



PAKISTAN STOCK EXCHANGE LIMITED
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PSX/N-3941

NOTICE

June 20, 2017

Solicitation of Public Comments

on

**Proposed Amendments to Pakistan Stock Exchange Limited (PSX) Regulations
relating to Powers of CRO, RAC and Board of Directors of PSX**

This is to inform the public that the Regulatory Affairs Committee of PSX in its meeting held on June 13, 2017 has recommended amendments to PSX Regulations relating to powers of Chief Regulatory Officer, Regulatory Affairs Committee and Board of Directors of PSX with a view to make the regulatory oversight regime more robust and efficient.

Pursuant to Section 7(3) of the Securities Act, 2015, PSX hereby invites the public to provide comments on the proposed amendments incorporated in PSX Regulations in respect of the above, which are enclosed herewith as **Annexure A**.

All concerned are invited to submit their written comments either in hard form or through email at comments.rad@psx.com.pk latest by Tuesday, **June 27, 2017**.



ABBAS MIRZA
Acting Chief Regulatory Officer

Distribution: TRE Certificate Holders of PSX based at Karachi through Karachi Office
TRE Certificate Holders of PSX based at Lahore through Lahore Office
TRE Certificate Holders of PSX based at Islamabad through Islamabad Office

Cc:

1. The Executive Director (PRDD), SMD, SECP
2. The Managing Director, PSX
3. The Chief Executive Officer, CDC
4. The Chief Executive Officer, NCCPL
5. The Chief Executive Officer, PMEX
6. All Heads of Department, PSX
7. PSX Notice Board & Website

"ANNEXURE A"

**PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX) REGULATIONS
RELATING TO POWERS OF CRO, RAC AND BOARD**

EXISTING PROVISIONS	PROPOSED AMENDMENTS	RATIONALE
Chapter 18: INVESTORS' CLAIMS, BROKERS' DISPUTES AND ARBITRATION REGULATIONS		
18.4.5 LOTS TO BE DRAWN:	18.4.5 LOTS TO BE DRAWN:	
(a) The drawing of lots shall be conducted by the Chairman of RAC or any other member of the RAC or the CRO or any other officer allowed as per applicable law to perform functions of the CRO, if nominated by the Chairman of RAC. The names so selected shall be communicated to the parties to the arbitration within three working days from the appointment.	(a) The drawing of lots shall be conducted by the Chairman of RAC or any other member of the RAC or CRO <u>in consultation with Managing Director.</u> or any other officer allowed as per applicable law to perform functions of the CRO, if nominated by the Chairman of RAC. The names so selected shall be communicated to the parties to the arbitration within three working days from the appointment. <u>date of drawing of lots.</u>	To empower CRO to conduct drawing of lots in consultation with MD-PSX keeping in view the operational/ procedural nature of this work.
(b) In case any valid objection is raised within seven working days by any party to the dispute against appointing any person as an Arbitrator, CRO in consultation with Chairman of RAC may appoint via fresh balloting any person from the Panel as new member of Sub-Panel or appoint Sole Arbitrator in consultation with the Chairman of RAC as the case may be. Provided that such objection on any member of the Sub-Panel/Sole Arbitrator shall be entertained only once.	(b) In case any valid <u>considered valid</u> objection is raised <u>received by the Exchange</u> within seven working days <u>of above-mentioned communication</u> by from any party to the dispute against appointing any person as an Arbitrator, Chairman of RAC may appoint via fresh balloting any person as mentioned above <u>will be conducted by CRO in consultation with Managing Director.</u> from the Panel as new member of Sub-Panel or appoint Sole Arbitrator in consultation with the Chairman of RAC as the case may be. Provided that such objection on any member of the Sub-Panel/Sole Arbitrator shall be entertained only once.	To align with the amendments proposed in sub-clause 18.4.5(a) above.
(c) Presence of parties at the time of drawing and/or re-drawing: The parties to the dispute shall be given a notice of a minimum five working days, to remain present personally or through an authorized representative at the time of	(c) Presence of parties at the time of drawing and/or re-drawing: The parties to the dispute shall be given a notice of a minimum five working days, to remain present personally or through an authorized representative at the time of	Consequential amendments due to amendments proposed in clause

