecting any details of the Exchange's trading, or any matter which is or may be in the nature of a trade secret, mystery of trade or secret to/of the conduct of the business of the Exchange and which in the opinion of the Board or the Chief Executive will be inexpedient in the interest of the members to communicate to the public.

#### **SECRECY/PLEDGE**

157. Every Director, Chief Executive, Chairman, manager, auditor, trustee, member of committee, officer, servant, agent, accountant or other person employed in the business of the Exchange shall, if so required by the Board before entering upon his duties, sign a declaration in the form approved by the Board pledging himself to observe strict secrecy representing all transactions of the Exchange without the customers and the state of accounts with individuals and in matters relating thereto, and shall by declaration pledge himself not to reveal any of the

matters which may come to his knowledge in the discharge of his duties except when required to do so by the Board, or by any general meeting, or by a Court of law, and except so far as may be necessary in order to comply with any provisions in these presents contained.

158. Every director shall be bound to place the public interest before his/her own interest in all matters, whether they are pertaining to the regulatory or commercial functions of the Exchange.

#### **DISTRIBUTIONS OF ASSETS ON WINDING UP**

159. The Exchange shall not commence any proceeding for winding up (whether voluntary or otherwise) without the prior written approval of the Commission.
160. Irrespective of any applicable law being in force, the Commission retains the authority to take all steps necessary to rehabilitate the Exchange if the Exchange is facing any financial or operation problems.
161. If the Exchange shall be wound up, (whether voluntarily or otherwise) the Liquidators may, with the sanction of a Special Resolution and any other sanction required by the Act, divide amongst the members in specie or kind, the whole or any part of the assets of the Exchange, whether they consist of property of same kind or not.
162. For purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members of different classes of members.
163. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, thinks fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

#### **INDEMNITY**

164. Every Director, Chief Executive, Chairman, manager or officer of the Exchange or any person (whether an officer of the Exchange or not) employed by the Exchange as auditor or adviser, shall be indemnified by the Exchange against any liability incurred by him as such Director, Chief Executive, Chairman, manager, officer, auditor, or adviser in defending any proceedings, whether civil or criminal, in which judgment is given in connection with any application under Section 492 of the Companies Act in which relief is granted to him by Court and it shall be the duty of the Board, to pay out of the funds of the Exchange, all costs, losses and expenses which any officer or servant may incur or become liable to pay by reason of any contract entered into or act or thing done by him as such officer or servant in the discharge of his duties including traveling expenses.

#### **INDIVIDUAL RESPONSIBILITY OF DIRECTORS, CHAIRMAN, CHIEF EXECUTIVE AND OTHER OFFICERS**

165. No Director, Chief Executive, Chairman or other officer of the Exchange will be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining any receipt or other act for conformity, or for any loss or expense happening to the Exchange through the insufficiency or deficiency of title to any property acquired by order of the Director, Chief Executive, Chairman, or other officer for or on behalf of the Exchange, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Exchange shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person with whom any money, securities or effect shall be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or

misfortune whatever which shall happen in the execution of duties of his office or in relation thereto, unless the same happens through his own willful misconduct.

#### **ALTERATION OF ARTICLES**

166. No provisions of these Articles may be altered and / or deleted without the prior approval of the Commission.

#### **REGULATIONS**

167. Subject to the terms of the Act, the Directors may, from time to time, pass and bring into effect regulations, with the prior permission of the Commission, as may be considered in the interest of or conducive to the objects of the Exchange; and they may in like manner at any time and from time to time rescind or vary or add to or delete any of the rules and regulations for the time being in force. The rules and regulations for the time being in force shall be binding on all TRE Certificate Holders and officers of the Exchange, and all persons claiming through or against the TRE Certificate Holders and officers of the Exchange shall respectively observe and conform to the regulations for the time being in force.

#### **FORMATION OF COMMITTEES AND DEPARTMENTS**

168. Subject to the terms of the Act, the Exchange may, from time to time, form various committees, sub-committees, departments, sub-departments, etc. to run its business and to fully exercise the powers and functions contained in the Memorandum and these Articles.

#### **INTEGRATION**

169. The Exchange may integrate with another exchange in accordance with the provisions of the Demutualization Act.

#### **COMPLIANCE WITH APPLICABLE LAW, ARTICLES AND REGULATIONS**

170. The Exchange and its directors and employees of the stock exchange shall strictly adhere to Articles, all applicable rules, regulations and any other securities market laws in discharging their functions, duties and responsibilities.

We, the several persons whose names and addresses are subscribed agree to be members of the Exchange in pursuance of these Articles of Association of the Exchange.

<b>Names</b>	<b>Addresses</b>
MOHAMMAD HUSSAIN MALIK	2 Ready Road, Karachi.
G. ALLANA	Haroon Chambers, South Napier Road, Karachi.
FAKHRUDDIN VALIBHOY	Valika Chambers, South Napier Road, Karachi.
M. S. MANIAR	20, Cotton Exchange Building, McLeod Road, Karachi.
ANWAR H. HIDAYATULLAH	Consolidated Commercial Co., Garden Road, Karachi.
SHERIAR F. IRANI	Mercantile Chambers, Bunder Road, Karachi.
S. A. KHAN	569, Garden East, Karachi-5.
MANECK H. P. BYRAMJI	162, Bunder Road, Karachi-2.
SULTAN H. MERCHANT	Mohatta Building, McLeod Road, Karachi.

Witness: H. J. Rahimtoola  
Secretary

Mohatta Building, McLeod Road, Karachi.

Dated the 9th Day of March, 1949