PART II
Statutory Notifications (S. R. O.)
GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTIFICATION
Islamabad, the 24th February, 2020

S. R. O. 130/I/2020.—In exercise of the powers conferred under sub-
section (2) of section 22 of the Securities and Exchange Commission of Pakistan
Act, 1997 (XLII of 1997), the Securities and Exchange Policy Board (the Board) is
pleased to publish the following decisions and directives of its meeting:

DECISIONS OF THE EIGHTY-FOURTH MEETING OF THE BOARD
HELD ON 29TH NOVEMBER, 2018

The Board agreed that in order to be effective it is important that the
Board’s input, through its Chairman, be considered in the matter of appointment
of the Commissioners/Chairman of the SECP. While the law does not provide any
role for the Board in this connection, it was felt that for good order’s sake the
Federal Government should adhere to this practice in some form.

All policy decisions should be published in line with the prescribed provisions.
All laws and subsidiary legislation should be reviewed to suggest amendments to
simplify what is needed/essential.

Price : Rs. 80.00

[5206/2020/Ex.Gaz.]}
The Board RESOLVED THAT the Committees and their convenors/members be constituted/appointed as follows:

Regulations Committee
Professor Khalid Mirza
Secretary Law Division or his nominee
Syed Asad Ali Shah

Governance Committee
Mr. Viqar-ul-Islam
Chairman SECP
Mr. Sadiq Sayyad

Oversight Committee
Mr. Adnan Abbas
Secretary Commerce Division or his nominee
Mr. Farrukh H. Khan

It was further RESOLVED THAT the Chairman of the Board will participate in the meetings of the Committees at his discretion.

The Policy Board advised the Commission:
(i) to review the current KYC forms/procedure to simplify them;
(ii) to reduce exemption fee of Rs. 500,000 pertaining to the training programs for independent directors appropriately;
(iii) to consider and change the data bank of independent director from PICG to SECP;

The Board decided that PICG be asked that comparing the fee structure with other organizations/multinationals give a considered opinion/structure for revision of compensation to Chairman Members of the Policy Board and any other persons invited to attend a meeting of the Policy Board or its Committee.

It was also directed that general complaints on the working of SECP be sent to the Secretary to the Policy Board.

DECISIONS OF THE EIGHTY-FIFTH MEETING OF THE BOARD
HELD ON 19TH DECEMBER, 2018

The Board RESOLVED THAT the Audit Committee (which so far has been subsumed under the ‘Governance Committee’) is not appropriate at the Policy
Board level, however, financial aspects of the Commission may be overseen in the Oversight Committee.

FURTHER the Governance Committee is renamed as ‘HR and IT Committee’.

PSX Market Proposals — Presentation by Chairman, PSX

The Board AGREED WITH all proposals of Pakistan Stock Exchange.

The Board RESOLVED THAT the Commission be and hereby is directed to proceed expeditiously to implement, within seven days, the recommendations of the Pakistan Stock Exchange, additionally eliminating the requirement for periodic broker license renewal”.

Approval of scope and objective of work of the Committees constituted by the Board.

The Board RESOLVED THAT an insurance committee consisting of the following be and is hereby constituted to delve into the issues and challenges that are being posed to the industry:

(i) Mr. Adnan Afridi, Convener

(ii) Secretary Commerce Division or his nominee

Mr. Imran Ahmed, Addl. Joint Director will act as Secretary, Insurance Committee in addition to the Oversight Committee.

Participation by Ex-Officio Members – Proposed by Mr. Asad Ali Shah

The matter regarding writing to the Federal Government expressing the reservations of the Policy Board was put to vote.

All members of the Board voted in the NEGATIVE except for Mr. Asad Ali Shah who voted in the affirmative.

Strategy and Risk Management of Commission – Proposed by Mr. Asad Ali Shah

it was RESOLVED THAT presentation with reference to the Commission’s objective, strategy, risks entailed, opportunities and overall SWOT be given to the Board.
Fixation of Pay of new Commissioners

It was RESOLVED THAT approval be and is hereby granted for fixation of basic salary of Mr. Aamir Ali Khan and Mr. Farrukh H. Sabzwari @ Rs. 900,000/- per month along with other allowances, perks and benefits as per Annexure-VIII of the SECP Human Resource Manual.

The Board directed for review of remuneration policy of the Commissioners by HR & IT Committee to look into this.

Revision of Meeting Fee by PICG

The Board RESOLVED THAT pursuant to sub-section (4) of section 15 of the Securities and Exchange Commission of Pakistan Act, 1997 read with regulation 3(15) of the Securities and Exchange Policy Board (Conduct of Business) Regulations, 2000; the Members of the Policy Board other than ex-officio Members shall be entitled to fee amounting to Rs. 75,000/- for attending a Board meeting. Further, the Board RESOLVED THAT the Members of the Board, other than ex-officio Members, Commissioners or employees, and any other person invited to attend a meeting of a Committee, constituted by the Board, shall be entitled to fee amounting to Rs. 50,000/- per meeting.

Secretary was advised to submit the decision to the Ministry of Finance for concurrence prior to its implementation.

Chairman stated that he will not be taking any fees. Mr. Kausar Ali Zaidi, on behalf of the Board, appreciated the gesture of the Chairman.

HR Matters:

Appointment of, as a special case, Mr. Muhammad Afzal as Director on contract basis being member of JIT constituted by the Honourable Supreme Court of Pakistan.

The Board noted the decision of the Commission, as a special case, of appointment of Mr. Muhammad Afzal as Director on contract basis.

The Board concurred the waiver accorded by the Commission keeping in view the unique nature of requirement involving direction of the Honourable Court, for the requirement of advertisement and other related recruitment conditions for the contractual employment of Mr. Muhammad Afzal.

VPS benefit to CPS Grade Management Cadre Employees

The Board RESOLVED THAT approval be and is hereby granted to admissible CPS Grade Management Cadre Employees (existing four and one retired).
in the Voluntary Pension Scheme (VPS) since 2013 as their contribution has already been processed.

Relaxation to Mr. Khurram Hassan, Deputy Director for enrollment in Interview Process of promotion — 2018.

The Board RESOLVED THAT approval be and is hereby granted for relaxation of 8 days to Mr. Khurram Hassan, Deputy Director for enrollment in Interview Process of promotion — 2018.

Recommendations of the Regulations Committee.

Substantial reduction in fees charged by the Commission in order to facilitate the ease of doing business

The Board considered the recommendations of the Regulations Committee and deliberated on various fees imposed by the Commission under laws administered by it. The Regulations Committee after taking into account the detailed presentations given by officials of each operational department, has recommended for a substantial reduction in fees charged by the Commission in order to facilitate the ease of doing business. The Board RESOLVED, as follows:

- Renewal process along-with fee of renewal shall be omitted, however, in some sector monitoring fee may be included;
- Following reduction of fees proposed—
  (i) Insurance Division —
    * Total fee reduction impact is 24 %
  (ii) Specialized Companies Division—
    (a) Non Bank Finance Sector
      * Registration and licensing total fee reduction impact 50 %
      * Other total fee reduction impact 20 percent
    (b) Mominah Sector
      * Total fee reduction impact approx. 90%
(iii) Securities Market Division

- total fee reduction impact 73%.

(vi) Company Law Division (USD and CCD)

Total fee reduction impact sector wise -

- section 42 licensing fee reduction-100%
- foreign companies registration fee reduction-60%
- further issue of capital fee reduction-100%
- intermediary registration fee reduction-100%
- group companies registration fee reduction-75%

The Board also directed the preparation of guidelines regarding imposition of penalties under various statutes administered by the Commission based on international best practices.

The Board directed the Commission to proceed for appropriate amendments in the relevant Acts/Rules/Regulations in accordance with the procedure provided therein, for a substantial reduction in the charge by the Commission in order to remove harsh regulatory impediments that hamper growth of financial services and facilitate the ease of doing business.

DECISIONS OF THE EIGHTY-SIXTH MEETING OF THE BOARD
HELD ON 31ST JANUARY, 2019

Decision of the Board on revision of fee to its Members

RESOLVED THAT the Decision of the Board on revision of fee to its Members stands confirmed.

Presentation of CEO of Pakistan Business Council

The Board RESOLVED THAT the PBC proposals be and are hereby substantially agreed by the Board and the Commission should proactively expeditiously implement PBC’s proposals. In this regard, the following observations of the Board were noteworthy:
(i) Section 462 - payment of fees - The Commission directed to look into this matter.

(ii) The Chairman stated that the Companies Act, 2017 should be repealed or major amendments would have to be made. Mr. Naeem commented that repeal may not be an option but a lot of amendments are required, and coordination with the Commission, in this regard, is already in progress.

(iii) The Chairman suggested that Mr. Farrukh Sabzwari and Mr. Naeem should also join the Regulations Committee.

(iv) The Board agreed that pending removal of section 452 a waiver from the application of this section should be given and directed the Commission to look into this and report within 7 days.

(v) Section 255 - The Board did not agree to this suggestion and proposed that the power to approve seizure/investigation operations should be exercised by at least 2 Commissioners.

PSX Stockbrokers Association’s proposals – Presentation by Representatives.

The Board RESOLVED THAT all proposals of the PSA be and are hereby generally agreed with the exception of item Nos. (i), (v), (xv), (xviii), and (xxvi) of the proposal which were not specifically agreed nor were they included in the demands presented by PSX. Further, the Commission be directed to look into each of the remaining proposals and arrange that these are appropriately implemented.

