



PAKISTAN STOCK EXCHANGE LIMITED
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PSX/N-5372

NOTICE

September 15, 2017

Solicitation of Public Comments

On

Proposed Amendments to Pakistan Stock Exchange (PSX) Regulations

This is to inform the public that the Regulatory Affairs Committee of PSX in its meeting held on September 13, 2017 proposed certain amendments to PSX Regulations in relation to following matters:

1. Rationalization of notional value of TRE Certificate for the purpose of Base Minimum Capital;
2. Insertion in PSX Regulations the periodic reporting being made by the brokers to SECP and PSX under Securities Brokers (Licensing and Operations) Regulations, 2016; and
3. Specification of time to register details of employees of the brokers in UIN database of NCCPL

Pursuant to Section 7(3) of the Securities Act, 2015, PSX hereby invites the public to provide comments on the proposed amendments relating to above matters, which are attached herewith as **Annexure A**, **Annexure B** and **Annexure 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 Friday September 22, 2017.



ABBAS MIRZA

Acting Chief Regulatory Officer

Distribution: TREC Holders of PSX based at Karachi through Karachi Office
TREC Holders of PSX based at Lahore through Lahore Office
TREC Holders of PSX based in 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 RELATING TO RATIONALIZATION OF THE NOMINAL VALUE OF TRE CERTIFICATE FOR UTILIZATION AGAINST BASE MINIMUM CAPITAL

NOTES FOR AMENDMENTS: (1) **ADDITIONS:** Shown in Blue Font (Bold + Underlined)
(2) **DELETIONS:** Shown in Red Font (Strikethrough)

Chapter 19: RISK MANAGEMENT REGULATIONS

Schedule-I

[SEE REGULATION 19.2]

BASE MINIMUM CAPITAL TO BE MAINTAINED BY A BROKER

Required value of Base Minimum Capital:

Every Broker shall maintain Base Minimum Capital ('BMC') as per the following slabs with the Exchange which shall be determined based on the Assets Under Custody (AUC) which is same as the Custody Position held under its Participant Account with CDC:

AUC (in PKR)		Required Amount of BMC (in PKR)
From	To	
0	50,000,000	16,000,000
50,000,001	250,000,000	17,000,000
250,000,001	500,000,000	19,000,000
500,000,001	1000,000,000	21,000,000
1000,000,001	2,500,000,000	23,000,000
2,500,000,001	5,000,000,000	26,000,000
5,000,000,001	10,000,000,000	28,000,000
Over 10,000,000,000		31,000,000

Provided that the above AUC slabs shall not exceed the Maximum Custody Limits authorized by the CDC to a Broker being its Participant in terms of the Capital Adequacy Level of such Broker as provided by the CDC in its Regulations and Procedures made thereunder. The terms, 'Custody Position', 'Maximum Custody Limit' and 'Capital Adequacy Level' shall have the same meanings as ascribed thereto under the CDC Regulations.

Forms of BMC:

The Broker may maintain the BMC in any of the following forms of collaterals:

S.#	Form
1	Cash
2	Bank Guarantee
3	Margin Eligible Securities, after applying Haircut as prescribed by NCCPL from time to time
4	Transferable TRE Certificate Lien Marked with Irrevocable Authority in favor of the Exchange in the manner prescribed
5	Transferable 40% shares of the Exchange allotted to an Initial Shareholder of the Exchange without Haircut, pledged in favor of the Exchange in accordance with the rights, obligations and terms and conditions specified in the letter of pledge as may be prescribed by the Exchange from time to time, with the prior approval of the Commission
6	Assignment of 60% blocked shares of the Exchange, in case and subject to the condition mentioned in Note 2 appearing below
7	Shares of surviving entities of Lahore Stock Exchange (LSE) and/or Islamabad Stock Exchange (ISE) pursuant to the Scheme of Integration approved by the Commission, maximum up to 100% of shares allotted to an initial shareholder of respective entity, after applying 30% Haircut on their breakup values.

Notes:

1. The Notional Value of transferable TRE Certificate shall be taken at Rs ~~5~~ 2.5 million for the purpose of BMC Requirement.
2. In case the BMC is maintained in the forms 4 and 5 mentioned above or in the form of equivalent value of Cash/ Bank Guarantee/ Margin Eligible Securities by a Broker and the combined value of these two forms of collateral is insufficient to meet the required value of BMC, the concerned Broker may assign proceeds of 60% blocked shares in favour of the Exchange in accordance with the procedures without any haircut to fulfill the shortfall.
3. In case the BMC is maintained in the forms 4 and 7 mentioned above, or in the form of equivalent value of Cash/ Bank Guarantee/ Margin Eligible Securities, by a TRE Certificate Holder inducted by the Exchange pursuant to the Scheme of Integration approved by the Commission and the combined value of these two (2) form of collaterals is insufficient to meet the required value of BMC, respective TRE Certificate Holder shall provide/arrange additional Cash and /or Bank Guarantee or Margin Eligible Securities to meet the shortfall, including bank guarantee from the trust funds as provided in the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012.