<p>drawing and/or re-drawing lots before the Chairman of the RAC or any other member of the RAC or the CRO, or any other officer allowed as per applicable law to perform functions of the CRO, as nominated by the Chairman of RAC. Provided, that the drawing of lots shall take place at the given time and date even if the party or parties are not present despite of the notice and that the party or parties shall have no objection to drawing such lots.</p> <p>Parties to the dispute shall be provided with a list of members of the Panel along with the above notice of drawing and/or re-drawing lots.</p>	<p>drawing and/or re-drawing lots before the Chairman of the RAC or any other member of the RAC or the CRO, or any other officer allowed as per applicable law to perform functions of the CRO, as nominated by the Chairman of RAC. Provided, that the drawing of lots shall take place at the given time and date even if the party or parties are not present despite of the notice and that the party or parties shall have no objection to drawing such lots.</p> <p>Parties to the dispute shall be provided with a list of members of the Panel along with the above notice of drawing and/or re-drawing lots.</p>	<p>18.4.5(a) and 18.4.5(b).</p>
<p>18.4.6 MEMBER OF THE PANEL BOUND TO ACT AS AN ARBITRATOR:</p> <p>A member of the Panel whose name has been finalized by the CRO in consultation with Chairman or any other member of the RAC shall be bound to act as an Arbitrator till the announcement of award.</p>	<p>18.4.6 MEMBER OF THE PANEL BOUND TO ACT AS AN ARBITRATOR:</p> <p>A member of the Panel <u>who has been appointed Arbitrator pursuant to Clause 18.4.5 above</u> whose name has been finalized by the CRO in consultation with Chairman or any other member of the RAC shall <u>preferably continue</u> be bound to act as an Arbitrator till the announcement of award.</p>	<p>To add flexibility to cater for the exceptional situations whereby an arbitrator may have to discontinue.</p>
<p>Chapter 20: DISCIPLINARY ACTIONS AGAINST TRE CERTIFICATE HOLDERS REGULATIONS</p>		
<p>20.1 SUSPENSION, FORFEITURE OR CANCELLATION OF TRE CERTIFICATE AND IMPOSITION OF FINES AND PENALTIES:</p> <p>20.1.1 The Board may, upon recommendations of RAC, by a resolution, suspend, forfeit or cancel TRE Certificate of a TRE Certificate Holder, where the RAC is of the opinion that such TRE Certificate Holder:</p>	<p>20.1 SUSPENSION, FORFEITURE OR CANCELLATION OF TRE CERTIFICATE AND IMPOSITION OF FINES AND PENALTIES:</p> <p>20.1.1 The <u>RAC may, upon recommendation of CRO, suspend TRE Certificate Holder or impose fines and penalties and the Board or a Committee constituted by the Board</u> may, upon recommendations of RAC, by a resolution, suspend, forfeit or cancel TRE Certificate, where the RAC <u>or the Board, as the case</u></p>	<p>To make the enforcement regime more vibrant and efficient.</p> <p>Further, certain editorial changes have been made to add clarity.</p>

	<u>may be</u> , is of the opinion that such TRE Certificate Holder:	
(a) Is guilty of fraudulent practices;	(a) No Change	
(b) Has transacted his/its own or his/its constituent's/client's business under fictitious names;	(b) No Change	
(c) In any manner circulates or causes to be circulated, any rumors;	(c) No Change	
(d) Repeatedly brings before the Exchange a charge, complaint or suit which, in the opinion of the Board, is baseless, frivolous, vexatious or malicious;	(d) Repeatedly brings before the Exchange a charge, complaint or suit which, in the opinion of the Board, is baseless, frivolous, vexatious or malicious;	
(e) If without the special permission of the Board a TRE Certificate Holder shares his/its brokerage with or carries on business or makes any deal for or with any TRE Certificate Holder who has been suspended or whose TRE Certificate has been cancelled or forfeited as the case may be or who has been declared as Defaulter;	(e) If without the special permission of the Board a TRE Certificate Holder shares his/its brokerage with or carries on business or makes any deal for or with any TRE Certificate Holder who has been suspended or whose TRE Certificate has been cancelled or forfeited as the case may be or who has been declared as Defaulter;	
(f) Evades or attempts to evade or assists in evading the Margin requirements prescribed in the relevant NCCPL Regulations;	(f) No Change	
(g) Has refused or failed to comply with any resolution or decision of the Board;	(g) No Change	
(h) Has contravened PSX Regulations, policies or procedures, orders, notices, directions, decisions or rulings of the Exchange or the Commission;	(h) No Change	
(i) Is found guilty of dishonorable or disgraceful conduct;	(i) No Change	
(j) Has made a false declaration in his/its application for transfer/issuance of TRE Certificate to the Exchange or Commission;	(j) Has made a false declaration, interalia, with respect to statement made under obligation of any rules and regulations; in his/its application for transfer/issuance	