The Board also directed the Commission to write to the FBR with regard to the following tax proposals:

- Tax impediments/disincentives for startups.
- Seizing of accounts of companies (PBC proposal).
- Withdrawal of CVT regime in the presence of CGT.
- Revisiting the definition of ‘security’ for 37(a) exemption in Income Tax Ordinance, 2001 – (for allowing exemptions to other securities that don’t fall under this definition)

Presentation by SECP Chairman

The Board RESOLVED THAT the Commission be and is hereby directed to:
(i) Till the Commission’s human resources have been assessed and analyzed, cease all recruitment of employees except for any top-level specialist positions to be filled in by experts of high caliber the absence of which is adversely affecting the Commission’s working (such as a General Counsel, Head of IT, and Head of PR etc., on case to case basis).

(ii) Carry out workload assessment, rotation of EDs, distribution of portfolios.

SECP Chairman to provide full briefing in regard to the raid by FIA on SECP’s Headquarters and the placement of four SECP officials on ECL.

The Board RESOLVED THAT Commission be and hereby is directed to:

(i) Thoroughly investigate all aspects of the FIA raid and the relevant portion of JIT report that implicates SECP in order to determine what went wrong and why. Also to pinpoint responsibility.

(ii) Take all necessary measures to ensure that the paragraph in the JIT report that implicates SECP is expunged, SECP recovers the files impounded by FIA and the names of 4 officers on ECL are removed.

Recommendations of the Regulations Committee:

The Board considered the recommendations of the Regulations Committee and it was RESOLVED THAT the draft amendments to the Modaraba Ordinance, 1980, as revised and finalized by experts and Regulations Committee, be and are hereby approved.

The Board FURTHER RESOLVED THAT approval be and is hereby granted for —

(i) Proposed amendments to the Non-Banking Finance Companies (Establishment and Regulation) as revised by the Regulations Committee.


The Commission was directed to proceed further in the matter as per prescribed procedure.
THE GAZETTE OF PAKISTAN, EXTRA., FEB. 25, 2020. 415(9)

Recommendations of the Oversight Committee for the Board

The Board RESOLVED THAT the following recommendations of the Oversight Committee be and are hereby approved for implementation by the Commission:

- Mandatory rotation policy
- Lack of appropriate training programmes
- Lack of appropriate level of automated processes
- Implementation of business intelligence solutions
- Review the Investment Banking and Leasing Sector in detail to assess how to either revive the sector or phase out the few remaining players over time into more sustainable structures
- In-house Shariah advisor for SCD
- Commission and Policy Board require a confidential means of ‘real time’ communication so that decisions made by the Board and its implementation, challenges/issues can be resolved.

Recommendations of the IT & HR Committee for the Board:

The Board RESOLVED THAT the TORs of the IT & HR Committee, as recommended be and are hereby approved for implementation by the Commission.

The Board, on the recommendation of the IT & HR Committee, FURTHER RESOLVED THAT the following amendments to clause 9 (1) & (4) of the SECP Human Resource Manual be and are hereby approved. However, policy matters and any significant change in the HR Manual, including change in pay scales, shall be reported to the Policy Board.

9(1).—The Commission is empowered to approve exemptions/amendments to HR Manual and related delegations as deemed appropriate by the Commission from time to time, which have no major financial impact. However, any significant exemption/amendment shall be reported to the Policy Board in the next meeting including change in pay scales.

9(4).—The Commission shall be the final authority for interpretation of rules contained herein and the decisions relating thereto, and the
The IT & HR Committee took a "quick view" on shedding human resources.

Approval of Mr. Moin Fudda and Mr. Shamim Ahmed Khan to be coopted by the Insurance Committee as Advisors to the Committee.

The Board RESOLVED THAT the Commission be directed to engage Mr. Moin Fudda and Mr. Shamim Ahmed Khan as Advisors for the Insurance Committee on per meeting fee as admissible to the Policy Board members.

Letter from MJ Panni & Associates - Proposal to constitute a committee to review the PSX Regulations.

The Board discussed the suggestion and it was RESOLVED THAT the Regulations Committee also look at:

(i) Listing Regulations - review
(ii) Voluntary delisting - making it easy
(iii) Market capitalization vs. paid-up based fee

Framework for the Board’s accountability

The Board RESOLVED THAT Mr. Adnan Afridi will draw up 3-4 objectives that may be used as a benchmark for evaluation of the Board on a quarterly basis.

Trainings/Conferences/meetings

The Board RESOLVED THAT the matter may be discussed as a regular item in the next meeting with an analysis of the procedure adopted by other organizations.

The Board directed the Commission to carry out an analysis on approval of summaries from Ministry for training purposes (comparison with other organizations) and be placed in the next meeting of the Board.
MUFAP – Presentation by Chairman, MUFAP

MUFAP did not appear for the presentation.

Questioned as to why the MUFAP was restrained by the Chairman, SECP from giving a presentation to the Board. Setting the agenda of the meeting of the Board is prerogative of the Chairman and he expressly desired to consider the proposals of MUFAP. Took a serious exception to the matter. It was the right of every regulated entity and association to meet the Board and it was the inherent right of the Policy Board to independently interact with all such bodies and market players in the absence of which the Policy Board would be determining policy and giving directives in a vacuum; any intervention by the Commission in the work of the Board was unacceptable.

All Board members endorsed the views of the Chairman.

Implementation status of decisions taken by the Board in previous meetings

The Board directed that the Commission should ensure timely implementation of the decisions of the Board. The Board advised that a proper update be provided within two weeks.

Discussion on Request for list of Pending Litigation/Cases–Mr. Asad Ali Shah

The Board RESOLVED THAT a presentation with respect to all significant litigation cases may be given to the Board.

Discussion on SROs Issued by the Commission.

The Board RESOLVED THAT in future, all SROs should be routed through the Board and existing SROs should be rectified.

Presentation Chairman SECP - Strategic objectives.

The Board noted the SECP Objectives and Strategy for the next 3 to 5 years.

The Board RESOLVED THAT a Board meeting specifically for discussing the issue of increasing stock market liquidity and the supply of securities be held in the future.
Analysis on approval of summaries from Ministry for training purposes.

The Board resolved that the Commission to make a reference to the Finance Division citing practical difficulties especially for funded training.

The Commission should also indicate that the Policy Board was of the view that other than Chairman of the Commission, all other foreign visits/trainings that are funded by the Commission should be approved by the Commission/Policy Board.

Recommendations of the Regulations Committee for the Board.

The Board considered the recommendations of the Regulations Committee and it was resolved that approved by and is hereby granted for:

(i) Amendments to Schedule I of SECP Act 1997;
(ii) Draft amendments to the Public Sector Companies (Corporate Governance) Rules 2013;
(iii) Draft the Corporate Restructuring Companies Rules, 2019;
(iv) Draft amendments to the Securities Broker (Licensing and Operation) Regulations, 2016; (two working papers);
(v) Proposed amendments to Pakistan Stock Exchange (PSE) Rules Book 
(a) Amendments to Chapter 4 and Chapter 5 of PSE Rulebook; and
(b) Distribution of Profit by Brokers on Clients’ Un-utilized Funds
(vi) Proposed amendments to the NCCPL Regulations in respect of Access to UIN Portal (NUSS) by PMEX
(vii) Other recommendations of the Committee.

The Board resolved that Commission to review (i) the proposed amendments to the Listed Companies (Code of Corporate Governance) Regulations, 2017; (ii) utility of the MoUs with SBP, FBR, and other agencies; and (iii) the Jama Punji portal, and revert to the Board by next meeting.

Recommendations of the Oversight Committee for the Board.

The Board resolved that the recommendations of the Oversight Committee be approved with regard to the following:
(i) Surveillance Software;
(ii) Regulatory Powers for imposing Penalties without going to Court;
(iii) Multiple brokerage house nexus with each other:
(iv) Disclosure requirements as a means of deterrence:
(v) Approaching NAB
(vi) Structural issues of the Department
(vii) Excessive volatility in market by Insurance Company
(viii) Investor confidence:
(ix) Capacity Building

The Commission was directed to take necessary action for their implementation accordingly.

Recommendations of the IT & HR Committee of the Board

Presentation on Leading Excellence through Automation Process (End-to-End Digitalization).

The Board noted the briefing on Leading Excellence through Automation Process (End-to-End Digitalization). The Board was of the view that this is not a policy matter however, approach agreed with. The Commission may take decision on it.

Recommendations of the Insurance Committee for the Board

The Board RESOLVED THAT the recommendations of the Oversight Committee be approved with regard to the following:

(i) Risk Based Supervision Approach
(ii) Capacity Building
(iii) Periodic meetings/coordination with industry
(iv) Motor Third Party Liability Insurance
(v) Taxation issues
(vi) Increase in stamp duty
(vii) Noncompliance of State Owned Insurers to the requirements of the Insurance Companies (Sound and Prudent Management) Regulations, 2012;
(viii) Reservations of IAP for inclusion of NICL in list of insurers for reinsurance:

The Commission was directed to take necessary action for their implementation accordingly.

Update on direction of the Board to stop forthwith use of any open source email account.

The Board directed that emails with passwords to be provided and an indefinite exception for Chairman to change password is allowed.

Continuity of service of SECP officers upon appointment as Commissioner:

The Board RESOLVED THAT the existing policy for Executive Directors to resign prior to being appointed as Commissioner be discontinued.