Review and Updation of BMC

1. The Exchange shall determine the required Value of BMC for each Broker on the first working day of every month on the basis of AUC of such Broker as of the last working day of the preceding month.
2. The Broker shall be required to fulfill any shortfall in the BMC within next five (5) working days of the issue of notice by the Exchange.

Valuation of collateral forming part of BMC (Interim Review)

1. Mark-to-Market value of the Margin Eligible Securities shall be conducted on daily basis.
2. Value of the shares of the Exchange and surviving entities of LSE and ISE shall be valued semi-annually based on break-up value per share determined as per half yearly reviewed and annual audited financial statements of the Exchange/surviving entities;
3. Notional Value of transferable TRE Certificate of the Exchange shall be reviewed on six-monthly basis subject to approval of the Commission; and
4. A Broker shall not be allowed to lien mark more than one TRE certificate to meet the applicable BMC requirements.

The Exchange shall also disseminate the information pertaining to point 2 to 3 above to the market participants.

Provided that in case value of collateral deposited by a Broker to meet its BMC requirement falls below its required value at trading day end, the Exchange shall require such Broker to deposit the shortfall in any of the forms as mentioned above within one trading day, failing which the Exchange shall restrict/suspend trading rights of such Broker till the time the Broker fulfills its BMC requirement.

Utilization of BMC in the event of default by a Broker or cancellation/forfeiture of its TRE Certificate:

In case of declaration of a Broker as defaulter or cancellation/forfeiture of its TRE Certificate under the applicable regulations of the Exchange, the Exchange shall utilize the proceeds of collaterals deposited to meet BMC requirement in accordance with the applicable regulations of the Exchange and in terms of the letter of pledge/undertaking, where applicable.

End of Proposed Amendments

Rationale for the proposed amendment in notional value of TRE Certificate: To align with the fee of Rs 2.5 million to be paid by a company applying for issuance of a TRE Certificate of PSX, as notified by PSX vide its Notice dated August 08, 2017 whereby PSX invited application for issuance of 15 new TRE Certificates of PSX in terms of section 16(4) and 16(5) of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012.

"ANNEXURE B"

**PROPOSED AMENDMENTS RELATING TO INSERTION OF VARIOUS REPORTING REQUIREMENTS
BEING MADE BY BROKERS TO SECP AND PSX UNDER SECURITIES BROKERS (LICENSING &
OPERATIONS) REGULATIONS, 2016**

NOTE FOR AMENDMENTS: ADDITIONS are shown in Blue Font (Bold + Underlined)

EXISTING PSX REGULATIONS	PSX PROPOSED AMENDMENTS	RATIONALE
<p><u>New Insertion</u></p>	<p><u>4.29 MANDATORY SUBMISSION OF FINANCIAL STATEMENTS, RETURNS AND OTHER INFORMATION:</u></p> <p><u>4.29.1 Every Broker shall submit:</u></p> <ul style="list-style-type: none"><u>(a) Hardcopies of its annual financial statements along with audit report to the Commission and the Exchange within four months after the end of each financial year;</u><u>(b) Hardcopies of its half-yearly financial statements to the Commission and the Exchange within one month after the end of each half year;</u><u>(c) Any other information or reports in such form and manner and within such time as may be specified and required by the Commission and/or the Exchange from time to time or as and when the need arises.</u>	<p>To provide regulatory coverage to the periodic reporting of financial information by the brokers to PSX and SECP.</p>

End of Proposed Amendments



“ANNEXURE C”

PROPOSED AMENDMENTS RELATING TO SPECIFICATION OF TIMEFRAME TO REGISTER DETAILS OF EMPLOYEES OF THE BROKERS IN UIN DATABASE OF NCCPL

NOTE FOR AMENDMENTS: ADDITIONS are shown in Blue Font (Bold + Underlined)

EXISTING PSX REGULATIONS	PSX PROPOSED AMENDMENTS	RATIONALE
<p>4.21. TRADING BY EMPLOYEES OF BROKERAGE HOUSES:</p> <p>4.21.2.The TRE Certificate Holders shall register their all employees into the UIN database with all registration details including their respective designations and update/modify the registration details whenever any change occurs.</p>	<p>4.21. TRADING BY EMPLOYEES OF BROKERAGE HOUSES:</p> <p>4.21.2.The TRE Certificate Holders shall register their all employees into the UIN database with all registration details including their respective designations and update/modify the registration details whenever any change occurs <u>within five (5) working days from the date of employment or any change in his/her registration details, as the case may be.</u></p>	<p>To ensure timely registration of employees of the brokers in UIN database of NCCPL.</p>

End of Proposed Amendments

