



**PAKISTAN STOCK EXCHANGE LIMITED**  
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PSX/N-211

NOTICE

February 22, 2019

### SOLICITATION OF PUBLIC COMMENTS

#### PROPOSED AMENDMENTS TO "EXCHANGE TRADED FUNDS (ETFs) REGULATIONS" AND INTRODUCTION OF REVISED "MARKET MAKERS (MM) REGULATIONS" OF PAKISTAN STOCK EXCHANGE LIMITED (PSX)

This is with reference to PSX Notice no. PSX/N-6469 dated December 03, 2018 and subsequent extension Notice no. PSX/N-6520 dated December 17, 2018 whereby PSX, inter alia, notified the following changes in the PSX Regulations for eliciting public opinion in terms of section 7(3) of Securities Act, 2015:

1. Replacement of existing MM Regulations laid down in Chapter 12 [Market Makers Regulations] of PSX Rule Book with simplified version of MM Regulations; and
2. Proposed amendments to Chapter 16 [Exchange Traded Funds (ETFs) Regulations] of PSX Rule Book.

In this connection, it may be noted that PSX, as a result of extensive consultation sessions held with and significant comments received from the market participants, has suitably revised the MM and ETFs Regulations, which are attached herewith as **Annexure A** and **B** respectively. Moreover, in order to facilitate the market participants in forming better understanding of these regulations, PSX is also notifying the following supporting documents pertaining to MM Regulations as **Exhibit A, B, C** and **D** respectively, which do not form part of PSX Regulations:

1. Designated Market Maker Code of Conduct;
2. Designated Market Maker Agreement;
3. Eligibility Criteria for Market Makers; and
4. Guidelines for the assignment of securities to a Designated Market Maker by PSX

Pursuant to Section 7(3) of the Securities Act, 2015, PSX hereby invites all concerned to provide comments on the aforesaid regulations and supporting documents, either in hard form or through email at [comments.rad@psx.com.pk](mailto:comments.rad@psx.com.pk) latest by **Friday, March 01, 2019**.

**AJEET KUMAR**

Deputy General Manager (RAD)

**Cc:**

1. The Executive Director/HOD (PRDD), SMD, SECP
2. The Chief Executive Officer, PSX
3. The Acting Chief Regulatory Officer, PSX
4. The Chief Executive Officer, CDC
5. The Chief Executive Officer, NCCPL
6. The Chief Executive Officer, PMEX
7. The Chief Executive Officer, MUFAP
8. All Heads of Department, PSX
9. PSX Notice Board & Website

## **“ANNEXURE A”**

### **CHAPTER 12: MARKET MAKERS REGULATIONS**

#### **12.1 DEFINITIONS:**

In this chapter, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

- (a) “Assigned Security” shall mean the Listed Security or Derivative Contract designated by the Exchange from time to time for which a Designated Market Maker has been appointed by the Exchange for market making.
- (b) “Designated Market Maker Agreement” shall mean an agreement executed between the Designated Market Maker and the Exchange to perform market making activities under these Regulations.

#### **12.2 APPLICABILITY:**

These Regulations shall be applicable for Market Making in all Listed Securities and Derivative Contracts traded on the Exchange.

#### **12.3. DIVISION 1 - DESIGNATED MARKET MAKERS:**

##### **12.3.1 Qualifications and Application of Designated Market Makers:**

A Securities Broker may apply to the Exchange to be a Designated Market Maker by submitting an application on a prescribed format and executing a Designated Market Making Agreement.

##### **12.3.2 Appointment of Designated Market Makers:**

- 12.3.2.1 The Exchange may appoint a Securities Broker as Designated Market Maker for an Assigned Security based on the eligibility criteria including but not limited to the minimum capital, required technology, trained personnel and satisfactory compliance history and past track record in dealing with complaints and arbitration award(s).

Provided that all ETFs shall be eligible for market making and shall not be subject to the eligibility criteria formulated by the Exchange under these Regulation.

The Exchange may consult the issuer but reserves the right to make the final decisions in all Designated Market Maker assignments matters.