DECISIONS OF THE EIGHTY-EIGHTH MEETING OF THE BOARD
HELD ON 11TH APRIL, 2019

Implementation status of decisions taken by the Board in previous meetings.

the following directions were given:

(i) Simplify KYC forms
   The status be updated.
(ii) Reduce fee for giving exemption from Director Training Program
   The fee be reduced to Nil.
(iii) Databank of independent directors to be transferred from PICG to SECP
   The Board directed that: Abolish the fee for registering in databank of
independent directors and access to such databank maintained by PICG which will continue till law is changed.

(iv) Institute single annual inspection of stockbrokers by PSX alone instead of multiple inspections by various institutions. The current CRO function and its reporting is flawed/not performing satisfactorily. Pending the institution of a FINRA type arrangement, the Commission should put in place a frontline inspection framework with a direct reporting line to the SMD.

(v) Allow stockbrokers, their directors and employees to become directors of listed companies. Pending necessary change in law in this connection, the Commission has to deploy the required flexibility and ‘regulatory forbearance’. The Board called for a framework solution by next meeting, Mr. Farrukh Sabzwari is to lead the effort with help from Mr. Adnan Afridi.

(vi) Remove the requirement for annual renewal of stockbrokerage license A circular be issued for an auto-mechanism for the purpose.

(vii) Abolish rectification charges or enhance the threshold of rectifications permitted without a charge. The provision in question has to be appropriately removed.

(viii) Allow use of MFS blocked shares for fulfilling margin requirements. Proposal be put up by Commission for approval in next meeting.

(ix) Allow mutual funds to charge sales load on subsequent investments in VPS.

(x) Reduce SECP’s current fee of 8bps charged on mutual fund AUMs by 75% i.e. down to 2bps.

(xi) Implement through Companies Act amendments, and pending that through deployment of other regulatory tools available to the regulator, the following proposals of PBC:

(I) Entirely delete Section 452 (global registry) from the Companies Act.
(iii) Remove the anomaly in the Company Law arising from the requirement that a 100% owned company must have at least three members.

(xii) Concerns of Mr. Ali Jameel TPL Corp. Addressed to Chairman Policy Board SECP.

(a) The Chairman advised that the Commission should direct the PSX to allow sponsors/associated companies of the issuer to invest in PPDs.

(b) It was agreed that in order to promote growth and innovation, loss-making companies should not be prohibited to list, once many IT and other companies have losses in initial years, but may have very bright future prospects. Globally, organizations like Amazon and several other tech companies were allowed to list, despite huge recurring losses over several years.

(c) The Board approved the removal of the conditionality of retaining 15% of the enhanced paid up capital as free reserves after issuance of bonus shares which were an impediment thereby putting the distribution of a stock dividend at par with cash dividend.

(d) Proposal that “non-life insurers should also be allowed to present consolidated revenues/expenses and assets/liabilities with details in segmental report” be sent to the Insurance Committee for further deliberation.

Presentations on Workload Assessment and IPOs (Way Forward).

The Board directed that “Workforce reduction across all staff levels to 550 employees.”


the Board directed the Commission that the Listed Companies (Code of Corporate Governance) Regulations, 2017 be based on a ‘Comply or Explain’ approach and only the requirements pertaining to the auditors, appointment of independent (executive) female directors and audit committee will be mandatory. The Board also directed that the requirements of auditor shall cover the complete chapter pertaining to external audit.
Presentation on Brokers' Custody Model

The Board RESOLVED THAT approval be and is hereby granted on the concept note relating to future roadmap on custody of customer assets maintained with securities brokers, subject to incorporation of changes identified by the Board as the concept note as highlighted in bold:

<table>
<thead>
<tr>
<th>Networth</th>
<th>Type of Licence</th>
<th>ACL Limit</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 500mln</td>
<td>Universal Broker/Clearing Broker</td>
<td>30 times network of each Trading (Only broker)</td>
<td>All permitted activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25 times network of each Trading (Only broker)</td>
<td>If networth &gt; 500mln, broker would also be permitted to clear/settle transactions for other brokers subject to additional requirements and limits on custody per broker.</td>
</tr>
<tr>
<td>&gt; 250mln and &lt; 500mln</td>
<td>Limited Services</td>
<td>15 times net worth</td>
<td>All markets, excluding leveraged markets and underwrite/consultant (portfolio management will not be allowed)</td>
</tr>
<tr>
<td>&lt; 250mln</td>
<td>zero custody</td>
<td>0</td>
<td>All markets, excluding leveraged markets</td>
</tr>
</tbody>
</table>

*Any broker with net worth above Rs. 1 billion may undertake activities similar to investment banking.*

This would, of course, be put in effect after due consultation with the brokerage community at all levels and after incorporation of such changes as may be deemed by the Commission and the Board.

The Board AGREED THAT there should be a Graded Scale for minimum commission.
List of Significant Pending Cases in SECP

The list of cases has been provided, content and language that is unintelligible, as they do not specify the matter that is under litigation. The list be revised explaining the issue, stance of the Commission, risks for the Commission and the likelihood of a favorable decision. The Board is particularly concerned with regard to cases involving oppression of the minority. A firm of chartered accountants from amongst the top four of the industry be appointed at the cost of the party in litigation to carry out a professional assessment and provide a determination of the true facts which can then become an objective basis to proceed further in the matter.

Recommendations of the Regulations Committee for the Board.

Draft Listed Companies (Buy-back of shares) Regulations, 2019.

The Board considered the recommendations also reviewed the comments of Regulations Committee and directed to incorporate the following changes in the draft Regulations:

(i) The term securities broker be replaced by manager to the offer.

(ii) Delete following requirements from the eligibility requirements since these are essentially superfluous in presence of Securities Act, 2015 and its subsidiary legislations:

   a. disclosing price sensitive information on immediate basis to PSX;
   b. failure to pay overdue amount outstanding towards Commission, PSX, CDC, NCCPL;
   c. the purchasing company’s directors and sponsors should not be on the board of directors of any other company that is either under investigation or inquiry by the Commission or any regulatory or investigating agency.
   d. company is under investigation or inquiry by the Commission or any regulatory or investigating agency.

(iii) Provision added regarding extension of purchase period subject to approval of the Commission.

(iv) Delete requirement stating treasury shares being ineligible for right issues or voting rights.
The Board approved the draft Listed Companies (Buyback of shares) Regulations, 2019.

The Board considered the recommendations of the Regulations Committee and approved the draft amendments to the Employees Contributory Funds Regulations 2018.

Proposed amendments to the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The Board approved the proposed amendments to the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Proposed amendments to the Pakistan Stock Exchange Rule Book.

The Board approved the proposed amendments to the PSX Rule Book.

The following matters were also presented to the Board for consideration:


The Board RESOLVED THAT approval be and is hereby granted for amendments to the NCCL Regulations, 2015 for introduction of margin eligible securities category B, which includes introduction of 44 additional margin eligible securities and the un-blocking of MFS (margin financing shares) blocked shares held by brokers on behalf of clients, with the aim of improving the liquidity and lowering the cost of doing business for the brokers.

(ii) Implementation of Centralized Know Your Customer Organization (CKO).

The Board RESOLVED THAT approval be and is hereby granted for amendments in the following regulations for implementation of Centralized Know Your Customer Organization (CKO):

Amendments in Pakistan Stock Exchange Limited Regulations.
Amendments in National Clearing Company of Pakistan Limited Regulations.
Amendments in Central Depository Company of Pakistan Limited Regulations.

Recommendations of the IT & HR Committee for the Board.

Review of remunerations of Commissioners and Chairman SECP.

The Board considered the recommendations of the IT & HR Committee and it was RESOLVED THAT approval be and is hereby granted for the following pay scale for Commissioners and Chairman SECP:

<table>
<thead>
<tr>
<th>Basic Pay</th>
<th>Increment rate</th>
<th>Stages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>Maximum</td>
<td>5</td>
</tr>
<tr>
<td>575,977</td>
<td>1,151,952</td>
<td></td>
</tr>
</tbody>
</table>

An additional 20% of the basic pay would be admissible to the Chairman.

The existing salaries of Commissioners and Chairman will be fixed at the nearest stage in the Scale.


The Board approved the draft Rules to be prescribed under the Financial Institutions (Secured Transactions) Act, 2016. Commission to proceed further to forward the draft Rules to the Ministry of Finance for further necessary action.

Expressed his strong reservations with regard to the responsibility of the Registry that was handed over the SECP. The STR would divert the attention from the main work of the organization.

It was DECIDED THAT while STR would be under the administrative control of the Commission, it would operate separately from premises outside SECP Offices and would be funded by resources provided by the Federal Government.

DECREES OF THE EIGHTY-NINTH MEETING OF THE BOARD HELD ON 3RD MAY, 2019

Presentation of Pakistan Mercantile Exchange Limited

The Board agreed that SECP clearance as a Shariah compliant instrument would require that all conditions imposed by its Shariah Board be complied with.
Non-renewal of Brokers’ Licenses

The Board directed that this practice must cease forthwith and no case should be forwarded to any law enforcement agency in the absence of an incontrovertible reason based on the Commission’s legal inability to take action and prior clearance by the Commission as well as the Policy Board.

The Commission was directed to withdraw all cases that at present stood referred to law enforcement agencies unless there was a sound and objective reason not to do so in which case the Policy Board should be advised accordingly.

It was decided that all cases of non-renewal of broker license should be examined by the Oversight Committee and that the decision of the Oversight Committee will be final.