<p>(k) Has been convicted by a court of law for an offence involving fraud, financial or business misconduct/ malpractices or moral turpitude which renders him/it unfit to be a TRE Certificate Holder of the Exchange;</p> <p>(l) Has willfully obstructed the business of the Exchange;</p> <p>(m) Is incapable of performing his/its functions for any reason deemed sufficient in the discretion of the Board, including but not limited to the failure of its Chief Executive Officer in case of it being a Corporate TRE Certificate Holder or himself in case of him being an Individual TRE Certificate Holder or any authorized contact person on its behalf to attend to any notice, hearing or a claim from or by the Exchange for more than 30 days or his prolonged illness without making an alternate arrangement with the permission of Exchange, his/its financial precariousness, insolvency of individual TRE Certificate Holder/ Corporate TRE Certificate Holder going into liquidation etc;</p> <p>(n) Has refused or failed to provide any information as required by the Exchange and/or the Commission.</p> <p>Provided no such order shall be passed by the Board except after giving the TRE Certificate Holder an opportunity of being heard. Such hearing may be conducted by the RAC or a sub-committee constituted by the RAC for an order of suspension and by the</p>	<p>of TRE Certificate to the Exchange or Commission;</p> <p>(k) Has been convicted found guilty by a court of law for an offence involving fraud, financial or business misconduct/ malpractices or moral turpitude which renders him/it unfit to be a TRE Certificate Holder of the Exchange;</p> <p>(l) No Change</p> <p>(m) Is incapable of performing his/its functions for any reason deemed sufficient in the discretion of the Board RAC, including but not limited to the failure of its Chief Executive Officer in case of it being a Corporate TRE Certificate Holder or himself in case of him being an Individual TRE Certificate Holder or any authorized contact person on its behalf to attend to any notice, hearing or a claim from or by the Exchange for more than 30 days or his prolonged illness without making an alternate arrangement with the permission of Exchange or his/its financial precariousness or insolvency of individual TRE Certificate Holder/ Corporate TRE Certificate Holder going into liquidation etc;</p> <p>(n) No Change</p> <p><u>(o) Has failed to resolve/settle investors' complaints/claims within stipulated time.</u></p> <p>Provided <u>that before taking any action, the RAC itself or a sub-committee of RAC and in case of Board, the Board itself or a Board Committee shall give</u> no such order shall be passed by the Board except after giving to the <u>concerned</u> TRE Certificate Holder</p>	
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<p>Board for an order of cancellation or forfeiture of the TRE Certificate. The RAC or the Board as the case may be may proceed ex-parte against a TRE Certificate Holder who fails to appear for hearing in two consecutive hearings.</p>	<p>an opportunity of being heard. Such hearing may be conducted by the RAC or a sub-committee constituted by the RAC for an order of suspension and by the Board for an order of cancellation or forfeiture of the TRE Certificate. The RAC or the Board as the case may be may proceed ex-parte against a TRE Certificate Holder who fails to appear for hearing in two consecutive hearings.</p>	
<p>20.1.2 The Board upon recommendation of CRO may also by resolution, suspend forfeit/cancel TRE Certificate of a TRE Certificate Holder, where the CRO is of the opinion that such TRE Certificate Holder:</p> <p>(a) Has failed to pay any fine or penalty imposed upon him/it in accordance with PSX Regulations for the time being in force;</p> <p>(b) Has failed to pay any money which may be due by him/it to the Exchange relating to trading, operational, and other administrative facilities within such time as may be determined by the Board;</p> <p>Provided that before the above actions are taken by the Board, the Board may allow thirty (30) days to the TRE Certificate Holder to pay such money.</p> <p>(c) Has failed to submit to or abide by or carry out any award in arbitration passed by the Sole Arbitrator/ Sub Panel of Arbitrators, Appellate Panel or any other arbitration forum established by the Exchange.</p>	<p>20.1.2 The <u>CRO may suspend TRE Certificate of a TRE Certificate Holder and the Board</u> may upon recommendation <u>by RAC</u> of CRO may also by resolution, suspend forfeit/cancel a TRE Certificate of a TRE Certificate Holder, where the CRO is of the opinion that such TRE Certificate Holder.</p> <p>(a) Has failed to pay any fine or penalty imposed upon him/it in accordance with PSX Regulations for the time being in force;</p> <p>(b) Has failed to pay any money which may be <u>payable</u> due by him/it to the Exchange relating to trading, operational, and other administrative facilities within <u>prescribed time</u>; such time as may be determined by the Board;</p> <p>Provided that before <u>any of</u> the above actions are taken by the Board, the <u>CRO/Board</u>, may allow thirty (30) days' <u>time</u> to the TRE Certificate Holder to pay such money.</p> <p>(c) No Change</p>	<p>To empower CRO to take enforcement action directly in case of violations spelled out in this clause.</p>