- 12.3.2.2 Upon application, the Exchange may:

- (a) approve an applicant;
- (b) defer approval pending receipt of further information concerning the applicant’s qualifications to be appointed a Designated Market Maker; or
- (c) refuse the application for such factors as it considers relevant after providing an opportunity of making a representation before the approving authority.

- 12.3.2.3 An applicant whose application is refused may not make another application for a period of 90 days from the date of refusal.
- 12.3.2.4 A Securities Broker that is approved as a Designated Market Maker agrees to:
- (a) maintain its status as a Securities Broker of the Exchange; and
  - (b) take all commercially reasonable steps to ensure that it complies with all requirements to act as a Designated Market Maker. Where the Designated Market Maker does not comply with such requirements it will immediately notify the Exchange of such failure in writing. Such notification will include specific information as to the nature of such failure to comply.
- 12.3.2.5 A Securities Broker that is approved as a Designated Market Maker agrees that it has and will continue to have necessary resources, including trained personnel and technology, to allow it to carry out all of its obligations pursuant to the Designated Market Maker Agreement and these Regulations and/or any requirements/guidelines to be specified by the Exchange.
- 12.3.2.6 The Exchange may restrict, suspend or revoke the Designated Market Maker's appointment as a Designated Market Maker for any or all Assigned Securities or attach such additional terms or conditions to the Designated Market Maker Agreement as the Exchange deems to be necessary, where:
- (a) the Designated Market Maker fails to comply with any term of the Designated Market Maker Agreement, these Regulations or if the Designated Market Maker fails to consistently perform at an adequate level to the satisfaction of the Exchange (determined in the Exchange's sole discretion);
  - (b) the Exchange determines, in its sole discretion, that the Designated Market Maker or its officers, employees, directors or agents have violated any applicable Exchange Requirements;
  - (c) the Exchange believes, in its sole discretion, that the Designated Market Maker cannot or may not in the future carry out its obligations as a Designated Market Maker under these Regulations or the Designated Market Maker Agreement;
  - (d) the Exchange has determined, in its sole discretion, that the Designated Market Maker or its officers, employees, directors or agents have in any way acted in a manner that is detrimental to the interests of the Exchange or the public.
- The Exchange shall disseminate to the market as soon as possible the information relating to imposition of restriction, suspension or revocation of appointment of Designated Market Maker.
- 12.3.2.7 A Designated Market Maker for an Assigned Security must designate a Designated Market Maker Approved Trader and backup trader acceptable to the Exchange.
- 12.3.2.8 A Designated Market Maker for an Assigned Security must appoint, in writing, a trading officer, or director of the Securities Broker as its Designated Market Maker Contact.
- 12.3.2.9 The Designated Market Maker Contact:
- (a) serves as the primary contact with the Exchange, with authority to speak for the Securities Broker concerning its activities as a Designated Market Maker; and
  - (b) manages the Securities Broker's market making responsibilities.

12.3.2.10 The Designated Market Maker shall implement policies and procedures to monitor the conduct for compliance with these Regulations applicable to the Designated Market Maker, and changes to such policies.

**12.4 Responsibilities of Designated Market Makers for their Assigned Securities:**

12.4.1. A Designated Market Maker must trade for its own account in a sufficient degree to assist in the maintenance of a fair and orderly market and achieve reasonable price continuity and liquidity for each Assigned Security.

12.4.2. The Designated Market Maker shall keep its market making activities separate from other trading activities. For this purpose, the Designated Market Maker shall:

- (a) Register separate UIN and allocate client code(s) for market making activities;
- (b) Maintain separate ledger account(s);
- (c) Open and maintain separate CDC Account for Market Making Inventory; and
- (d) Ensure that its approved trader(s) for market making activities shall not indulge in normal trading activities.

12.4.3. The responsibilities of a Designated Market Maker for an Assigned Security include:

- (a) meeting obligations as required by the applicable Designated Market Maker Agreement;
- (b) facilitating the opening, delayed opening, and resumption of trading following a trading halt as specified in these Regulations; and
- (c) executing all Odd Lot orders for its applicable Assigned Securities.

12.4.4. Each Designated Market Maker is subject to and must follow the Exchange's Designated Market Maker Code of Conduct, which is shared with each Designated Market Maker upon joining and published on the Exchange's website, as amended from time to time.

