PART II
Statutory Notifications (S.R.O.)

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the 2nd July, 2019

S. R. O. 717 (I)/2019.— The following draft Collateral Management Companies Regulations, 2019, proposed to be made by Securities and Exchange Commission of Pakistan in exercise of the powers conferred by section 512 read with section 457 of the Companies Act, 2017 (XIX of 2017) is hereby published for information of all persons likely to be affected thereby and notice is hereby given that comments, if any, received within fourteen days of the date of publication of this notification in the official Gazette will be taken into consideration, namely:

DRAFT REGULATIONS

CHAPTER I

PRELIMINARY

1. Short title and commencement.—(1) These regulations may be called the Collateral Management Companies Regulations, 2019.

1267 (1—24)

Price : Rs. 40.00

They shall come into force at once.

1. **Definitions.**—(1) In these Regulations, unless the context otherwise requires,—

(a) “Act” means the Companies Act, 2017 (XIX of 2017);

(b) “Annexure” means annexures appended to these regulations;

(c) “certificate of accreditation” means the certificate of accreditation issued to a Warehouse by a Collateral Management Company under these regulations;

(d) “Collateral Management Company” means an Agriculture Promotion Company registered with the Commission under these regulations;

(e) “Commission” means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);

(f) “Depositor of Produce” means a person who delivers Produce to the Warehouse Operator for storage or transfer of ownership;

(g) “electronic warehouse receipt” or “EWR” means a receipt issued in electronic form by the Warehouse Operator through the electronic warehouse receipt system of the Collateral Management Company as proof of storage of the Produce of the Depositor held at the accredited Warehouse;

(h) “electronic warehouse receipt system” means a centralized electronic system as maintained by the Collateral Management Company for registration of possession and ownership of Produce stored in accredited warehouse;

(i) “financial institution” shall have the same meaning as assigned to it in clause (31) of sub-section (1) of section 2 of the Act;

(j) “Pakistan Mercantile Exchange” or “PMEX” means Pakistan Mercantile Exchange duly licensed by the Commission;

(k) “Produce” shall have the same meaning as assigned to it in clause (b) of sub-section 1 of section 457 of the Act;
(l) “physical warehouse receipt” means a temporary receipt issued by a warehouse operator, in exceptional circumstances to be specified by the Collateral Management Company, for a maximum period of seven days or such period as may be notified by the Commission, to a Depositor of Produce upon depositing Produce with the Warehouse, for the purpose of acknowledging the deposit until the issuance of the Electronic Warehouse Receipt to the Depositor of Produce;

(m) “Schedule” means schedule appended to these regulations;

(n) “Warehouse” means any premises, owned or operated by a Collateral Management Company or a Warehouse Operator, accredited by the Collateral Management Company to be used for the custody of Produce deposited by a person;

(o) “Warehouse Operator” means any corporate entity or person including a warehouseman managing an accredited Warehouse; and

(p) “Warehousing Standards” means such standards as may be required under the applicable law.

(2) Words and expressions used but not defined in these regulations shall, unless there is anything repugnant in the subject or context, have the same meaning as assigned to them in the Act or any administered legislation.

CHAPTER II

ESTABLISHMENT AND REGISTRATION OF COLLATERAL MANAGEMENT COMPANY

3. Application for Grant of Registration.—(1) A public company desirous of establishing a Collateral Management Company may make an application for permission of the Commission subject to the following terms and conditions,

(a) the principal line of business of the company is related to produce for agriculture promotion or managing produce as collateral or engaged in any activity connected with or related to any Produce or other related activities;

(b) the company has a minimum equity of two hundred million rupees or such higher amount as may be specified by the Commission from time to time;
(c) the company has necessary infrastructure including but not limited to adequate office space, equipment, electronic systems and control procedures;

(d) the company has key management personnel and technical experts with relevant qualifications and experience in warehousing; and

(e) such other conditions as may be notified by the Commission from time to time.

(2) The company shall provide the following documents/information along with the application,

(a) draft Memorandum and Articles of Association;

(b) list of names of proposed sponsors, shareholders, directors and authorized signatory of the applicant as provided in Annexure A;

(c) five years’ business development plan;

(d) declaration that the applicant shall comply with the terms and conditions of the registration; and

(e) a non-refundable licensing fee of five hundred thousand rupees.

(3) The Commission, while considering the application for grant of registration, may require the applicant to furnish such further information or clarification regarding its activities and businesses as it deems appropriate.