<p>Provided that maximum period of thirty (30) days shall be given to the TRE Certificate Holder for implementation of the award.</p>		
<p>20.1.3 The imposition of fine or suspension of a TRE Certificate of a TRE Certificate Holder under the PSX Regulations shall be without prejudice to the power of the Board to subsequently forfeit/cancel TRE Certificate of such TRE Certificate Holder in case he/it fails to pay the fine imposed or removes the cause of suspension within stipulated time.</p>	<p>20.1.3 <u>Any of the powers delegated to the CRO/RAC for imposition of fine or suspension of taking action against</u> a TRE Certificate Holder of a TRE Certificate Holder under the PSX Regulations shall be without prejudice to the power of the Board to subsequently <u>suspend or</u> forfeit/cancel TRE Certificate of such <u>in case the</u> TRE Certificate Holder <u>in case he/it fails to pay the fine imposed or removes the cause of suspension within stipulated time.</u> <u>take required action.</u></p>	<p>Editorial changes are made to simplify the text and align with amendments proposed in sub-clauses 20.1.1 and 20.1.2 above.</p>
<p>20.4 HEARING, IMPOSITION OF FINES AND APPEAL PROCEDURES:</p> <p>20.4.1 Any officer of RAD, not below the level of DGM, authorized in this regard by the CRO, shall have the authority to conduct a hearing in respect of any violation/ non-compliance by a TRE Certificate Holder of provisions of PSX Regulations in all the matters where contravention attracts imposition of fine of up to an aggregate amount of Rs. 500,000/-. Upon completion of the hearing, the RAD shall send its recommendations to the CRO for its approval and final decision.</p>	<p>20.4 HEARING, IMPOSITION OF FINES AND APPEAL PROCEDURES:</p> <p>20.4.1 Any officer of RAD, not below the level of DGM, authorized in this regard by the CRO <u>or CRO himself/herself</u>, shall have the authority to conduct a hearing in respect of any violation/ non-compliance by a TRE Certificate Holder of provisions of PSX Regulations in all the matters <u>attracting imposition of fine of an amount to be decided and approved by RAC from time to time.</u> where contravention attracts imposition of fine of up to an aggregate amount of Rs. 500,000/-. Upon completion of the hearing, the RAD shall send its recommendations to the CRO for its approval and final decision.</p>	<p>To empower RAC to decide the limit of fine for conducting hearing by RAD staff.</p>
<p>20.4.2 The sub-committee of the RAC shall have the authority to conduct a hearing in respect of any violation/non-compliance by a TRE Certificate Holder of provisions of PSX Regulations in all matters where contravention</p>	<p>20.4.2 The sub-committee of the RAC shall have the authority to conduct a hearing in respect of any violation/non-compliance by a TRE Certificate Holder of provisions of PSX Regulations in all matters where contravention attracts</p>	<p>In view of amendments proposed in sub-clause 20.4.1, the consequential amendments</p>

attracts imposition of fines of above aggregate amount of Rs. 500,000/-.	imposition of fines of above aggregate amount of Rs. 500,000/-.	are proposed in these clauses.
20.4.3 In case the officer of the RAD conducting a hearing finds during any stage of hearing that the aggregate amount of fine for apparent violation/ non-compliance is likely to exceed the maximum aggregate amount of Rs. 500,000/-, then he shall cease further proceedings and immediately refer the case to the sub-committee of the RAC.	20.4.3 In case the officer of the RAD conducting a hearing finds during any stage of hearing that the aggregate amount of fine for apparent violation/non-compliance is likely to exceed the maximum aggregate amount of Rs. 500,000/-, then he shall cease further proceedings and immediately refer the case to the sub-committee of the RAC.	
20.4.4. All cases of violation/non-compliance by a TRE Certificate Holder shall be disposed-off within thirty (30) days of the date of first hearing by the RAD or the sub-committee of the RAC, as the case may be.	20.4.4. All cases of violation/non-compliance by a TRE Certificate Holder shall be disposed-off within thirty (30) days of the date of first hearing. by the RAD or the sub-committee of the RAC, as the case may be.	
20.4.5. In case hearing could not be disposed-off within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension shall be communicated in writing: (a) to the sub-committee of the RAC, in case of delay by the RAD; (b) to the RAC, in case of delay by the sub-committee of RAC.	20.4.5. In case hearing could not be disposed-off within the prescribed time due to unavoidable circumstances or reasons beyond control <u>under clause 20.4.1</u> , the specific reasons for the delay along with the required time extension shall be communicated in writing: (a) to the sub-committee of the RAC <u>CRO</u> , in case of delay by the <u>officer of RAD authorized by CRO</u> ; (b) to the RAC, in case of delay by the sub-committee of RAC <u>CRO</u> .	To align with hearing procedures prescribed under clause 20.4.1.
20.4.6 An appeal by an aggrieved TRE Certificate Holder against the decision of the CRO made on the recommendations of the RAD, shall be heard and decided by the sub-committee of RAC. The decision of the sub-committee of the RAC in such appeal shall be	20.4.6 An appeal by an aggrieved TRE Certificate Holder against the decision of the <u>Officer CRO</u> made on the recommendations of the RAD <u>under Clause 20.4.1</u> shall be heard and decided by a <u>senior officer of the Exchange nominated by the Chairman, RAC</u> , sub-committee of RAC. The	To streamline the appeal procedures. Further, to ensure that only serious appeal cases are filed, a