12.4.5. The Exchange will publish the list of Designated Market Makers and their Assigned Securities, and the Designated Market Maker obligations on its website.

12.4.6. The Designated Market Maker shall be allowed to execute Blank Sale in Assigned Security up to the following maximum limits:

**Blank Sale Limits:**

- (a) **Ready Delivery Contract Market:** 3% of the Free Float of the Assigned Security.
- (b) **Derivative Contract:** 3% of the Free Float of the underlying security of the Assigned Derivative Contract.
- (c) **ETF:** Three (3) times the creation basket of ETF units.

12.4.7. The Designated Market Maker shall be allowed to execute Blank Sale as per Clause 12.4.6. without Up-Tick or Zero-Plus Tick up to the following extent:

- (a) **Broker-Wide Position:** Maximum 4% of average daily turnover of the respective security during previous one month.
- (b) **Market-Wide Position (All Designated Market Makers on cumulative basis):** Maximum 40% of average daily turnover of the respective security during previous one month.

## **12.5. Termination of responsibilities due to events:**

- 12.5.1. A Designated Market Maker's obligations with respect to a right, warrant or similar security terminate a maximum of 10 business days prior to the expiry date of the security.
- 12.5.2. A Designated Market Maker's obligations with respect to a debt security or preferred security that is maturing or has been called for redemption or retraction terminate 10 business days prior to the maturity date or redemption or retraction date of the security.
- 12.5.3. The Exchange may suspend or terminate a Designated Market Maker's responsibilities where a corporate action or other unusual circumstance makes it impractical for the Designated Market Maker to carry out its responsibilities.

Provided that the ordinary market volatility will not be considered to be an "unusual circumstance" for the purposes of this clause.

## **12.6 Notification:**

- 12.6.1. A Designated Market Maker must give the Exchange at least 10 business days' prior notice of any change in the Designated Market Maker Contact, the Designated Market Maker Approved Trader or backup, unless circumstances make such prior notice impossible, in which case notice must be given as soon as possible.
- 12.6.2. A Designated Market Maker must inform the Exchange immediately if market conditions in any of its Assigned Securities has changed such that it is not possible for the Designated Market Maker to carry out its responsibilities.
- 12.6.3. A Designated Market Maker must give the Exchange at least 60 days' prior written notice that it intends to relinquish its responsibilities in an Assigned Security, unless the Exchange has consented to a shorter notice period.

## **12.7 Transition:**

- 12.7.1. The Exchange will provide Notice to all TRE Certificate Holders as soon as practicable following the termination of a Designated Market Maker's assignment(s).
- 12.7.2. Any transfer of an assignment occurs on the date of the assignment to a new Designated Market Maker.

## **12.8 DIVISION 2 — ASSIGNMENT OF SECURITIES AND OTHER MATTERS:**

### **Assignment of Securities:**

- 12.8.1. The process and guidelines for the assignment of securities to a Designated Market Maker will be set out by Notice by the Exchange, as amended from time to time.
- 12.8.2. The Exchange may reassign a security if:
  - (a) the number of Designated Market Makers increases;

- (b) the Designated Market Maker for that security requests a reassignment due to specific circumstances; or
- (c) the Exchange withdraws its approval of the Designated Market Maker for that security.

12.8.3. Any reassignment will be made in accordance with the Exchange procedures set out under this Clause 12.8.

## **12.9 DIVISION 3 – ASSESSMENT OF PERFORMANCE OF DESIGNATED MARKET MAKERS**

### **ASSESSMENT OF PERFORMANCE:**

- 12.9.1. As set out in the applicable Designated Market Making Agreement, the Exchange shall assess from time to time and at least quarterly the performance of Designated Market Makers based on the performance assessment criteria prescribed by the Exchange from time to time.
- 12.9.2. On completion of the quarterly assessment of performance, the Exchange may, based on such factors as it sees fit:
- (a) continue the appointment of the Securities Broker as a Designated Market Maker in any or all of its Assigned Securities;
  - (b) impose additional terms and conditions on the Designated Market Maker; or
  - (c) withdraw approval of the Securities Broker as a Designated Market Maker in any or all of its Assigned Securities.
- 12.9.3. Although the Exchange may consult issuers for the appointments of Designated Market Makers, the Exchange may withdraw approval of or impose additional terms and conditions on a Designated Market Maker, a Designated Market Maker Contact, or any Designated Market Maker Approved Traders or backups, if the Exchange determines that any of these parties has contravened or is contravening any the Exchange requirement.