(4) Any subsequent change in the information provided to the Commission at the time of filing of application under sub-regulation (1) shall be intimated to the Commission within five working days from the date of such change.

(5) The applicant shall, if so required, appear before the Commission for a representation through an officer duly authorized for this purpose in writing by the board of directors of the applicant.

(6) The Commission shall, after making necessary inquiries and after obtaining such further information, as it may consider necessary, and if it is satisfied that each of its promoters, directors, chief executive and chairman of the board of directors fulfills the terms and conditions mentioned in the fit and proper criteria as provided in Schedule I, grant permission for registration as a Collateral Management Company:
Provided that the Commission may refuse to grant permission for registration if in the opinion of the Commission such applicant does not fulfill the requirements specified under these regulations and where the Commission, after taking into account the facts, is of the view that it is not in the public interest to grant such permission.

(7) The applicant shall within a fortnight, or such other extended time as may be allowed by the Commission, of grant of permission under regulation (6) may approach the relevant Registrar, where the registered office of the Collateral Management Company will be situated, for issuance of certificate of incorporation.

4. **Scope of Activities of a Collateral Management Company.**—Subject to the requirement of section 457, the Collateral Management Company may engage in the following activities,

(a) warehousing, *i.e.* provision of quality storage and preservation services for a range of agricultural commodities;

(b) issuance of credible Warehouse receipts for agricultural commodity financing;

(c) stock audit, evaluation and verification services;

(d) accreditation of warehouses; and

(e) any other activity as approved by the Commission.

CHAPTER III

DUTIES AND RESPONSIBILITIES OF COLLATERAL MANAGEMENT COMPANY

5. **Duties of a Collateral Management Company.**—(1) Every Collateral Management Company shall

(a) ensure that its board of directors and the chief executive are appointed with prior approval of the Commission;

(b) ensure that key executives fulfill the fit and proper criteria as provided in Schedule I of these regulations;

(c) maintain high standard of integrity and fairness in discharging its functions and its dealing with other persons with whom they have agreed in writing to render services as Collateral Management Company;
(d) fulfill its obligations in a fair, efficient, transparent and ethical manner;

(e) act with due skill, care and diligence in performing all its functions and discharging all its obligations and responsibilities;

(f) upon obtaining registration, display the certificate of registration, in a conspicuous place, in the principal place of its business;

(g) have its own inspection arrangements or a list of third party examiners responsible for the inspection of the Warehouses for the purpose of accreditation or annual inspection or as may be required by any relevant statute;

(h) maintain records and documents, both in physical and electronic form, in respect of accredited Warehouses;

(i) make an initial assessment report at the time of accrediting a Warehouse as well as annual assessment report in relation to each Warehouse accredited, and maintain a copy thereof for a minimum period of ten years;

(j) maintain a register of accredited Warehouses and publish the list on its website;

(k) submit a monthly report to the Commission with regard to issuance of certificate of accreditation to Warehouses and ensure that the same information is available on its website; and

(l) allow and assist the Commission to inspect its office(s), accounts, books, records and documents, and its accredited Warehouses at any time.

6. Maintenance of Record by Collateral Management Company.—(1) Every Collateral Management Company shall properly maintain the following records, namely:

(a) list of all the applications received for accreditation;

(b) list of all the rejected applications and reasons of rejection thereof;

(c) list of all accredited warehouses along with criteria, procedure and basis of issuance of accreditation;

(d) all the record relating to the depositors of Produce; and
(e) such other record as may be required by the Commission.

(2) A Collateral Management Company shall ensure that the record referred to in sub-regulation (1) is maintained and preserved in good order for a period of at least ten years.

(3) A Collateral Management Company shall

(a) ensure that the record is kept at such a place and maintained in such a manner that it is easily accessible; and

(b) establish a record-retention-policy which shall ensure that all relevant legal and regulatory requirements are complied with.

CHAPTER IV

ACCREDITATION OF WAREHOUSES

7. Accreditation of Warehouse managed by the Warehouse Operator.—(1) A Collateral Management Company may grant certificate of accreditation to a Warehouse, subject to the fulfillment of following conditions,—

(a) Warehouse shall have all necessary permissions and meet the requisite standards in accordance with applicable laws, within the jurisdiction the Warehouse is situated, for carrying out the business of warehousing;

(b) Warehouse shall have a warehouse operator who will manage and operate the Warehouse to the satisfaction of the Collateral Management Company;

(c) Warehouse operator has submitted proof of ownership or registered-lease deed or rent agreement or such other title document as admissible under law;