Cases Referred to LEAs, Personnel Deputed

The Board directed that all personnel deputed to LEAs be repatriated back to the Commission unless there was a strong reason not to do so in specific instances (in which case the Policy Board should be advised) and also that any future request for personnel from SECP should be cleared by both the Commission and the Board.

Recommendations of the Insurance Committee

It was DECIDED THAT the Chairman should meet the heads of all three government insurance companies and satisfactorily close the matter.

DECISIONS OF THE NINETIETH MEETING OF THE BOARD HELD ON 3RD MAY, 2019

Implementation status of decisions taken by the Board in previous meetings

Institute single annual inspection of stockbrokers instead of multiple inspections by various institutions.

PSX has to be the central point for all inspections. PSX should be solely responsible for all inspections (with or without any assistance obtained from other institutions at discretion).

Allow use of MPS blocked shares for fulfilling margin requirements

This should be done as soon as possible.
Concerns of Mr. Ali Jameel TP Corp. Addressed to Chairman Policy Board SECP

The necessary changes in section 240 is included in the proposed company law amendments under process. Also directed the Commission, once again, to allow listing of loss making companies.

Also, once again, Commission was directed to allow mutual funds to charge sales load on subsequent investments in VPS and also to enhance overall charge for expense applicable to Mutual Funds from 4% to 4 1/2% excluding Government levies which are to be charged respectively.

Reduce SECP’s current fee of 8bps charged on mutual fund AUMs by 75% i.e. down to 2bps

Expressed serious reservations regarding non-compliance by the Commission.

Allow stockbrokers, their directors and employees to become directors of listed companies

Changes in the law, rules, etc., to give due effect to be carried out as soon as possible. Meanwhile, the Commission to exercise necessary “regulatory forbearance”.

 Entirely delete Section 452 (global registry) from the Companies Act

Pending necessary amendments in the Company Law, “regulatory forbearance” should be exercised in dealing with such matters.

Remove the anomaly in the Company Law arising from the requirement that a 100% owned company must have at least three members

Addressed in the proposed Company Law amendments.

Amendments pertaining to Company Law

It was decided that processing of this task be finalized within six weeks or a maximum of 2 months.

Proposed amendments in Listed Companies (Code of Corporate Governance) Regulations, 2017

Commission to arrange that the necessary processing is finalized and the amendments issued without further delay.
The Board directed that minimum brokerage commission proposal be implemented without delay.

Cases Referred to LEAs, Personnel Deputed

The Board, once again, directed and RESOLVED THAT:

(i) all cases referred to law enforcement agencies be withdrawn forthwith in the absence of valid reason not to do so in specific cases in which case the Board must be apprised for further consideration;

(ii) all officers of the Commission deputed to law enforcement agencies be repatriated back to the Commission forthwith unless there is a valid reason (like a court order) in which case the Board has to be notified for further consideration;

(iii) no further cases to be referred to law enforcement agencies or officers deputed to such agencies without clearance of both the Commission and the Policy Board;

(iv) with immediate effect the law enforcement agency concerned should be required to pay charges to re-imburse the Commission fully the costs incurred as a consequence of deputing any officer or officers by the Commission; and

(v) formal letters be issued forthwith to law enforcement agencies to comply with the above.

Summit Bank Report JIT — examination of transaction and stance of the Commission

The Board directed that the legal costs incurred by these officials be reimbursed and also that the Commission explain its position in the next meeting.

List of Significant Pending Cases in SECP

The Board directed to add relevant dates of the cases and a presentation be made at the next meeting. It was also directed to inform the Board regarding all cases in the Banking Courts, as well as indicate all successful cases in the next meeting.

Hospitalization facility for retired employees of SECP

The Board considered the recommendation of the Commission and RESOLVED THAT medical facility for earlier retired employees/pensioners of SECP be not accorded to.
It was FURTHER RESOLVED THAT the proposed post-retirement medical facility for existing employees be and is hereby approved for implementation with immediate effect. The Commission was directed to look at appropriate insurance policy as alternative.

Recommendations of the Oversight Committee for the Board

• Implementation of surveillance software at SECP & PSX

The Commission was directed to strongly take up the matter with PSX and issue directive with a December 2019, timeline to acquire surveillance software and ensure that the two systems (SECP software and PSX software) are compatible and can seamlessly exchange information with each other. PSX should be penalized, if compliance not met.

• Disclosure requirements as a mean of deterrence

The Commission was directed to work on a mechanism to disclose the number/type of complaints received vs investigated resolved against a broker/AMC/other regulatees and place the information on its website on monthly basis as a mean of deterrence.

• PSX regulations regarding disclosure of financial statements of brokers

The Commission was directed to monitor and enforce through PSX that all brokers post their quarterly financial statement on their website within the stipulated time period.

• Non-renewal of six brokers licenses.

The Board directed that—

(i) The license of Axis Global Limited (AGL) be renewed immediately. This be done keeping in view the position as on Dec. 31, 2018 and is without prejudice to any other subsequent legal proceedings of the Commission.

(ii) The Commission should approach NAB to withdraw all referred cases including AGL.

(iii) All officers of SECP deputed with NAB or any other LEA shall be called back on duty with immediate effect other than those sent on duty due to court orders.
(iv) The Commission is to respond to the AGL letter dated April 15, 2019.
(v) The license of Adam Securities be renewed immediately. This has been done keeping in view the position as on Dec. 31, 2018 and is without prejudice to any other subsequent legal proceedings of the Commission.
(vi) In the matter of We Financial Services and Pervez Ahmad Capital, the license be renewed subject to clean CIB provided by the brokers.
   • Fit & Proper criteria for CEO/Board members. Rules based vs Principle based.

After the enactment of Section 181 of the Companies Act 2017, the Commission should amend the Charitable and Not for Profit Objects Regulations, 2016 accordingly within two weeks.
   • Amend the Form 29 to add a checkbox where director can declare his/her status
   • Winding up of Landmark textile case:

Since the Company has started process for voluntary delisting, which generally gives better share value to minority shareholder as compared to winding up, the Commission was directed to communicate with the company to facilitate and expedite this process and cancel or put on hold the winding up proceedings.

Draft Listed Companies (Buy Back of shares) Regulations, 2019
The Board approved the Listed Companies (Buy-Back of Shares) Regulations, 2019.

Recommendations of the Regulations Committee for the Board
   • Draft Panel of Provisional Managers and Official Liquidators Regulations, 2019 (Public consultation stage).

The Board considered the various changes suggested by Regulations Committee in the draft Panel of Provisional Managers and Official Liquidators Regulations, 2019 and approved the revised draft including recommendations of the Committee for publication in the official Gazette for eliciting public opinion.
   • Amendments to the Group Companies Registration Regulations 2008.
The Board approved the amendments to the Group Companies Registration Regulations, 2008 for publication in the official Gazette for eliciting public opinion.

- Draft Notification regarding Independent Directors for public sector companies

The Board considered the recommendations of the Regulations Committee and directed that the said notification is not required. The Board also directed that original notification by virtue of which OPF was notified to maintain a data bank should be withdrawn.

- Amendments to 7th Schedule to the Companies Act, 2017 (reduction of fee).

The Board considered the recommendations of the Regulations Committee and the Working paper regarding the subject matter was returned.

- Amendments to Insurance Rules 2017 (Fee reduction).

The Board considered the recommendations of the Regulations Committee and the Working paper regarding the subject matter was returned.


The Board approved the amendments to the Securities Exchange (Licensing and Operations) Regulations, 2016, relating to fit and proper criteria for publication in the official Gazette for eliciting public opinion.

- Amendments to PSX Rules (two working papers (i) claim against defaults brokers and (ii) amendments to Chapter 4 and 5 submission quarterly pattern of shareholding).

The Board approved the amendments to PSX Rules (two working papers (i) claim against defaults brokers and (ii) amendments to Chapter 4 and 5 submission quarterly pattern of shareholding).

- Amendments to PSX Regulations — two working papers,—
  (i) renewal of fee for branch office;

The Board considered the recommendations of the Regulations Committee and the working paper regarding renewal of fee for
branch office was not approved. The Board directed that renewal fee should not be charged.

(ii) change in disbursement limits - customer compensation funds.

The Board approved amendments relating to change in disbursement limits - customer compensation funds.

• CDC tariff structure

The Board approved the CDC Tariff Structure.

• Draft Circular regarding requirements for constant proportion portfolio insurance (CPPI) based collective investment schemes (CIS).

The Board approved the Circular for issuance regarding requirements for constant proportion portfolio insurance (CPPI) based collective investment schemes (CIS).

• SRO notification regarding delegation of powers of Commission - Code of Corporate Governance.

The Board considered the recommendation of the Regulations Committee and directed that the said powers should be delegated to Executive Director of the concerned department rather than Commissioner. After the said change, the Board approved the notification for issuance regarding delegation of powers of Commission - Code of Corporate Governance.

• Draft Notification of NBFC (fee reduction)

The Board considered the recommendations of the Regulations Committee and the Working paper regarding the subject matter was returned.

Approval of budget to initiate procurement for Software licenses

The Board RESOLVED THAT approval be and is hereby granted for:

(i) Provisioning of an un-budgeted amount of Rs. 58 million (Budget shortfall of this year); and

(ii) Initiating the procurement process for ensuring software license compliance, as per Cost Estimates with Expected Discounts, as follows:
415(28) THE GAZETTE OF PAKISTAN, EXTRA., FEB. 25, 2020. [Part II]

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*PKR 16 Billion will be budgeted for next fiscal year based on Oracle and ITSC recommendations.
USD/PKR in July 2018 was 117 vs 142 as of 26th April 2019 representing depreciation of approx. 21%.

