



PAKISTAN STOCK EXCHANGE LIMITED

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PSX/N - 3036

NOTICE

May 06, 2016

Solicitation of Public Comments

On

Proposed Amendments to Pakistan Stock Exchange Limited (PSX) Regulations relating to Various Matters

The Board of Directors of Pakistan Stock Exchange Limited (PSX) in its meeting held on May 05, 2016 approved amendments to the PSX Regulations in relation to the following matters:

- 1. Standardization of software used by the brokers and vendor requirements**
- 2. Extension in time for submission of verified annual Clients' Assets Segregation Statement**
- 3. Consequential Change in System Audit [Regulatory Compliance] Regulations due to implementation of Joint Inspection Regulations, 2015**

Pursuant to Section 7(3) of the Securities Act, 2015, PSX hereby solicits public comments on the proposed amendments, which are attached herewith as **Annexure A, B & C** respectively.

All concerned are invited to provide written comments on the proposed amendments either in hard form or through email at comments.rad@psx.com.pk latest by **May 13, 2016**.

SHAFQAT ALI

Chief Regulatory Officer

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Cc:

01. Executive Director (PRDD)-SMD, SECP
02. Chief Executive Officer, PSX
03. Chief Executive Officer, CDC
04. Chief Executive Officer, NCCPL
05. Chief Executive Officer, PMEX
06. All Heads of Departments, PSX
07. All TRE Certificate Holders of PSX
08. Notice Board & Website of PSX

“ANNEXURE A”

CHAPTER 4: TRADING RIGHTS ENTITLEMENT (TRE) CERTIFICATE

Proposed Amendment relating to Standardization of Software used by the Brokers, Vendor Requirements and IT & Data Security

EXISTING REGULATIONS	PROPOSED REGULATIONS	RATIONALE
<p align="center">New Insertion</p>	<p>4.27. I.T AND INFORMATION SECURITY REQUIREMENTS FOR THE SELECTION OF SOFTWARE VENDORS AND USAGE OF SOFTWARE BY THE TRE CERTIFICATE HOLDERS:</p> <p><u>4.27.1 The TRE Certificate Holders shall:</u></p> <p>(a) <u>ensure that the software or application, which means electronic data processing system; excluding network or communications equipment; for the purpose of this clause, used directly or indirectly for the purposes of trading, risk management, clearing and settlement, and preparation and maintenance of books and accounts etc. meet the bare minimum standards / specifications, regular testing and certification requirements prescribed by the Exchange.</u></p> <p>(b) <u>comply with information technology and information security requirements as prescribed by the Exchange.</u></p> <p>(c) <u>use the software either procured from the eligible vendors or developed in-house by the software development team of the TRE Certificate Holder, which meet the eligibility criteria prescribed by the Exchange from time to time.</u></p> <p><u>The Exchange shall make available the eligibility criteria and the list of eligible vendors on its website.</u></p> <p>(d) <u>ensure that the Exchange provided endpoint security / antivirus solution remain installed and operational at all times on all trading terminals.</u></p> <p>(e) <u>ensure that only Exchange certified ancillary software are installed on the trading terminals.</u></p> <p><u>4.27.2. The Exchange shall take disciplinary action(s) against a TRE Certificate Holder which fails to comply with the requirement of this clause.</u></p>	<p>To ensure standardization, integrity, transparency and reliability of the trading being done by the brokers through the trading platforms of PSX.</p>

End of Proposed Amendments

"ANNEXURE B"

CHAPTER 4: TRADING RIGHTS ENTITLEMENT (TRE) CERTIFICATE

Proposed Amendment relating to Extension in Time for Submission of Verified Annual Clients' Assets Segregation Statement

EXISTING REGULATIONS	PROPOSED REGULATIONS	RATIONALE
<p>4.19. SEGREGATION OF CLIENTS' ASSETS BY THE BROKERS:</p> <p>4.19.6. (b) The Broker within fifteen (15) days of the close of its financial year shall submit an annual "Clients' Assets Segregation Statement", duly verified by its Statutory Auditor.</p>	<p>4.19. SEGREGATION OF CLIENTS' ASSETS BY THE BROKERS:</p> <p>4.19.6. (b) The Broker within fifteen (15) forty five (45) days of the close of its financial year shall submit an annual "Clients' Assets Segregation Statement", duly verified by its Statutory Auditor.</p>	<p>To ensure quality of reporting and avoid practical difficulties of brokers in submitting annual CASS in a short time period of 15 days.</p>

End of Proposed Amendments



“ANNEXURE C”

CHAPTER 23: SYSTEM AUDIT [REGULATORY COMPLIANCE] REGULATIONS

Proposed Consequential Amendments due to implementation of Joint Inspection Regulations, 2015

EXISTING REGULATIONS	PROPOSED REGULATIONS	RATIONALE
<p>23.4. SELECTION OF BROKERS:</p> <p>23.4.1. The selection of Brokers for the Audit shall be through random balloting. All eligible Brokers, as explained in clause 23.3. above, shall be audited once in each 'cycle' of two-year period. The selection shall be made through biannual balloting to be held in every calendar year latest by 31st January and 31st July.</p> <p>The RAD shall determine the total number of Brokers eligible for Audit at the ballot date in the remaining ballots of a cycle by dividing the number of Brokers still to be audited in the cycle with the remaining ballots of the cycle to arrive at the optimum number of Brokers to be audited in a ballot. Provided the Brokers audited in the last two ballots of a cycle shall not be included in initial two ballots of the next cycle.</p> <p>Explanation: If the total number of eligible Brokers at the first ballot of the cycle is 140. These shall be divided by 4 [number of ballots in 2 years]. Hence, 35 Brokers will be selected in the first ballot. At the next ballot date, assume that total eligible Brokers have been reduced to 130, then the number of Brokers selected shall be 32 [130 less 35 audited in previous ballot of a cycle divided by the 3 remaining ballots of a cycle].</p>	<p>23.4. SELECTION OF BROKERS:</p> <p>23.4.1. The selection of Brokers for the Audit shall be through random balloting. All eligible Brokers, as explained in clause 23.3. above, shall be audited once in each 'cycle' of two-year period. The selection shall be made through biannual balloting to be held in every calendar year latest by 31st January and 31st July.</p> <p>The RAD shall determine the total number of Brokers eligible for Audit at the ballot date in the remaining ballots of a cycle by dividing the number of Brokers still to be audited in the cycle with the remaining ballots of the cycle to arrive at the optimum number of Brokers to be audited in a ballot.</p> <p>Provided the Brokers audited in the last two ballots of a cycle shall not be included in initial two ballots of the next cycle.</p> <p><u>Provided further that the Brokers selected / inspected under the Joint Inspection Regulations, 2015 during last two years preceding a balloting date shall not be included in that ballot under these regulations.</u></p> <p>Explanation: If the total number of eligible Brokers at the first ballot of the cycle is 140. These shall be divided by 4 [number of ballots in 2 years]. Hence, 35 Brokers will be selected in the first ballot. At the next ballot date, assume that total eligible Brokers have been reduced to 130, then the number of Brokers selected shall be 32 [130 less 35 audited in previous ballot of a cycle divided by the 3 remaining ballots of a cycle].</p>	<p>Clause 4(6) of the Joint Inspection Regulations, 2015 specifies that a broker selected for joint inspection shall be excluded from the forthcoming balloting cycle of system audit of the Exchange. Accordingly, consequential amendment is proposed to exclude brokers from system audit, which have been selected / inspected under the Joint Inspection Regulations, 2015 during last two years.</p>

...End of Proposed Amendments...