(d) Warehouse is suitable with respect to the kind of Produce being stored;

(e) Warehouse is equipped with all the necessary equipment and apparatus including but not limited to drying, weighing, handling, firefighting, circulation of stock, alternative power source, and insect/pest management;
(f) Warehouse has adequate arrangements in place for carrying out sampling, grading and testing of Produce stored therein;

(g) Warehouse operator has financial capability, and adequate trained staff with expertise and knowledge for the storage of Produce in the Warehouse;

(h) Warehouse has an efficient system for loading or unloading of Produce including proper mechanism for segregation of different kinds or quality of Produce;

(i) Warehouse has adequate security arrangements and is located in a place which is accessible and is not excessively prone to natural disasters;

(j) Warehouse is comprehensively insured for incidents including but not limited to natural disaster, fire, and theft;

(k) Warehouse Operator has not been declared insolvent by the court of law and in the case of an individual has not been convicted of an offence involving moral turpitude;

(l) Warehouse Operator has submitted an affidavit that he is responsible for ensuring maintenance of quantity, weight and quality of Produce that is stored for the Depositor;

(m) Warehouse is electronically connected with the Collateral Management Company; and

(n) Warehouse shall have proper books of accounts and other records and documents.

2. On the complete satisfaction of all the conditions for accreditation, the Collateral Management Company shall grant a certificate of accreditation to the Warehouse.

3. Upon accrediting a Warehouse, the Collateral Management Company shall forthwith inform the Commission and shall share the copy of accreditation, along with location, capacity, kind of Produce the Warehouse is suitable for storing, and other relevant information.

4. Collateral Management Company shall prepare warehousing guidelines and standard operating procedures in accordance with the applicable laws and as much as possible meet the international standards for the accreditation, management and inspection of Warehouses and have the same approved by the Commission.
5. Collateral Management Company shall appoint one or more examiners to undertake inspection of the Warehouse to ensure that all the conditions for accreditation have been fulfilled and the Warehouse Operator has met all the conditions stated in Schedule II:

Provided that the Collateral Management Company shall appoint third party examiners for inspection of its own Warehouse(s).

6. Collateral Management Company, shall ensure that the examiners,

(a) are competent to undertake evaluation for accreditation of Warehouses; and

(b) have conducted the inspection in a fair and transparent manner.

7. The Collateral Management Company shall appoint one or more persons as examiners to undertake annual inspection of an accredited Warehouse after the grant of certificate of accreditation and the scope of such inspection shall include, but not be limited to, review of books of accounts, other records and documents of the Warehouse and shall submit a report thereof for information of the Commission within such time as may be notified by the Commission.

8. **Cancellation of Certificate of Accreditation.**—(1) Where Collateral Management Company, upon undertaking a periodic inspection, determines that the Warehouse Operator or Warehouse is not complying with the requirements of certificate of accreditation, it shall cancel the accreditation and record the same in its periodic inspection report and immediately inform of its decision to cancel and the grounds thereof to the Commission, PMEX and relevant financial institution(s):

Provided that prior to cancellation of the accreditation, the Collateral Management Company shall ensure that the Produce stored in the relevant warehouse is either transferred to another accredited warehouse or to the beneficiary of warehouse receipt or as may be directed by the Commission.

(2) The Collateral Management Company shall submit a copy of its inspection report as well as its decision to cancel the certificate of accreditation in respect of a Warehouse to the Commission not later than five working days from the date of such decision.

(3) The warehouse whose accreditation has been cancelled by the Collateral Management Company may prefer an appeal to the Commission against the decision of the Collateral Management Company within a fortnight from the date of such decision.
CHAPTER VI

WAREHOUSE RECEIPTS

9. **Receipt to be issued.**—(1) Against the Produce deposited in the Warehouse by each Depositor of Produce, the Warehouse Operator shall issue an electronic Warehouse Receipt, which shall contain full particulars of the Produce, as specified under Regulation 10 along with the name of the Warehouse Operator and the expiry date of receipt.

(2) In case of issuance of physical Warehouse Receipt, the same shall be temporary and remain valid for a period of 7 days until the Warehouse Operator issues an electronic Warehouse Receipt to the Depositor of Produce.

10. **Standardization and issuance of Warehouse Receipts.**—(1) The Collateral Management Company shall be the repository of the electronic Warehouse Receipt books, and shall control and maintain the records of such Warehouse receipt book.