**CONSEQUENTIAL AMENDMENTS PURSUANT TO PROPOSED REPLACEMENT OF EXISTING MARKET MAKERS REGULATIONS WITH REVISED MARKET MAKERS REGULATIONS**

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<b>CHAPTER 2: INTERPRETATION AND DEFINITIONS</b>		
<p><b>2.4. GENERAL DEFINITIONS:</b></p> <p>In these Regulations, unless there is anything repugnant in the subject or context:</p> <p align="center"><u><b>New Insertion</b></u></p>	<p><b>2.4. GENERAL DEFINITIONS:</b></p> <p>In these Regulations, unless there is anything repugnant in the subject or context:</p> <p><u><b>xxxiii.a “Designated Market Maker” shall mean a Securities Broker appointed by the Exchange under Chapter 12 of these Regulations to function as the Market Maker in terms of Designated Market Maker Agreement.</b></u></p>	<p>To define ‘Designated Market Maker (DMM)’ in general definition section of chapter 2 as the said term is used in various chapters of the Rulebook. This term is also linked with chapter 12 and DMM Agreement to create cross reference.</p>
<b>CHAPTER 3: INTERPRETATION AND DEFINITIONS</b>		
<p><b>3.4. DEPOSIT, FEE, CONTRIBUTION AND OTHER SUMS:</b></p> <p>3.4.2. Such deposits may be utilized by the Exchange for any purpose whatsoever and shall be refundable (if any) by the Exchange upon cancellation of Market Making Agreement. However, the refund shall be made after making deductions on account of fee, contributions, fine, penalties and other sums payable by the TRE Certificate Holder under or pursuant to PSX Regulations or losses, damages, costs and expenses suffered or incurred by the Exchange due to failure of the TRE Certificate Holder to comply with PSX Regulations during the period of Market Making Agreement.</p>	<p><b>3.4. DEPOSIT, FEE, CONTRIBUTION AND OTHER SUMS:</b></p> <p>3.4.2. Such deposits may be utilized by the Exchange for any purpose whatsoever and shall be refundable (if any) by the Exchange upon cancellation of <u><b>Designated</b></u> Market Making Agreement. However, the refund shall be made after making deductions on account of fee, contributions, fine, penalties and other sums payable by the TRE Certificate Holder under or pursuant to PSX Regulations or losses, damages, costs and expenses suffered or incurred by the Exchange due to failure of the TRE Certificate Holder to comply with PSX Regulations during the period of Market Making Agreement.</p>	



EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<b>Chapter 5A: REGULATIONS GOVERNING LISTING AND TRADING OF EQUITY SECURITIES OF SMALL AND MEDIUM ENTERPRISES (SMEs)</b>		
<p><b>5A.1. DEFINITIONS:</b></p> <p>5A.1.1. In this chapter, unless the subject or context otherwise requires:</p> <p>(b) "Bid Price" means the price a Market Maker is willing to pay for the purchase of equity securities of an SME;</p> <p>(f) "Market Maker" has the same meaning as defined in chapter 12 of the PSX Regulations relating to the Market Makers Regulations;</p> <p>(g) "Market Making" means the continuous tender of two-way quotes by a Market Maker i.e. Bid Price and Offer Price for the purchase and sale of the equity securities of an SME;</p> <p>(h) "Offer Price" means the price a Market Maker is willing to receive for the sale of the equity securities of an SME;</p> <p>(l) "Spread" means the difference between the Offer Price and the Bid Price of an equity security to be quoted by a Market Maker.</p>	<p><b>5A.1. DEFINITIONS:</b></p> <p>5A.1.1. In this chapter, unless the subject or context otherwise requires:</p> <p><del>(b) "Bid Price" means the price a Market Maker is willing to pay for the purchase of equity securities of an SME;</del></p> <p><del>(f) "Market Maker" has the same meaning as defined in chapter 12 of the PSX Regulations relating to the Market Makers Regulations;</del></p> <p><del>(g) "Market Making" means the continuous tender of two-way quotes by a Market Maker i.e. Bid Price and Offer Price for the purchase and sale of the equity securities of an SME;</del></p> <p><del>(h) "Offer Price" means the price a Market Maker is willing to receive for the sale of the equity securities of an SME;</del></p> <p><del>(l) "Spread" means the difference between the Offer Price and the Bid Price of an equity security to be quoted by a Market Maker.</del></p>	<p>These definitions pertaining to Market Makers are deleted consequent to the proposed deletion of Clause 5A.7.2 below wherein these terms appear.</p>
<p><b>5A.7. APPOINTMENT AND FUNCTIONS OF MARKET MAKERS:</b></p> <p>5A.7.1. APPOINTMENT OF MARKET MAKER:</p> <p>The SME may, through an agreement in writing, appoint a Market Maker for a period of not less than three years from the date of listing of the SME.</p> <p>In case a Market Maker is not available at any time or discontinues to act as Market Maker upon completion of initial period of three years or due to any reason, the SME may immediately appoint another person eligible to act as Market</p>	<p><b>5A.7. APPOINTMENT AND FUNCTIONS OF DESIGNATED MARKET MAKERS:</b></p> <p><del>5A.7.1. APPOINTMENT OF MARKET MAKER:</del></p> <p>The SME may, through an agreement in writing, appoint a <b>Designated</b> Market Maker for a period of not less than three years from the date of listing of the SME.</p> <p>In case a <b>Designated</b> Market Maker is not available at any time or discontinues to act as <b>Designated</b> Market Maker upon completion of initial period of three years or due to any reason, the SME may immediately appoint another person eligible to act</p>	



EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>Maker and shall notify the same to the Exchange and through its website on the same day.</p> <p><b>5A.7.2. FUNCTIONS OF MARKET MAKER:</b></p> <p>The Market Maker shall be responsible for performing the following functions:</p> <p>(i) The Market Maker shall provide two-way quotes in all equities securities of SMEs for which it is appointed as a Market Maker.</p> <p>(ii) The Market Maker shall not quote beyond the maximum Spread of 10% which shall be disclosed in the Information Memorandum.</p> <p>(iii) Market Maker shall hold a minimum inventory per security equivalent to 5% of free float of the security.</p> <p>(iv) Market Maker shall purchase or arrange purchase of the equity securities of respective SME from any holder that tenders such equity securities for sale.</p> <p>(v) Market Maker shall sale or arrange sale of the equity securities of respective SME to any Investor who intends to purchase such securities.</p>	<p>as <b>Designated</b> Market Maker and shall notify the same to the Exchange and through its website on the same day.</p> <p><del>5A.7.2. FUNCTIONS OF MARKET MAKER:</del></p> <p><del>The Market Maker shall be responsible for performing the following functions:</del></p> <p><del>(i) The Market Maker shall provide two-way quotes in all equities securities of SMEs for which it is appointed as a Market Maker.</del></p> <p><del>(ii) The Market Maker shall not quote beyond the maximum Spread of 10% which shall be disclosed in the Information Memorandum.</del></p> <p><del>(iii) Market Maker shall hold a minimum inventory per security equivalent to 5% of free float of the security.</del></p> <p><del>(iv) Market Maker shall purchase or arrange purchase of the equity securities of respective SME from any holder that tenders such equity securities for sale.</del></p> <p><del>(v) Market Maker shall sale or arrange sale of the equity securities of respective SME to any Investor who intends to purchase such securities.</del></p>	<p>PSX has linked the MM for each product/market with Chapter 12 [MM Regulations]. All functions of MM for any of the assigned product/market shall be governed as per MM Regulations and Designated MM Agreement.</p> <p>Therefore, this clause being duplication is proposed to be removed.</p>
<p><b>5A.12. REPORTING AND DISCLOSURE BY SME:</b></p> <p>An SME listed under this Chapter shall be required to disseminate the following information:</p> <p>(d) DISCLOSURE OF MISCELLANEOUS INFORMATION:</p> <p>An SME shall notify, without delay, to the Exchange the information relating to:</p>	<p><b>5A.12. REPORTING AND DISCLOSURE BY SME:</b></p> <p>An SME listed under this Chapter shall be required to disseminate the following information:</p> <p>(d) DISCLOSURE OF MISCELLANEOUS INFORMATION:</p> <p>An SME shall notify, without delay, to the Exchange the information relating to:</p>	

