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PART II

Statutory Notifications (S.R.O.)

GOVERNMENT OF PAKISTAN

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the 19th September, 2023

S. R. O. 1350(I)/2023.—The following draft amendments to the Futures Brokers (Licensing and Operations) Regulations 2018, proposed to be made by the Securities and Exchange Commission of Pakistan in exercise of powers conferred by section 114 of the Futures Market Act, 2016 (XIV of 2016) are hereby published for information of all persons likely to be affected thereby and notice is hereby given that comments, if any, received by the Commission within fourteen days from the date of placement of the draft amendments on the website of the Commission will be taken in to consideration, namely:-

DRAFT AMENDMENTS

In the aforesaid Regulations, -

- (1) in regulation 2, in sub-regulation (1), after clause (d), the following new clauses shall be inserted:

(3003)

Price: Rs. 6.00

[1860(2023)/Ex. Gaz.]

“(da) “Agri-Only futures broker” mean a sub-category of futures broker, which can execute trades only to the extent of futures contracts based on local agricultural commodities including Electronic Warehouse Receipt based futures contracts.

(e) “Electronic Warehouse Receipt” has the same meaning as defined in Collateral Management Companies Regulations, 2019.”;

(2) in regulation 4, in sub-regulation (1), in clause (c), after the word “company”, a comma shall be inserted and thereafter the expression, “except in case of Agri-Only category” shall be inserted;

(3) after regulation 4, amended as aforesaid, the following new regulation shall be inserted, namely:—

“4A. Requirements applicable to Agri-Only category of futures brokers.—All regulations applicable to a futures broker shall be applicable to the sub-category i.e. Agri-Only futures brokers, except where specifically provided otherwise in the regulations.”;

(4) in regulation 7, for sub-regulation (1), the following shall be substituted, namely:—

(1) An applicant for a licence as a futures broker shall comply with and ensure ongoing compliance with the following minimum net worth requirements for each category:

Category	Minimum Net worth (Rs. in Million)
Futures Broker	10
Agri-Only Futures Broker	5

(5) in regulation 9, after sub-regulation (2), the following shall be inserted:

“(3) The futures exchange shall scrutinize the application for renewal of licence and the documents submitted by the futures broker and submit the same, one month prior to the date of expiry of the license of futures broker, along with a letter of recommendation stating that it has reviewed the contents of the application and the supporting documents and has found the same to be in conformity with the Act and these regulations:

Provided that while submitting the letter of recommendation to the Commission, the futures exchange shall also consider the futures broker's outstanding customer complaints and its track record with respect to its compliance with the applicable regulatory requirements.”;

- (6) in regulation 16, in sub-regulation (1), after clause (r), the following new clause shall be inserted, namely: -

“(s) where it offers internet-based trading facilities, implement adequate measures to ensure that:

- (i) procedures and controls are in place to monitor and test the systems on a regular basis;
 - (ii) adequate cyber-security mechanism is in place;
 - (iii) operational and technical control systems are in place to manage the risks;
 - (iv) all electronic communication is digitally signed, encrypted and secured with a backup stored in soft and secured form; and
 - (v) it complies with Information Technology infrastructure standards, certifications or any other requirement or conditions, as may be specified by the Commission and/or the futures exchange.”;
- (7) in Form A, in first para, after the words “to form a Futures Broker Company”, the expression “[Futures Broker/Agri Only Category]” shall be inserted;
- (8) In Schedule 1,—

- (i) after column (a), the following new column shall be inserted, namely:—

a1) in case of Agri-Only futures broker	Rs. 50,000/-
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- (ii) after column (b), the following new column shall be inserted, namely:—

b1) in case of Agri-Only futures broker	Rs. 25,000/-
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- (9) in Form A-I, in paragraph (1), after the words “futures broker” the expression “[Futures Broker/Agri-Only Category)” shall be inserted;
- (10) in Annexure B, in paragraph (3), in clause (b) —“Educational or other Qualification or Experience”, in clause (a), for the words “post graduate degree”, the expression “16 years of education” shall be inserted and for the colon appearing at the end, a semi colon shall be substituted and thereafter the proviso shall be omitted;
- (11) in Form C,—
- (a) in paragraph No 2, after the words, “license of futures broker”, the expression “[Futures Broker/Agri-Only category)” shall be inserted; and
- (b) in paragraph No 4, after the words, “futures broker”, the expression “[/Agri-Only futures broker)” shall be inserted; and
- (12) in Annexure C, in the opening paragraph, after the expression, “Corporate Governance Code”, a comma shall be inserted and thereafter the expression “except in the case, where the applicant for Agri-Only category is a single member company, in which case it shall only comply with the minimum requirements as practicable for a single member company” shall be inserted.

[File No. SMD/SE/2(287)/2018.]

BILAL RASUL,
Secretary to the Commission.