(2) The Collateral Management Company shall, with prior approval of the Commission, prescribe particulars to be contained in the Warehouse receipt which shall include the following at a minimum,

(a) receipt number;

(b) Warehouse accreditation number and date up to which it is valid;

(c) name of the Warehouse, warehouse operator and its complete postal address;

(d) name and address of the person by whom or on whose behalf the goods are deposited;

(e) the warehouse receipt shall be transferable only through the electronic warehouse receipt system;

(f) date of issuance of the Electronic Warehouse Receipt;

(g) storage charges and handling charges;

(h) description of the goods or of the packages containing them with particulars of quantity and quality or grade;

(i) market value of the goods at the time of deposit;

(j) declared shelf-life of the goods;
that the receipt would be valid only till the date of expiry of declared shelf-life of the goods for which it is issued;

(name of the insurance company indemnifying for fire, flood, theft, burglary, misappropriation, riots, strikes or terrorism);

statement that the goods received shall be delivered to the holder thereof, or that the goods shall be delivered to the order of a named person.

(3) Each electronic Warehouse Receipt book and each electronic Warehouse Receipt therein shall be allocated a serial number, which shall be duly noted in a separate register by the Collateral Management Company.

11. **Transferability of EWR.**—The EWR issued by a Warehouse Operator may be negotiated by its delivery to another person through electronic warehouse receipt system and such person or subsequent endorsee, as the case may be, shall be entitled to receive the Produce specified in it.

12. **Delivery of goods to be made after due charges are paid.**—The Warehouse Operator shall deliver the goods to the depositor or endorsee subject to payment of all dues to the warehouse and the warehouse receipt is surrendered for cancellation.

13. **Issue of duplicate receipt.**—In case of a loss or destruction of the warehouse receipt, the warehouse operator may issue a duplicate receipt in such manner as may be notified by the Commission.

14. **Maintenance of Record of Warehouse Receipts.**—(1) The Collateral Management Company shall maintain a record of,

(a) total number and value of the Warehouse Receipts issued;

(b) date of issuance of the Electronic Warehouse Receipt;

(c) date of expiry of the Electronic Warehouse Receipt issued;

(d) the commodities for which the Electronic Warehouse Receipt has been issued;

(e) the quality and quantity of the commodities as specified in the electronic Warehouse receipt;

(f) any Warehouse receipt that has been surrendered to the Collateral Management Company by a depositor;
(g) any Electronic Warehouse Receipt that has been cancelled by the Collateral Management Company;

(h) any transaction that has been carried out on the Electronic Warehouse Receipt; and

(i) any other information as may be required by the Commission from time to time.

(2) The Collateral Management Company shall submit a summary of total number of electronic Warehouse Receipts issued commodity-wise, along with the total value of the relevant Produce, on monthly basis to the Commission.

(3) The Collateral Management Company shall inform the Commission immediately of any loss, damage or destruction of any record or report in relation to the electronic Warehouse Receipts.

15. Financing against EWR in respect of Produce.—(1) The Collateral Management Company may make necessary arrangements for provision of financing against the EWR, issued in respect of the Produce, including the matters concerning the collateral management of such financing/ownership in accordance with such terms and conditions as may be provided by the Collateral Management Company with prior approval of the Commission.

(2) The Collateral Management Company may, from time to time, amend, modify, alter, rescind or substitute the terms and conditions referred to in sub-regulation (1) with the prior approval of the Commission.

16. Tradability of EWR.—(1) The Commission may notify the EWR as a security under the Futures Market Act, 2016 to facilitate trading of EWR through the futures exchange.

(2) The Commission may give approval for offering to trade in futures contracts having Produce as underlying commodity stored in the accredited Warehouse against which EWR has been issued.

CHAPTER VII
DISCIPLINARY PROCEEDINGS

16. Restriction of Business.—Where a Collateral Management Company contravenes or fails to comply with any provision of these regulations or is not in compliance with the conditions of registration or any directive issued or order passed by the Commission, or it is in the public interest to do so, the
Commission may, after providing a reasonable opportunity of representation to the Collateral Management Company, may take such actions or impose such restrictions on its business and impose such penalties as may be applicable under this Act, Securities and Exchange Commission of Pakistan Act, 1997 and the Futures Market Act, 2016.

17. **Withdrawal of Permission for Registration as a Collateral Management Company.**—(1) The Commission, after providing to a Collateral Management Company a reasonable opportunity of being heard, may withdraw the permission granted under sub-regulation (6) of Regulation 3 if—

(a) in the opinion of the Commission a Collateral Management Company has been in violation of any provision of these regulations or restriction imposed under regulation 16; or

(b) it is found guilty of fraud; or

(c) it has in any other manner become incompetent to carry out its functions as required under these Regulations.