PSX Stockbrokers Association — Additional Policy Issues

The Board considered the proposals and approvals, in principle, were granted:

(i) SECP should encourage dispute resolution by the stock exchange in the first instance and thereafter as necessary. SECP can deal with the case. Also, all matters that fall within the jurisdiction of the Commission must be addressed by the Commission and not referred to an LEA or a criminal court.

(ii) The current anomalous situation whereby pre-IPO holdings of shares are not deemed to be “Securities” with adverse tax implications and non-acceptability as collateral would be a significant negative for new listings on the stock market. This needs to be rectified in the upcoming Finance Act.

(iii) Instead of classifying all brokers, big and small, as Public Interest Companies, the usual criteria applicable to private companies may be used to determine whether or not a broker is a PIC.

(iv) Instead of SECP’s concurrent regulatory jurisdiction alongside that of PSX, it would be best of have clarity in the matter with a defined domain for PSX.

The Commission was asked to implement these proposals, as appropriate, at the earliest.

DECISIONS OF THE NINETY-FIRST MEETING OF THE BOARD HELD ON 21st JUNE, 2019

Budget of SECP for the year 2019-20

The Board RESOLVED THAT, the draft Budget for the year 2019-20 presented by the SECP be and is hereby rejected. The Commission was directed to
review the Budget by bringing down expenses and the revised Budget be circulated to the Board within 5 days. The Commission was also directed to place a Plan to reduce staff by 20% and no staff is to be added, only induction of specialized persons - rural/handicapped personnel will be allowed as per the Government’s directives.

Implementation status of decisions taken by the Board in previous meetings

The following decisions/directions were given:

- Summit Bank Report JIT — examination of transaction and stance of the Commission.

With regard to the arrest of Mr. Zia Abbassi, Addl. Registrar, CRO, Karachi, a letter be written to NAB to immediately release the officer and in the event he is not released, appropriate legal action be taken. Advised that if any government functionary says otherwise, the board should be informed.

- Axis Global license be renewed, Respond to AGL letter of April 15, 2019

- Mr. Bhatti be duly reprimanded for not responding to the Policy Board member email and considered it as a reprehensible attitude. The licenses should be renewed immediately and that it was not acceptable that the decision was not implemented.

Process of Appointment of Nominees of SECP on Boards of PSX/CBC/NCCPL

Directed for brief on how Mr. Morin was removed.

Selective Dissemination of Information by Companies (via press interviews, meetings with securities’ analysts etc.)

Board expressed its concern over the news in the media given by the Chairman Karachi Electric Ltd., regarding the management change, and sending negative sentiment in the market. The Board directed that the Commission should take action against Karachi Electric.

List of Significant Pending Legal Cases

- The cases not likely to succeed be withdrawn. The focus should only be on important issues to save time and costs. Main focus should be on investor protection.
Jamapunji — results and achievements

The investor education is the domain of the stock exchange. The Commission should take a “back seat” in the matter and simply direct PSX to take the lead. The Board directed that the Commission to look into this and get revert.

DECISIONS OF THE NINETY-SECOND MEETING OF THE BOARD
HELD ON 1ST JULY, 2019

Revised Budget of SECP for the financial year 2019-20

The Board directed that:

(i) Amount kept for CCP Levy and Audit Oversight Board be removed from the Budget. Sufficient amount has been allocated for both entities in the Federal Budget as confirmed by representative of Ministry of Finance.

(ii) Amount kept for balance payment of Plot purchased in Karachi be removed from the budget till the decision of the Supreme Court of Pakistan.

(iii) Budget of Policy Board expenses be reduced from Rs.10 million to Rs.7 million.

(iv) Allocate the capital expenditure budget of IT in two years.

(v) Total expenses of the budget should not be more than the total estimated expenses of current year.

(vi) There should be no deficit of income over expenditures in next year’s budget.

(vii) Increase revenue estimates, if necessary, in innovative way only.

After the said amendments it was RESOLVED THAT the SECP Annual Budget for financial year 2019-20 be and is hereby approved including additional revolving funds of Rs.50 million for House Loans and Rs.50 million for House Rent/Misc. Advance. Secretary to the Board was advised to circulate the revised copy of the Budget to the Board.

It was FURTHER RESOLVED THAT approval be and is hereby granted for payment of half bonus to all employees (overall performance). Remaining
Individual performance bonuses will be considered along with rating system of employees as approved by the Board’s HR Committee. (Employee means regular, contractual as well as employees who have retired/leave the Commission during the year. Payment to employee will be made on pro rata basis).

It was DECIDED THAT provision for construction of SECP Building in the budget may be deferred as it is not a priority albeit the asset (plot) may be safeguarded by exploring other financing options.

Recommendations of the Regulations Committee

The Board considered the recommendations of the Regulations Committee and RESOLVED THAT approval be and is hereby granted for—

(i) Publication of the draft Corporate Rehabilitation Regulations, 2019 in the official Gazette for eliciting public opinion thereon.

(ii) Amendments to the Public Sector Corporate Governance Rules 2013 with the direction that the portion deals with appointment of CEO in Public sector companies where majority of directors are nominated by the Government shall not be made part of the said Rules and they shall be dealt with through separate regulations to be issued under section 187 of the Companies Act, 2017 as per the requirement of the said section 187.

(iii) Amendments to the Shariah Governance Regulations 2018 on the recommendation of Shairah Advisory Board.

(iv) Amendments to the directive of insurance with regards to Option of Complaint Resolution Forum.

(v) Amendments to NCCPL Regulations with regard to:
   (a) GosIjara Sukuk;
   (b) Change in time line submission of quarterly accounts; and
   (c) Requirement of entities to be included in NBCM.

(d) NCCPL Regulation relating to Eligibility Criteria for MT eligible securities.

(vi) Amendments to PSX Rule book related party transaction of exchange.
(viii) Amendments to Employees contributory Funds Regulations 2018 and directed that all those conditions imposed through new regulations may not be applicable retrospectively.

(ix) IFRS circular exemption for IFRS 16—powers companies and directed that exemption should not be granted for one year and granted unless withdrawn by the Commission.

(x) Amendments, as revised, to the 4th and 5th Schedule, Companies Act 2017.

(xi) AFSC notice of General Meeting.

(xii) NBFC Directive charging and marketing expenses of Mutual Funds — that maximum cap of market and selling expenses of 0.4 per cent is to be omitted.

(xiii) Amendments to VPS Directive under VPS Rules — Endorsed the issuance of the Circular.

(xiv) Proposed delegation of the powers to the officer of Insurance Division, as approved by the Commission.

(xv) the proposed consolidated amendments to the Companies Act, 2017, as recommended by the Commission and subsequently by the Regulations Committee; and (ii) the amendments suggested by the Regulations Committee (enclosed), for proceeding further for promulgation under the provisions of the Act.

The Board FURTHER RESOLVED THAT referring the matter of fake business activity of unregistered entity namely ‘The Recruiters’ to FIA be not acceded to.

The Board directed that any legislative instruments to be submitted to the Regulations Committee for deliberation should be accompanied by the following documents:

(i) Working paper and brief of the subject matter;

(ii) If the instruments are draft rules, regulations, directive, circular, notification, etc. “a comparative matrix, in track changes, of the existing and proposed legislative instruments along with rational for such change or new provisions;
All the above documents along with legislative instruments should be submitted to the Members and advisors to the Committee one week prior to the meeting to enable them to review the instruments in detail before the meeting. However, any urgent matter may be submitted to the Committee before the meeting along with the documents as provided in clauses (i) and (ii).

**Draft Collateral Management Companies Regulations, 2019**

The Policy Board considered the draft Collateral Management Companies Regulations, 2019 and certain amendments were pointed out which were noted for incorporation. After the said amendments, it was RESOLVED THAT approved by and hereinby granted for publication of the draft Collateral Management Companies Regulations, 2019 in the official Gazette as well as placing the same at the website of the Commission for eliciting public opinion thereon subject to the following conditions:

(i) The minimum equity requirement for a Collateral Management Company shall be Rs. 200 million;

(ii) Any public company may apply to the Commission for permission to register as a Collateral Management Company

**DECISIONS OF THE NINETY-THIRD MEETING OF THE BOARD HELD ON 17TH SEPTEMBER, 2019**

Implementation status of decisions taken by the Board in previous meetings

(i) Recall cases referred to NAB

Recall officers deputed in NAB

The Board RESOLVED THAT Chairman, SECP report on the matter in next meeting and also indicate whether any secondment was made after the Board’s decision.

(ii) Earlier recommendations of the Oversight Committee for the Board - Internal surveillance system.

The Board RESOLVED THAT Chairman SECP assess the matter and give a timeline in next meeting.

(iii) Process of Appointment of Nominees of SECP on Boards of PSX/CDCC/CPL

The Process is to be looked at by Mr. Aamir Khan and, Mr. Adnan Afrid
The Board RESOLVED THAT Chairman, SECP to brief on how Morin was removed in next meeting.

(iv) Budget of SECP for the financial year 2019-20

The Board RESOLVED THAT the fees for the year 2019-20 be incorporated in the Budget of SECP for the year 2019-20, approved and effective from 1st July, 2019. Revised copy of the Budget may be circulated to the Board.