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>(i) change of its Market Maker (if any);</p> <p style="text-align: center;"><b>Annexure-I</b></p> <p><b>LIST OF DOCUMENTS REQUIRED TO BE SUBMITTED ALONGWITH APPLICATION FOR SEEKING LISTING OF AN SME ON THE EXCHANGE UNDER SECTION 9 OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969</b></p> <p>An SME along with application on Form-I for listing under section 9 of the Securities and Exchange Ordinance, 1969 shall furnish the following documents/information:</p> <p>11. Consent of Market Maker appointed by the SME under this Chapter.</p> <p>12. Undertaking by the Market Maker, on the format provided in Form-III, for compulsory Market Making in the share of the SME, in case the SME has appointed the Market Maker.</p>	<p>(i) change of its <u>Designated</u> Market Maker (if any);</p> <p style="text-align: center;"><b>Annexure-I</b></p> <p><b>LIST OF DOCUMENTS REQUIRED TO BE SUBMITTED ALONGWITH APPLICATION FOR SEEKING LISTING OF AN SME ON THE EXCHANGE UNDER SECTION 9 OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969</b></p> <p>An SME along with application on Form-I for listing under section 9 of the Securities and Exchange Ordinance, 1969 shall furnish the following documents/information:</p> <p>11. Consent of Market Maker appointed by the SME under this Chapter.</p> <p><del>12. Undertaking by the Market Maker, on the format provided in Form-III, for compulsory Market Making in the share of the SME, in case the SME has appointed the Market Maker.</del></p>	<p>The requirement to submit undertaking is proposed to be removed due to the rationale provided in proposed amendments pertaining to FORM III below.</p>
<p style="text-align: center;"><b>FORM III</b></p> <p style="text-align: center;"><b>FORM OF UNCONDITIONAL UNDERTAKING BY THE MARKET MAKER</b></p> <p style="text-align: center;"><b>UNDERTAKING</b></p> <p>We (Name of Market Maker), have been appointed by ... (Name of SME) ... as the Market Maker for Market Making in its shares applied for listing at SME Board of the Exchange.</p> <p>We the Market Maker hereby undertake as under:-</p> <p>1. That we shall abide by all the applicable provisions of the Regulations Governing Listing and Trading of Equity Securities of</p>	<p style="text-align: center;"><b>FORM III</b></p> <p style="text-align: center;"><del><b>FORM OF UNCONDITIONAL UNDERTAKING BY THE MARKET MAKER</b></del></p> <p style="text-align: center;"><del><b>UNDERTAKING</b></del></p> <p><del>We (Name of Market Maker), have been appointed by ... (Name of SME) ... as the Market Maker for Market Making in its shares applied for listing at SME Board of the Exchange.</del></p> <p><del>We the Market Maker hereby undertake as under:-</del></p> <p><del>1. That we shall abide by all the applicable provisions of the Regulations Governing Listing and Trading of Equity Securities of</del></p>	<p>A general undertaking for its compliance with MM Regulations, MM Agreement and MM Code of Conduct or any other requirements specified by the PSX from time to time shall be obtained from the Designated Market Maker while approving its application as DMM in an Assigned Security. Moreover, the specific requirement such as performing MM for initial 3 years are</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>Small and Medium Enterprises (SMEs) which presently are, or hereinafter may be in force.</p> <p>2. That we will compulsorily make market in the scrip of the SME at least for a period of three years from the date of commencement of trading on the Exchange i.e. from the date of listing and shall not withdraw from such Market Making obligation until another Market Maker is appointed under the Regulations and the Exchange has given its consent for such withdrawal.</p> <p>3. That we will quote bids and offer in the share of the SME within the spread which shall not be more than 10%.