(2) The Commission while withdrawing such permission may take such measures and issue such directions as it deems appropriate in accordance with this Act including but not limited to initiate winding up of the Collateral Management Company.

(3) The registration of a Collateral Management Company shall stand automatically cancelled if such Collateral Management Company,

(a) voluntarily surrenders its certificate of registration to the Commission; or

(b) is wound up by an order passed by a court of competent jurisdiction.

(5) Upon withdrawal of permission for registration or initiation of winding up proceedings by the Registrar of Companies, the Collateral Management Company shall with immediate effect cease its business as a collateral management company and transfer all the necessary record to another Collateral Management Company with the prior approval of the Commission.

(6) A collateral management company whose permission for registration has been withdrawn shall fulfill its obligations in relation to any accreditation activity pending, inter alia, furnishing of reports, submission of documents etc.
18. **Dissemination of information of cancellation of registration.**—
Upon cancellation of registration of Collateral Management Company, the Commission shall publish the said information in widely circulated English and Urdu newspapers, along with the rationale for the said decision, and the order shall also be placed by PMEX on its website:

Provided that in case of suspension or cancellation, the Electronic Warehouse Receipt issued by a collateral management company, whose registration has been suspended or cancelled, shall be honored by such Collateral Management Company, provided that such Electronic Warehouse Receipts are bonafide:

Provided that such Collateral Management Company shall not issue any more Warehouse receipts till its suspension has been removed.

Provided further that all the bonafide Warehouse Operators and their relevant Warehouses, that meet the criteria of these regulations and accredited by such Collateral Management Company, shall be eligible to operate normally subject to the condition that they shall have them self-accredited by another registered Collateral Management Company within a period of six months.

**CHAPTER VII**

**MISCELLANEOUS**

19. **Conduct Inspection and Investigation.**—Notwithstanding anything contained in the provisions herein above, the Commission shall have the power to carry out inspections and investigation of the Collateral Management Company and any matter connected therewith.

20. **Power of the Commission to issue Directions.**—(1) Where the Commission is satisfied that it is necessary and expedient so to do in the public interest or to prevent the affairs of any Warehouse that are likely to prejudice the interests of the stakeholders, the Commission may issue directions to the Collateral Management Company or the Warehouse Operator.

(2) The Commission may, on representation made to it or on its own motion, modify or cancel any direction issued under sub-regulation (1), and in so modifying or canceling any direction may impose such conditions as it deems fit.

21. **Warehousing Advisory Committee.**—The Commission may, by notification, constitute a committee to be known as the Warehousing Advisory Committee comprising of Commission, State Bank of Pakistan, Pakistan Mercantile Exchange Limited and any other entity or person to supervise matters related to collateral management and warehousing and make recommendations for effective implementation of these regulations.
Schedule I
[See regulation 3(6)]

FIT AND PROPER CRITERIA DEFINITIONS

“Key Executive” means key executives of the Collateral Management Company and includes, inter alia, the persons discharging the following functional responsibilities,—

a. Any executive, officer acting as second to chief executive officer including chief operating officer or by whatever name called;
b. any person responsible for heading any specific form of business
c. chief financial officer, head of accounts or head of finance;
d. head of internal audit;
e. head of information technology;
f. head of risk management;
g. head of human resource;
h. head of operations; head of inspections;
j. head of marketing/sales;
k. head of law, company secretary or compliance officer; and any other functional responsibility which the Commission may include.

APPLICATION AND SCOPE

(1) The Fit and Proper Criteria in relation to a Collateral Management Company is applicable to the following persons:

(i) promoters and major shareholders of the Collateral Management Company;

(ii) director of the Collateral Management Company;

(iii) chief executive of the Collateral Management Company; and

(iv) Key Executives of the Collateral Management Company.

(2) A proposed director or chief executive of the Collateral Management Company shall not assume the charge of office until his appointment has been approved by the Commission.
(3) The application for seeking approval of the Commission under clause 3(1) shall be submitted by the Collateral Management Company along with the requisite information required under Annexure “A” and an Affidavit as specified in Annexure “B”.

(4) The appointment of Key Executives of a Collateral Management Company does not require the approval of the Commission; however, a Collateral Management Company shall ensure at the time of appointing a Key Executive that such person qualifies the Fit and Proper Criteria by submitting information as specified in Annexure “C”.