Update on Crowd/Equity Funding

The Board noted the update and directed that a Concept Paper be prepared regarding the rationale of regulating crowdfunding. The consequential changes required in the parent laws to remove impediments or to create enabling provisions for promulgation of ECF Regulations should also be highlighted in the concept paper. The Policy Board further advised that the concept paper be presented to the Board within 3 weeks.

Abbottabad facilitation center – results and achievements

This has been a disastrous experience and such facilitation centers should not be set up.

Presentation on Jamapunji – Revised

The Board directed that branding and content of the Jamapunji program should be reviewed re-alistically and re-assessed the Commission should take a back seat and should not be in the forefront in an investor education program.

Request of Mr. Zafar-ul-Haq Hijazi, ex-Chairman SECP

The Board RESOLVED THAT the Commission to refer the matter to the Ministry of Finance as it matter pertains to an appointee of the Federal Government.

Draft Islamabad Real Estate Regulatory Authority (Establishment and Regulation) Act, 2019 approval for forwarding to Ministry of Finance

The matter does not pertain to the Commission and it has no mandate in this regard.

Update Regarding reduction in Regulatory fee – Insurance Division

The Board advised that the Commission to look into the matter again as at least 20% reduction in fees should be given.
Recommendations of the Regulations Committee for the Board

The Board considered the recommendations of the Regulations Committee and RESOLVED THAT approval be and is hereby granted for -

(i) Amendments in Futures Brokers (Licensing & Operations) Regulations, 2018

- Relaxation in education requirement of CEO
- Elimination of the requirement of NCB
- Deletion of the requirement of wealth statement
- Reduce frequency of reports by compliance officer
- Time allowed to futures brokers to rectify non-compliance in relation to net worth
- Requirement to undertake the activity of futures broker has been eliminated
- In certain cases, license of futures brokers stands cancelled automatically

Proposed amendments approved for public consultation.


- Extend the timeline for complying financial resource requirements till December, 2019
- Deletion of requirement to submit certificate of commencement of business.
- Insertion of requirement for having at least one of the sponsor of the broker having extensive experience of finance services.
- Empower the Commissioner to determine fitness and propriety of person in case of any ambiguity.

Proposed amendments approved for public consultation.
(iv) Merger of Compliance Function of PSX, NCCPL and CDC

NCCPL and CDC to outsource their compliance function to PSX to the extent of supervision or conducting any investigation, inspection or enquiry and monitoring compliance of securities brokers.


The Board suggested that PSX should be taking the lead role in this compliance function. SECP will update the Board in this regard.

(v) Amendments in CDC Regulations - Reforms in CDC Regulatory Framework for ease of doing business.

- Direct credit of securities in the CDS issued by way of right issue of public unlisted and private companies.
- Relaxation in appointment of independent Transfer Agent by private and single member companies.
- Authorization for pledging of sub-account holder’s securities with banks/financial institutions.
- Incidental change in light of Companies Act, 2017, current business scenarios and market requirements.

(vi) Amendments in NCCPL Regulations 2015.

To introduce haircuts on the value of Pakistan Investment Bonds, Listed National Saving Bonds and selection criteria for the Units of open-ended money market schemes accepted as Margin Eligible Securities.

(vii) Amendments in PSX Regulations relating to Listed Companies.

- Intimation to PSX about date and time of holding of AGM by the company.
- Elimination of the requirement of submission of list of shareholders to PSX.
- Submission of true copies of memorandum and articles of company to PSX only.
Amendment to PSX Rulebook Replacement of Existing Chapter 12 (Market Making Regulations), Amendments to Chapter 16 (Exchange Traded Funds Regulations) and Consequential Amendments to PSX Regulations.

- Proposed Amendments in PSX Regulations are in relation to Exchange Traded Funds and Market Making.
- Amendments in Securities Brokers (Licensing & Operations) Regulations, 2016 are proposed in relation to allowing blank sale to market maker in ETFs approved for public consultation.

Amendments to Credit Rating Companies Regulations 2016; Approved as per revised draft according to instruction of Regulations Committee.

SRO notification of internationally recognized foreign credit rating institution.

Performance Rating System

The Board discussed the performance rating system and ratings of employees for FY 2018-19 and it was RESOLVED THAT approval be and is hereby granted for the following criteria for payment of performance bonus (based on overall and individual performance) to all employees.

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<th>Rating</th>
<th>Based on overall performance of the Commission</th>
<th>Based on Individual Performance</th>
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*Half bonus based on overall performance has already paid. Employee means regular, contractual as well as employees who have either joined or left the Commission during the year. Payment to employees will be made on pro-rata basis.

General Order issued for compliance certificate with respect to their status of compliance with the requirements of filing of income tax return under the Income Tax Ordinance, 2001

The Board decided to defer consideration of this matter and directed that meanwhile the Commission forbear to insist on compliance with this order nor enforce it in any way.
Implementation status of decisions taken by the Board in previous meetings

(i) Recall cases referred to NAB
Recall officers deputed in NAB

The Board RESOLVED THAT —

(a) The Commission to determine through a fair and objective inquiry as to whether Mr. Jawed Hussain, Executive Director (CSD) had done any wrong or not and to advise its findings if so deemed appropriate.

(b) As already resolved by the Board previously, Chairman SECP to write to NAB regarding withdrawal of cases, and repatriation of staff as well as bill NAB for the costs incurred in making available staff resources to NAB.

(c) The Commission to prepare and move a paper through proper channel for Cabinet consideration regarding the problems being faced by the Commission with respect to NAB and other law enforcement agencies.


The Board RESOLVED THAT the Commission proceed, in fair and equitable manner, for cancellation of the existing contract with M/s Softech Systems (Pvt) Limited for the development of a new MSS and to initiate the procurement process for acquiring off-the-shelf surveillance system.

(iii) Process of Appointment of Nominees of SECP on Boards of PSX/ CDC/NCCPL.

The Board directed to develop governance regulations for stock exchange, essentially in line with those framed for public companies but with additional provision or modified as necessary keeping in view the stock exchange’s specialized role. Commission to deliberate and brief Policy Board in next meeting.
Briefing to the Board on the removal of Mr. Richard Morin, ex-CEO, PSX.

The Board noted the briefing.


The Board RESOLVED THAT the HR & IT Committee shall circulate the document for evaluating performance for Commission and Commissioners for the year 2018 – 2019. The Commission to—

(a) Provide a self-assessment for the Commission as a collegiate body. This would imply that all Commissioners sit as a team, evaluate performance of the Commission on the key aspects as per the document.

(b) Ask each Commissioner and Chairman (during the period) to evaluate their individual performance separately as Commissioners and Chairmen.

(c) The individual and Commission’s evaluation will be circulated to all the PB members for each PB member to evaluate the performance based on input received and evaluation given in an objective manner.

(d) Compiled assessment of all PB members to be sent to the HR Committee for consolidation and presentation to PB for final assessment and decision.

For 2019 – 2020 and going forward the HR committee will formalize, which would then be structured via SECP HR department and become part of HR manual for future.

General Order issued for compliance certificate with respect to their status of compliance with the requirements of filing of income tax return under the Income Tax Ordinance, 2001.

The Board directed the Commission to take steps for withdrawal of SRO after seeking legal advice. Meanwhile forbear to insist on compliance with this order nor enforce it any way.
SECP Annual Report for the year 2018-19 for submission to the Federal Government

The Board RESOLVED THAT the SECP annual audited accounts for the year ended June 30, 2019 be and are hereby approved.

It was DECIDED THAT the Board members will review the Annual Report 2019 and furnish comments as soon as possible.

Proposed Centralized Adjudication Division

The Board RESOLVED THAT approval be and is hereby granted for setting up of the proposed Centralized Adjudication Division.

The Board also accorded approval for the requisite legal resources to be hired by the Commission for the Centralized Adjudication Division, along with additional budget of Rs. 22 million for the purpose.

Reconstitution of Oversight Committee of Board

Consequent upon resignation of Mr. Farrukh H. Khan from the Board’s membership, it was RESOLVED THAT the Oversight Committee of the Board be and is hereby reconstituted as follows:

(i) Mr. Adnan Afridi – Convener
(ii) Mr. Asad Ali Shah
(iii) Secretary, Ministry of Law or his nominee

Attendance of nominees of ex-officio Members in the Board’s meeting in terms of section 12(5) of the Securities and Exchange Commission of Pakistan Act, 1997

The Board emphasized for adherence of the statutory provisions of law. Secretary to the Board was advised to write a letter to all ex-officio members that if they are unable to attend a meeting of the Board, they may authorize an officer not below the rank of Additional Secretary, of the Division.

DECISIONS OF THE NINETY-FIFTH MEETING OF THE BOARD
HELD ON 15TH NOVEMBER, 2019

(i) Recall cases referred to NAB
   Recall officers deployed in NAB
The Board RESOLVED THAT:

(i) A list of cases in NAB be placed before the Board.
(ii) The proposed letter to be sent to NAB should be as per the approved.
(iii) Internal inquiry into the matter of Mr. Jawed Hussain, Executive Director be conducted to determine the true facts of the case.
(iv) Mr. Sadiq Sayeed and Aamir Ali Khan to draft a paper outlining interference in SECP’s affairs by SECP.
(v) Process of Appointment of Nominees of SECP on Boards of PSX/CSC/NCCPL.

