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PART II

Statutory Notifications (S.R.O.)

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the 14th October, 2022

S. R. O. 1912(1)/2022. — In exercise of the powers conferred under section 114 of the Futures Market Act, 2016 (XIV of 2016), the Securities and Exchange Commission of Pakistan is pleased to make the following amendments in the Futures Brokers (Licensing and Operations) Regulations 2018, the same having been previously published *vide* S.R.O. 601(1)/2022 dated 11th May 2022, as required under sub-section (4) of said section 114, namely: -

AMENDMENTS

In the aforesaid Regulations, -

- (1) in regulation 2, in sub-regulation (1), clauses (e) and (k) shall be omitted;

(0)

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- (2) in regulation 4, in sub-regulation (1),-
- (i) in clause (a), for the semi colon a colon shall be substituted and thereafter the following proviso shall be inserted, namely: -

“Provided that a person holding a valid license to act as a Securities/Futures Broker under Securities Brokers (Licensing and Operations) Regulations, 2016 may apply for license as a futures broker for commodities and financial instruments without prior permission of the Commission under these regulations.”;
 - (ii) in clause (e), for the full stop a colon shall be substituted and thereafter the following proviso shall be inserted, namely: -

“Provided that no prior approval of the Commission shall be required in case of reduction of number of sponsors through transfer/sale of shares among existing identified sponsors under clause (e) of Regulation 4.”;
 - (iii) in clause (h), for the word “any” appearing for the first time, the word “such” shall be substituted; and
 - (iv) clause (k) shall be omitted;
- (3) in regulation 7, -
- (i) in sub-regulation (1), the words “paid up capital and” shall be omitted and for the expression “twenty (20)” the expression “ten (10)” shall be substituted; and
 - (ii) in sub-regulation (2), the expressions “paid up capital and/or” shall be omitted;
- (4) in regulation 8, in sub-regulation (4), for the words “fifteen days” the words “three months” shall be substituted;
- (5) in regulation 9, in sub-regulation (1), for the expression “forty-five (45)” the expression “thirty (30)” shall be substituted;
- (6) in regulation 16, -
- (i) in sub-regulation (1), in clause (q), for the words “periodic visit/inspection of the branches on an annual basis” the words “periodic inspection of the branches of brokers on the basis of a risk based inspection plan” shall be substituted;

- (ii) in sub-regulation (10), in clause (e), for the word “quarterly” the word “bi-annual” shall be substituted;
- (iii) in sub-regulation (12), clause (a) shall be omitted;
- (7) in regulation 22, in sub-regulation (6), for the expression “regulation 20” the expression “regulation 21” shall be substituted;
- (8) for regulation 23, the following shall be substituted, namely, -

“23. Receipt of customer money. - A futures broker shall not receive customer money in its own name or hold customer assets for whatsoever purpose.”;
- (9) regulation 24 shall be omitted;
- (10) in regulation 27, sub-regulation (2) shall be omitted;
- (11) in regulation 29, -
 - (i) in sub-regulation (5), clause (j) shall be omitted; and
 - (ii) sub-regulation (7) shall be omitted;
- (12) in regulation 31, -
 - (i) in sub-regulation (5), the phrase “must state additionally an opinion as to whether the futures broker was in compliance with the requirements of section 62 of the Act and” shall be omitted;
 - (ii) in sub-regulation 6, clause (a) shall be omitted;
- (13) in Annexure A, in clause (8), sub-clause (g) shall be omitted;
- (14) in form A-I, Form of Application for License as a Futures Broker, for the expression “[see Regulation 5(1)]” the expression “[see Regulation 6(1)]” shall be substituted;
- (15) In Annexure-B, -
 - (i) In Fit and Proper Criteria, in the first para after the words “before submitting” the words “application for approval” shall be inserted and after the words “to the Commission” the following shall be inserted, namely, -

“with the exception of scrutiny of the CIB report (which shall be obtained by the Commission).”

(ii) In sub-clause (3(c)), in clause (b) under the head “Educational or other Qualification or Experience” Fit and Proper Criteria, the proviso shall be deleted;

(iii) In sub-clause (4(b)) of clause (b) under the head “Educational or other Qualification or Experience”, Fit and Proper Criteria, the following proviso shall be inserted, namely, -

“Provided that for all of the above persons, where a person possesses seven years of relevant experience of the financial services sector/capital markets/commodity business, the minimum qualification requirement shall be relaxed.”

(a) Sub-clause (a(iii)) of clause-2 of Annexure-C, Corporate Governance Code for Futures Broker, shall be deleted;

(b) In sub-clause (a) of clause-3 of Annexure-C, Corporate Governance Code for Futures Broker, for the word “shall” the word “may” shall be substituted and after the words “timely information” the words “on a voluntary basis” shall be inserted;

(16) In Annexure-C, -

(i) clause 7, “Corporate Governance Code for Futures Broker,” for the words “enlisted within Category “A” “B” of the State Bank of Pakistan’s Panel of Auditors.” the words “from a list maintained by The Institute of Chartered Accountants of Pakistan of practicing firms having satisfactory Quality Control Review rating.” shall be substituted;

(ii) In sub-clause (b) of clause 9, Corporate Governance Code for Futures Broker, the following proviso shall be inserted, namely, -

“Provided that a licensed futures broker may comply with the above requirement in respect of quarterly financial statements on a voluntary basis.]”.

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BILAL RASUL,
Secretary to the Commission.