(5) The fitness and propriety of any person shall be assessed by taking into account all the relevant factors including but not limited to the following:

(a) Integrity and track record of such person;

(b) Financial soundness of such a person;

(c) Competence and capability of the person; and

(d) Conflict of interest of such person with the business of the Collateral Management Company:

Provided that 5(c) may not be considered while assessing the fitness & propriety of promoters and major shareholder of the Collateral Management Company:

Provided further that in case the sponsor and major shareholder is a body corporate, in addition to the relevant/ applicable clauses, corporate behavior of the said body corporate and its sponsors shall be duly considered.

(6) The Fit and Proper Criteria is perpetual in nature and a Collateral Management Company shall ensure compliance with the provisions of Fit and Proper Criteria.

(7) All persons subject to Fit and Proper Criteria shall report any change with reference to their fitness and propriety to the respective Collateral Management Company within three business days of such change taking effect and Collateral Management Company shall within a period of seven business days from the date of receipt, report the same to the Commission.

(8) Collateral Management Company shall monitor whether any change in the status of its chief executive, directors and key executives is contrary to the requirements of the Fit and Proper Criteria. In case of any change in status result in non-compliance with the Fit and Proper Criteria, the Collateral Management Company shall immediately stop the person from performing his assigned functions, informs the Commission and initiate the process for replacement of the individual with a fit and proper individual.
Any violations or circumvention of the Fit and Proper Criteria shall be dealt with under the provisions of the Ordinance.

**ASSESSMENT OF FITNESS AND PROPRIETY**

(a) **Integrity and Track Record**

A person shall not be considered Fit and Proper if he:

(i) has been convicted of an offence involving moral turpitude;

(ii) has been involved in the mismanagement of investments, financial or business misconduct, fraud etcetera;

(iii) has been the subject to adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;

(iv) has been actively involved in the management of a company or firm whose registration or registration has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices;

(v) is ineligible, under the Ordinance or any other legislation or regulation, from acting as a director or serving in a managerial capacity of a Collateral Management Company or a company;

(vi) has entered into a plea bargain arrangement with the National Accountability Bureau; and

(vii) in case of promoters or major shareholder of Collateral Management Company, does not have the requisite disclosed and verifiable financial resources.

(b) **Financial soundness**

In determining a person’s financial soundness, the following shall be considered:

(i) whether such person's financial statements or record including wealth statements or income tax returns or assessment orders are available;

(ii) whether the person has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;

(iii) whether any instance of overdue or past due payment to a financial institution, irrespective of amount, is appearing in the overdue
column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc.

(iii) Provided that the Commission shall provide an opportunity of making representation to the person in case of overdue or past due payment;

(iv) Provided further that the following exceptions may be granted by the Commission for the purpose of this sub-clause in case where:

(a) Amount overdue is under litigation and the same is also appearing as amount under litigation in the CIB report; and

(b) No overdue payment appearing in the overdue column in the subsequent latest CIB report.

(v) whether the person has applied to be adjudicated as an insolvent and his application is pending;

(vi) whether the person is an un-discharged insolvent; and

(vii) whether the person has been declared a defaulter by a stock exchange or futures exchange.

(c) **Competence and Capability**

In determining a person's competence and capability the following shall be considered:

(i) the directors should be individuals having management or business experience of at least five years at a senior level;

(ii) the directors shall have experience and knowledge in any profession such as finance, accounting, marketing, trading, agriculture, etc.;

(iii) the chief executive should have a minimum experience of five years in a senior management position including minimum of 2 years' experience in collateral management and warehousing business;

(iv) the chief executive should have demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position; and

(v) the key officers must be qualified professionals possessing relevant experience and certification relating to the job or assignment.
(d) **Conflict of interest**

The directors or chief executive of Collateral Management Company shall not be a director in any other Collateral Management Company engaged in a similar business in Pakistan:

Provided that this condition shall not apply to nominees of the Federal or Provincial Governments on the board of any Collateral Management Company.

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**Schedule II**

[See regulation 7(5)]

**Duties of Warehouse Operator**

I. **Reasonable care of the Produce deposited/ sold/ transferred.**—Every Warehouse Operator shall exercise prudence in taking care of the Produce deposited/ sold/ transferred.

II. **Precautions against damage or harm to Produce.**—(1) Every Warehouse Operator shall keep his Warehouse clean and free from dampness and take all necessary precautions against pests, etc.

(2) No Warehouse Operator shall accept Produce for deposit which is likely to cause damage to other Produce which is or may be deposited in such Warehouse.