<p>final and binding on the concerned TRE Certificate Holder.</p>	<p>original decision of the sub-committee of the RAC <u>CRO shall be appealable before RAC, which may be heard by RAC or sub-committee of RAC or a panel of two outside experts. The appellant shall pay alongwith Memo of Appeal a non-refundable appeal fee of Rs25,000 or an amount as determined by RAC from time to time.</u> in such appeal shall be final and binding on the concerned TRE Certificate Holder.</p>	<p>nominal appeal fee is introduced.</p>
<p>20.4.7 An appeal by an aggrieved TRE Certificate Holder against the decision of the sub-committee of RAC shall be heard and decided by the RAC itself. The decision of the RAC shall be final and binding on the concerned TRE Certificate Holder.</p>	<p>20.4.7 An appeal by an aggrieved TRE Certificate Holder against the decision of the sub-committee of RAC shall be heard and decided by the RAC itself. The decision of the RAC shall be final and binding on the concerned TRE Certificate Holder.</p>	<p>Covered in sub-clause 20.4.6 above.</p>
<p>20.4.8. An appeal filed pursuant to above decisions, shall be disposed-off within forty five (45) days of its filing. However, if such appeal is not disposed-off within this prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension shall be communicated in writing to the RAC, in case of appeal filed with the sub-committee of the RAC, and to the Board in case of appeal filed with the RAC.</p> <p>Provided that no appeal against the decision of the CRO or sub-committee of the RAC, as the case may be, shall be filed beyond 14 days of receipt of such decision by the concerned TRE Certificate</p>	<p>20.4.8. An appeal filed pursuant to above decisions, shall be disposed-off within forty five (45) days of its filing. However, if such appeal is not disposed-off within this prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension shall be communicated in writing to the RAC, in case of appeal filed with the <u>senior officer of the Exchange nominated by the Chairman, RAC</u> sub-committee of the RAC, and to the Board in case of appeal filed with the RAC <u>or sub-committee of RAC or a panel of two outside experts.</u></p> <p>Provided that no appeal against the decision of the CRO or sub-committee of the RAC, as the case may be, shall be filed beyond 14 days of receipt of such decision by the concerned TRE Certificate</p>	<p>To align with sub-clause 20.4.6. above.</p>

Holder and any such appeal even if filed shall not be entertained by the Exchange.	Holder and any such appeal even if filed shall not be entertained by the Exchange.	
20.4.9. No second (2nd) appeal shall be entertained against the appellate decisions of the sub-committee of RAC or RAC, as the case may be.	20.4.9. No second (2nd) appeal shall be entertained against the appellate decisions of: (a) <u>Senior officer of the Exchange nominated by the Chairman RAC; or</u> (b) <u>RAC or sub-committee of RAC or a panel of two outside experts. sub-committee of RAC or RAC, as the case may be.</u>	To align with amendments proposed in sub-clause 20.4.6.
<p>20.8. DISCIPLINARY ACTIONS IN RESPECT OF MARKET MAKING ACTIVITIES:</p> <p>20.8.7 All the above mentioned actions of suspension/restriction and/or imposition of financial penalty on TRE Certificate Holders, by the CRO, shall be ratified by the RAC within 48 hours to give effect to the decision.</p>	<p>20.8. DISCIPLINARY ACTIONS IN RESPECT OF MARKET MAKING ACTIVITIES:</p> <p>20.8.7 All the above mentioned actions of suspension/restriction and/or imposition of financial penalty on TRE Certificate Holders, by the CRO, shall be ratified by the RAC within 48 hours to give effect to the decision.</p>	The decision of CRO is appealable. Therefore, the requirement to have the CRO's decision ratified by the RAC is proposed to be removed.

End of Proposed Amendments