The Board be advised and updated in next meeting.

SECP Annual Report for the year 2018-19 for submission to the Federal Government

The Board RESOLVED THAT the draft Annual Report be revised appropriately addressing the following aspects:

- What needs to be done.
- What were the issues and how were these being addressed.
- Illegal raid on SECP by FIA as also other activities of LEAs vis-a-vis SECP.
- Initiatives.

The Board RESOLVED THAT Mr. Aamir Ali Khan and Mr. Asad Ali Shah should prepare an appropriate mission statement for the Board’s consideration.

Evaluation of Commissioners/Chairman/Commission by the Board (In the absence of targets) for 2018-19:

- Performance based compensation.

The Board RESOLVED THAT a committee comprising of the Chairman of the Board, Mr. Veqar-ul-Islam, and Mr. Asad Ali Shah, will evaluate the
performance of each Commissioner and the Commission as a whole for FY 2018-19 in accordance with the procedure laid down by the Board’s HR Committee.

OTHERS MATTERS

1. Withdrawal of General Order issued for compliance certificate with respect to their status of compliance with the requirements of filing of income tax return under the Income Tax Ordinance, 2001.

   The Board did not agree to the request of the Commission and directed that the General Order be revoked.

2. Letter to all ex-officio members of the Board – their attendance in the Board meeting in terms of section 120(5) of the Securities and Exchange Commission of Pakistan Act, 1997.

   The Board RESOLVED THAT a letter be sent to all ex-officio Members by the Secretary, Policy Board, emphasizing that ex-officio members should attend Board meetings and nominees should attend only in exceptional circumstances.

Recommendations of the Regulations Committee.

The Policy Board considered the recommendations of the Regulations Committee and decided to proceed as noted below:

(i) Draft Insurance Bill 2019

   RESOLVED THAT the draft Law should be examined with the aim of removing harsh regulatory impediments that hamper the overall growth of Insurance sector. Further, the draft amendments/law be simplified and made principles-based with procedural matters being covered under subsidiary legislation i.e. through regulations, guidelines, directives etc. The draft amendments revised in light of the aforesaid be placed before the Regulation Committee.

(ii) Draft Provisional Manager and official liquidator Regulations 2019

   The draft of Regulations was approved with a suggestion that experience clause of provisional managers etc., be broadened to include relevant experience of “management and corporate governance etc.”. Further the revised draft after including the said suggestions be published in the Gazette.

(iii) Directive on adoption of IFRS-14 Regulatory Deferral Accounts under section 225 of Companies Act, 17.
The directive was approved with emphasis on the need to make Pakistan’s financial reporting framework fully compliant with IFRS. It was suggested that in liaison with ICAP a plan be brought before the board to eliminate departures from IFRS that exist in regulation that govern banking, non-banking and power sectors.

(iv) Further amendments to Companies Act 2017.
   (a) Section 186 and 187 (appointment of CEO) may be amended to enable the Board of the Company to appoint CEO in all cases; and.
   (b) Section 42 and 43 (Not for profit companies) may be amended to ease the stringent requirements regarding (i) distribution of assets to another section 42 company in cases of cancellation of license or liquidation, (ii) automatic renewal of license, and (iii) removal of 5 years licensing time period. Further with regard to issue of distribution of assets in the case of liquidation of a section 42 company, the assets of such company may be allowed to be transferred to any other not for profit company registered under any law.

(v) Regulatory Sandbox Guidelines 2019 (Insurance).
   These are to be revisited in accordance with the directions of the Regulations Committee.

   Approval.

   Approval.

   Approved with recommendations that no fee may be charged for applications under the regulations.

Be revised in accordance with the directions of the Regulations Committee.


Initiation of the review process of the Securities Act 2015 be approved keeping in view to remove harsh regulatory impediments that hamper the overall growth of securities market with the aim to facilitate the ease of doing business in the country. Further the Commission may initiate the review process of the Securities Act internally to identify operational loopholes, grey areas and practical difficulties faced by the Commission.

The Committee also decided that the following experts may also be engaged to assist the Committee in reviewing Securities Act, 2015 as well as other laws administered by the SECP:

a. Mr. Aftab Ahmad Chaudhry (Former CEO Lahore Stock Exchange) and

b. Mr. Tahir Mahmood (Former Chairman/Commissioner, Securities and Exchange Commission of Pakistan).

(xi) Other items.


Concerned Departments to review the law and come up with proposed amendments required to simplify the law and to remove practical difficulties faced by the departments as well as the market players involvement.

Recommendations of the IT & HR Committee

Framework agreement between SECP and Karandaaz for the implementation of LEAP Mr. Aamir Khan and his IT team were commended by the Board for the outstanding work and endorsed the implementation of LEAP through Karandaaz. The Board was of the view that the approval of the subject agreement is not a matter for the Board.

Recommendations of the Oversight Committee

The Policy Board considered the recommendations of the Oversight Committee and RESOLVED as follows with direction to report in next meeting:

[...]

(i) Review of SECP mandatory rotation policy: The Commission must take steps to ensure robust implementation of rotation policy on priority basis, including employees working in CROs over a long period.

The rotation had not been satisfactorily and that CEO positions should be a priority, as they are the interface of the Commission with the public. A massive culture change is required.

The Board directed the Commission to take steps to ensure implementation of rotation policy on priority basis.

(ii) PSX regulations regarding disclosure of financial statements of brokers:

- Take appropriate steps, including necessary action against PSX, the frontline regulator, who should have the primary responsibility to ensure effective enforcement of its regulations.
- Consider reviewing the disclosure policy from quarterly to half-yearly basis in consultation with PSX.
- Existing regulations must be enforced.
- Provide any information sought least two days prior to the meeting date.

The Board directed the Commission to provide any information two days prior to the meeting.

(iii) Fit & Proper criteria for CEO/Board members:

- Took strong notice of RoC for not appropriately evaluating the Fit & Proper criteria of Mr. Asim Murtaza, as CEO PIP in accordance with the decision of the Policy Board and earlier advice of the Committee.
- The Commission should properly examine this matter, take necessary corrective actions and report the progress in the next board meeting.

The Board directed the Commission to look into and amend F&P criteria in a consistent manner.

(iv) Improvement of SECP e-filing system.
Changes should be made in the existing system. The Board directed the Commission to consider automating tracking system of services.

(v) Change of Sponsorship of 128 SEC:

The Board directed the Commission that approval of sponsor be given.

(vi) BRR’s proposal to take over management and merging the three Modarbas:

- Recommended that in order to handover the management of Trust Modaraba to a Modaraba Company the EoI process shall be accelerated to evaluate all bidders.
- SCN issued to BRR is based on an inspection report, which is 18 months old just because RoM declined to take enforcement action without segregation of powers.
- Needs to evaluate this inordinate delay.

The officer was completely defiant in her explanation and he had asked her to review the SCN. The Board directed the Commission to examine BRR matter, the SCN be withdrawn and charge sheet issued to the Registrar Modaraba.

(vii) Major regulatory enforcement actions:

- Revocation of license of BRAC Pakistan;

At the time of the appointment of an Administrator, the Commission shall devise his TORs, scope of work and his performance evaluation criteria. Moreover, Administrator must be bound to give his recommendations in writing.

The Board directed the Commission that administrator give recommendations in writing.

- SCN and Order issued to NCCPL in the case of Data Pilferage:

The Board directed that there are excessive adjournments and the Commission consider prescribing an adjournment fee.

Pakistan Chipboard Insurance claim against Premier Insurance Limited:
PLAD SECP in its opinion stated that SECP should abstain from proceeding further till the matter is disposed of by the Apex Court. The Committee recommends to discuss the PLAD’s opinion in the upcoming Board’s meeting as such opinions undermine the regulator. The Board advised that PLAD opinion is not correct.

Statement by CEO, PIA.

Questioned whether any cognizance of any violation had been taken up by the Commission since price sensitive statements had been made by the CEO which were followed by major trading in the shares. The CEO had acted in an irresponsibly. In the absence of accounts such statements should not have been made.

The Board RESOLVED THAT cognizance of violations, if any, be taken up and duly pursued.


The Board RESOLVED THAT the proposed General Takaful Accounting Regulations, 2019 be and are hereby approved.

Update on Policy Board decision regarding Policy for Foreign tours of SECP employees.

The Board noted the update and agreed that the Chairman, SECP should be empowered to accord approval of foreign tours of the Commission employees.

Update on Restructuring of PSX Board.

Approval of SECP for Board of Directors of PSX should be given on the basis of duly framed Fit and Proper Criteria. The Code of Corporate Governance should prevail in as far as role of PSX and its Committees was concerned. The CRO must report to SECP with a dotted line for administrative purposes to the CEO.

The Board directed that the specific F&P criteria for stock exchanges should be made and shared with Mr. Adnan Afridi.

Growth Enterprise Market Listing Regulations.

The Board RESOLVED THAT Growth Enterprise Market (GEM) Listing Regulations of PSX proposed by the Commission be reexamined for being applicable
to all listed companies to facilitate the market; and in addition consideration be given to establishment of a “senior” or “premium” tier for very large companies that were also fully compliant with all environmental regulations and corporate governance stipulations.

OTHER BUSINESS.

The Board RESOLVED that the Buy-back of Shares Regulations amended to remove the requirement for a float subsequent to the buy back as maintenance of a “float” was essentially a stock exchange listing criteria which is where it should remain.

• Matter of Nirala MSR Foods Limited.