III. **Preservation of identity of Produce.**—Every Warehouse Operator shall keep the Produce of one depositor/ seller/ transferor separate from the Produce of other depositors/ sellers/ transferors and from other Produce of the same depositor/ seller/ transferor for which a separate receipt has been issued, in such a manner so as to permit, at all times, the identification and delivery of the Produce deposited/ sold/ transferred against the related Warehouse Receipt, duly accounting for the specified weight reduction percentage due to moisture shrink:

a. Provided that where standardized and graded Produce are stored in a Warehouse, the same variety of Produce belonging to different depositors/ seller/ transferor may be pooled together and each
b. depositor/seller/transferor shall be entitled only to his portion of the Produce according to weight or quantity, as the case may be, as shown in the Warehouse Receipt.

IV. **Produce deteriorating in Warehouse and its disposal.**—(1) Whenever Produce deposited/sold/transferred in a Warehouse deteriorates from causes beyond the control of the Warehouse operator, the Warehouse Operator shall forthwith give notice of such deterioration to the Collateral Management Company, which in turn may require the depositor/seller/transferor or the Financial Institution in case such Financial Institution is providing financing against such Produce, to take delivery of the Produce immediately, after surrendering the receipt duly discharged and paying all charges due to the Collateral Management Company.

(2) If the depositor or the Financial Institution does not comply with a notice given under sub-section (1) within one week, the Collateral Management Company may cause the Produce to be removed from the Warehouse and sold by public auction at the cost and risk of the depositor/seller/transferor. The proceeds realized from such auction shall be transferred to the depositor/seller/transferor after honoring claims of Financial Institution, Warehouse and Collateral Management Company, as the case may be.

V. **Delivery of Produce.**—Every Warehouse operator, in the absence of reasonable excuse, shall, without unnecessary delay, deliver the Produce deposited in his Warehouse without deterioration to the depositor/seller/transferor on demand made by the Collateral Management Company and surrender of the receipt duly discharged and payment of all charges due to the Collateral Management Company.

VI. **Excess in Produce stored.**—If there is any excess in the Produce stored/sold/transferred in a Warehouse by absorption of moisture or other causes beyond the control of the Warehouse Operator, the Warehouse Operator shall not be entitled thereto.

VII. **Transfer of Produce.**—Transfer of Produce from Warehouse to any other location will always require NOC from Collateral Management Company and a Financial Institution, if relevant and in case the registration of such Collateral Management Company has been cancelled by the Commission, the direction of the Commission shall prevail.
Annexure A

(a) Information to be provided by promoters, major shareholders (other than a body corporate), proposed directors and proposed chief executive of the Collateral Management Company

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<td>Father’s or Husband Name:</td>
</tr>
<tr>
<td>c</td>
<td>C.N.I.C # / Passport # (In case of foreign nationals) – (attach copy)</td>
</tr>
<tr>
<td>d</td>
<td>Latest photograph</td>
</tr>
<tr>
<td>e</td>
<td>Nationality:</td>
</tr>
<tr>
<td>f</td>
<td>Age:</td>
</tr>
<tr>
<td>g</td>
<td>Contact details:</td>
</tr>
<tr>
<td>i</td>
<td>Residential address:</td>
</tr>
<tr>
<td>ii</td>
<td>Business address:</td>
</tr>
<tr>
<td>iii</td>
<td>Tel:</td>
</tr>
<tr>
<td>iv</td>
<td>Mobile:</td>
</tr>
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<td>v</td>
<td>Fax:</td>
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<td>vi</td>
<td>E-mail:</td>
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<td>h</td>
<td>National Tax Number:</td>
</tr>
<tr>
<td>i</td>
<td>Present occupation:</td>
</tr>
<tr>
<td>j</td>
<td>Qualification(s):</td>
</tr>
<tr>
<td>i</td>
<td>Academic: (Attach copy)</td>
</tr>
<tr>
<td>ii</td>
<td>Professional: (Attach copy)</td>
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<td>k</td>
<td>Trainings</td>
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<td>l</td>
<td>Experience:</td>
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<tr>
<td></td>
<td>Position held during the last ten years (along with name and address of company/institution/body where appointment held, nature of the company/institution/body and dates of appointment).</td>
</tr>
</tbody>
</table>

| 2. | Status of directorship Shareholder □ Nominee □ Name of the shareholders/ Group of shareholders he is representing Nature of directorship □ Executive □ Non-executive □ Independent □ Non-independent □ Number of shares subscribed or held □ Personal net worth (copy of wealth statement) □ |

| 3. | Names of companies, firms, sole proprietorships and other organizations of which the proposed person is a chief executive, director, partner, sponsor, office holder or major shareholder. |
4. (1) CIB report issued by SBP for the companies, firms, sole proprietorships, etc. where the applicant is/was a director (sponsor or major shareholder), chief executive, partner or owner (attach original CIB reports)

(2) An undertaking providing details of the following:
   I. Any write off availed from any Financial Institution during the last five years
   II. Any default of Finance obtained from any Financial Institution during the last five years.
   III. Placement on ECL during the last five years

IV. Any conviction from any Court of Law or any plea bargain with NAB during the last ten years
V. Any write off or default by any related or affiliated person or by any company on whom the applicant or anyone closely related to him had an interest as sponsor, major shareholder, director, chief executive, key executives, etc. during the last five years

5. In the case of appointment of directors the date of board of directors' meeting in which the appointment of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors. If the director is elected, then attach a copy of the minutes of the general meeting of the company.)

6. Names of persons on the board of the Collateral Management Company who are related to the applicant.

Signature
*use additional sheets if required

(b) Information to be provided by a body corporate as promoters and major shareholders of the Collateral Management Company:

1. Financial statements for the last three years;
2. Details of business places;
3. Shareholding details;
4. CIB report of the company and its directors and sponsors;
5. Details of any write off availed from any Financial Institution during the last five years
6. Details of any default of Finance obtained from any Financial Institution during the last five years.
7. Details of any rescheduling of Finance obtained from any Financial Institution during the last five years.
8. Details of associated companies and subsidiaries;
9. Details of any inquiry, investigation conducted by the Commission or any other regulatory or professional body or government agency during the last five years; and
10. Any other information as may be required by the Commission.
Annexure B

Affidavit Before the Securities and Exchange Commission of Pakistan

(On Stamp Paper of Appropriate Value)

I, __________________, son/daughter/wife of __________________, adult, resident of ____________________________ and holding CNIC/ Passport No. ________________________ do hereby state on solemn affirmation as under:

1. That I am eligible for the position of __________ according to the Fit and Proper Criteria for the position of __________, annexed to the Collateral Management Companies Regulations, 2019
2. That I hereby confirm that the statements made, undertakings provided and the information given by me including that required under Schedule I is correct and that there are no facts which have been concealed.
3. That I have no objection if the Securities and Exchange Commission of Pakistan requests or obtains information about me from any third party.
4. That I undertake to bring to the attention of the Securities Exchange Commission of Pakistan any matter which may potentially affect my status for the position of __________ as per the Fit and Proper Criteria annexed to the Collateral Management Companies Regulations, 2019
5. That all the documents provided to Securities Exchange Commission of Pakistan are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

______________________________
DEPONENT

The Deponent is identified by me

______________________________
SIGNATURE

ADVOCATE

(Name and Seal)

Solemnly affirmed before me on this ____ day of ___________ at __________ by the Deponent above named who is identified to me by __________, Advocate, who is known to me personally.

______________________________
SIGNATURE

OATH COMMISSIONER FOR TAKING

AFFIDAVIT (Name and Seal)
Annexure C

Information to be provided by key executives of the Collateral Management Company

1. Position and Grade held by the Officer
2. Date of assumption of current position (dd/mm/yyyy)
3. Curriculum Vitae/Resume containing:
   a) Name (Former name, if any)
   b) Father or husband name
   c) CNIC # / Passport # (in case of foreign nationals)
   d) Nationality
   e) Age
   f) Contact details
      i. Residential address
      ii. Business address
      iii. Telephone
      iv. Mobile
      v. Fax
      vi. Email
   g) National tax number
   h) Education
      i. Academic qualification (HEC verification of all degrees)
      ii. Professional qualification
      iii. Trainings
4. Previous Employment(s)
5. Latest photograph
6. Has the executive ever been convicted of any offence? If yes, please provide details
7. Has the executive ever been censured or penalized by any financial regulator (local or foreign)? If yes please give details
8. Has the executive ever been dismissed from employment? If yes please give details
9. An undertaking providing details of the following:
    i. Any write off availed from any Financial Institution during the last five years
    ii. Any default of Finance obtained from any Financial Institution during the last five years.
    iii. Placement on ECL during the last five years
    iv. Any conviction from any Court of Law and plea bargain with NAB during the last ten years

(Signature of the concerned official)

(Signature and Stamp of Employer)

[No. SY/SECP/8/13.]

BILAL RASUL,
Secretary to the Commission.