Questioned as to why there was no order was issued in the subject matter subsequent to the hearing in September, 2017. It was RESOLVED that the Commission will look into the matter and report to the Board at the next meeting as to why this omission occurred; what action has been taken, both in this case and to prevent re-occurrence of such grievous omissions in future.

DECISIONS OF THE NINETY-SIXTH MEETING OF THE BOARD HELD ON 13TH DECEMBER, 2019

Role of the Policy Board.

The Board RESOLVED THAT—Statement by SECP Chairman should be first agenda item in future of all meetings of the Board Secretary to the Board should point out any direction/decision of the Board beyond its ambit.

The following be provided to the Board:

• Mandate of the Board under the SECP Act.
• Judgment of the Supreme Court – Tiwana Case – Defining objective and role of the Policy Board.

Press Releases of the Board.

The Board RESOLVED THAT a draft Press Release on decisions/directions, after a Board’s meeting, will be shared with all members for half an hour for comments/views, and thereafter, with the approval of the Chairman Board, released to the Press.

Implementation status of decisions taken by the Board in previous meetings:
(i) Recall cases referred to NAB

Recall officers deputed in NAB

The Board advised that the Commission to examine any provisions in
laws within the ambit of the Commission in terms of which the LEAs

The Board also discussed its earlier direction to the Commission for
submission of inquiry report in regard to the raid by FIA on SECP’s
Headquarters, the placement of four SECP officials on ECL, and the
arrest of SECP officials by LEAs.

The Board RESOLVED THAT the Commission to do a fact-finding
with respect to all officials of the Commission which have been
implicated and come out with a considered view as to what occurred
and if anything went wrong what was it.

• In the case of Jawed Hussain — Chronology also containing
facts be presented to the Board

• For others matter (Commissioner and other officers) – Report
containing facts as well as concise statement filed with the Court.

• Update on recovery of SECP files illegally impounded by FIA be
provided including steps being taken to recover these files.

(ii) SECP Annual Report for the year 2018-19 for submission to the Federal
Government it will be examined by the Board Members and possibly
clerical in the next meeting

(iii) Withdrawal of General Order issued for compliance certificate with
respect to their status of compliance with the requirements of filing of

The Board RESOLVED THAT in deference to the FBR’s request,
the Commission to issue a letter to all companies asking them to ensure
that annual tax returns are filed in accordance with law. Chairman
SECP to send reply to FBR accordingly.

(iv) Letter to all ex-officio members of the Board — their attendance in
the Board meeting in terms of section 12(5) of the Securities and

The Board, once again, RESOLVED THAT a letter addressed to the
Ministry of Finance (at the highest level) be issued requesting that
they urge the officials concerned to do their best to attend all Policy Board meetings.

Mr. Bilal Rasul, Secretary to the Board, to draft a proper letter to be sent by the Chairman of the Board.

(v) Information to members of the Board and its Committees.

The Board RESOLVED THAT the said direction be withdrawn by the Commission. Secretaries of the Committees and the Board will be provided all information/documents as desired by the Committees and Board Members.

(vi) Further amendments to Companies Act 2017:

(i) Section 186 and 187 (appointment of CEO) may be amended to enable the Board of the Company to appoint CEO in all cases; and

(ii) Section 42 and 43 (Not for profit companies) may be amended to ease the stringent requirements regarding (i) distribution of assets to other section 42 company in cases of cancellation of license or liquidation, (ii) automatic renewal of license, and (iii) removal of 5 years licensing time period. Further with regard to issue of distribution of assets in the case of liquidation of a section 42 company, the assets of such company may be allowed to be transferred to any other not for profit company registered under any law. Draft amendments be presented to the Regulations Committee in light of the direction.


The Board in continuation of its earlier direction advised the Commission to carry out an exercise for amalgamation of the Securities Act, 2016 and the Futures Market Act, 2017 and place before the Regulations Committee of the Board: (i) a comparison of these laws with the erstwhile the Securities and Exchange Ordinance, 1969; and (ii) proposed amendments in the amalgamated draft legislation in order to propose a simplified, rational and substantially less onerous law. Also review the LLP Act with a view to replacing it with a simpler and straightforward legislative solution.
(iii) Review of the Companies (Further Issue of Capital) Regulations 2018:

The Board RESOLVED THAT approval of the Board be accorded, subject to incorporation of the comments/views of Mr. Rashid Sadiq, Advisor, Regulations Committee and clearance of the revised regulations by the Regulations Committee prior to publication.

(iv) Earlier recommendations of the Oversight Committee:

(a) PSX regulations regarding disclosure of financial statements of brokers:

RESOLVED THAT The Commission to take appropriate steps, including necessary action against PSX, the front line regulator, who should have the primary responsibility to ensure effective enforcement of its regulations.

(b) Fit & Proper criteria for CEO/Board members:

The Board and its Committees observed that the work of the Registrar of Companies is not up to the mark and he is not ready to apply logic. Mind set change is required. ROC is a very important position and has significant role to play.

Chairman SECP to look into this matter and take appropriate action.

(c) F&P criteria of the Securities Brokers Licensing & Operations Regulations, 2016

RESOLVED THAT the Commission to review the relevant regulations as the Sponsors are the investors and this clause should not be applicable on investors.

Evaluation of Commissioners/Chairman/Commission by the Board (in the absence of targets) for 2018-2019 and Draft Criteria for the Commission for 2019-2020:

The Board RESOLVED THAT the evaluation of the performance of the Commission and the Commissioners for the year ending June 30, 2019 be and is hereby approved.

Recommendations of the Oversight Committee:

The Board considered the recommendations of the Oversight Committee and RESOLVED THAT the Commission to review the cases and report the Board.
(i) Potential violation of minority shareholder interests by Searle Co. Ltd. The matter needs to be investigated through a fact-finding process, as prima facie it appears that significant related parties’ transactions are involved.

(ii) SECP’s order for inspection against M/s Daewoo Pakistan Express in result of a complaint from Mr. Saad Farooqui. No inspection order should be issued without first making inquiry and establishing credible facts. Furthermore, in case of a complaint, the complaint must be credible and supported with evidence. Noticed that the department has not met the threshold for issuing inspection order, and therefore, the inspection order must be withdrawn.

(iii) SCN Hascol against alleged irregularities in the financial statements of the Company. Based on the review of the SCN, the matter should be pursued diligently. Significant related party transactions and material changes in financial statements of large amounts warrant a full inspection after due process.

(iv) Nirala MSR Foods Ltd. - Including Professor Wasif in court case despite his resignation from directorship and subsequent hearing at SECP. Earlier instructed the department to correct the facts of the case and thereby formally exculpate Prof. Wasif’s name from both the appellate hearing and winding up proceedings in the High Court.

NCCPL — Reduction in fee

The Board RESOLVED THAT the Commission to look into this matter with a view to issuance of appropriate directions to NCCPL for prescribing lower fee levels, as warranted.

List of pending cases in Courts

The Board RESOLVED THAT the Commission to go through all cases and report within couple of months.

New Brokers Regime

The Board RESOLVED THAT the Commission to review the capital requirement proposal for each category of stockbrokers and also to consider the introduction of a brokers regime whereby brokers simply operated as stock market intermediaries but without being permitted to hold client assets, whether securities or shares.
Regulatory Framework for Startups

The Board RESOLVED THAT the following proposal to amend the company law and the rules/regulations made thereunder in order to facilitate "startups" be and is hereby approved. The Commission was advised to proceed for public consultation, as proposed:

(i) Definition of Startups

In the Third Schedule to the Companies Act, the following category to be added:

An entity shall be considered as a Startup:

(a) Upto a period of 10 years from the date of incorporation/registration.

(b) Turnover of the entity for any of the financial years since incorporation/registration is not greater than 100 million Rupees.

(c) Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation:

Provided further that an entity formed by splitting up or reconstruction of an existing entity or a separate company with similar objects and ownership shall not be considered a "Startup Company".

(ii) Amendment in the Section "83 - Further issue of capital" to offer "Employee Stock Option Scheme (ESOS)" shall help address the employee retention and reward issues being faced by startups as done by all the countries having friendly startup regulations around the world. The following new proviso to be added:

"Provided that the directors of a private limited company may allot the declined or re-subscribed shares to its employees under "Employee Stock Option Scheme", on such conditions, as may be specified."

(iii) Amendment in the clause "88 — Power of a company to purchase its own shares" shall facilitate ESOS option and shall facilitate buy back of shares by companies, since they do not have a secondary market.
It would also facilitate startups in case any founding member needs to exit from the company by allowing return of shares to a company.

**(iv) Changes to be incorporated in the Companies (Further Issue of Shares) Regulations, 2018.**

(a) Amendment in the clause “7. Application to the Commission for issue of shares other than right” is a consequential change whereby no application for approval shall be required to be made to the Commission under Section 83 of the Act by a Private Company, and shall only be required to maintain and file the documents with the Commission not later than two months from the decision to issue such shares, as specified in sub-regulation (2) below.

(b) Conditions for issuance of shares with differential rights.

The requirement for the company not defaulted in filing financial statements and annual returns for three financial years immediately preceding the financial year in which it is decided to issue such shares,

**Amendments to the Public Offering framework**

The Board approved the amendments to the Public Offering framework, subject to review by Regulations Committee.

The Board advised also to share the presentation to the Board Members for their views/comments, if any.

[B/1/SECP/8/13]

BILAL RASUL,
Secretary to the Commission.