</p> <p>Yours faithfully</p> <p>_____ (Signature of Authorized Person) Common Seal of the company</p>	<p><del>Small and Medium Enterprises (SMEs) which presently are, or hereinafter may be in force.</del></p> <p><del>2. That we will compulsorily make market in the scrip of the SME at least for a period of three years from the date of commencement of trading on the Exchange i.e. from the date of listing and shall not withdraw from such Market Making obligation until another Market Maker is appointed under the Regulations and the Exchange has given its consent for such withdrawal.</del></p> <p><del>3. That we will quote bids and offer in the share of the SME within the spread which shall not be more than 10%.</del></p> <p><del>Yours faithfully</del></p> <p>_____ <del>(Signature of Authorized Person)</del> <del>Common Seal of the company</del></p>	<p>already part of MM Regulations, hence there appears no need to repeat them in the Undertaking.</p> <p>Accordingly, the entire undertaking is proposed to be deleted from this chapter.</p>
<b>Chapter 5B: LISTING OF DEBT SECURITIES REGULATIONS</b>		
<p><b>5B.2. DEFINITIONS</b></p> <p>(a) "Bid Price" shall mean the price for which a Market Maker is willing to pay for the purchase of Debt Securities;</p> <p>(e) "Market Maker" for the purpose of this chapter means a person appointed by the Issuer for Market Making of its Debt Security;</p> <p>(f) "Market Making" shall mean the display of two-way quotes i.e. Bid Price and Offer Price on continuous basis during the designated market making period by the Market Maker for the purchase and sale of the concerned Debt Securities" in accordance with this chapter;</p> <p>(g) "Offer Price" shall mean the price for which a Market Maker is willing to sell Debt Securities;</p>	<p><del>5B.2. DEFINITIONS</del></p> <p><del>(a) "Bid Price" shall mean the price for which a Market Maker is willing to pay for the purchase of Debt Securities;</del></p> <p><del>(e) "Market Maker" for the purpose of this chapter means a person appointed by the Issuer for Market Making of its Debt Security;</del></p> <p><del>(f) "Market Making" shall mean the display of two-way quotes i.e. Bid Price and Offer Price on continuous basis during the designated market making period by the Market Maker for the purchase and sale of the concerned Debt Securities" in accordance with this chapter;</del></p> <p><del>(g) "Offer Price" shall mean the price for which a Market Maker is willing to sell Debt Securities;</del></p>	<p>These definitions pertaining to Market Makers are deleted consequent to the proposed deletion of provisions of Clause 5B.11.4 below.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p><b>5B.4. CONDITIONS FOR LISTING OF DEBT SECURITIES</b></p> <p>The Issuer that intends to list any of its Debt Securities on the Exchange shall comply with the following conditions:</p> <p>5B.4.3. The Issuer shall appoint, through agreement in writing, a Market Maker for a period not less than the tenure of the Debt Security.</p>	<p><b>5B.4. CONDITIONS FOR LISTING OF DEBT SECURITIES</b></p> <p>The Issuer that intends to list any of its Debt Securities on the Exchange shall comply with the following conditions:</p> <p>5B.4.3. The Issuer shall appoint, through agreement in writing, a <b>Designated</b> Market Maker <del>for a period not less than the tenure of the Debt Security.</del></p> <p><u>Provided that a Designated Market Maker's obligations with respect to a Debt Security, which is maturing and called for redemption or retraction, terminates 10 business days prior to the maturity date or redemption date of the security.</u></p>	<p>Placing this condition upfront may discourage market makers.</p> <p>This has been added pursuant to Regulation 12.5.2 of Revised Market Maker Regulations.</p>
<p><b>5B.11. APPOINTMENT AND FUNCTIONS OF MARKET MAKER</b></p> <p>5B.11.1. For the purpose of this chapter, Market Maker shall be appointed by the Issuer.</p> <p>5B.11.2. A person shall be eligible to be appointed as a Market Maker if such person:</p> <p>(a) Is:</p> <p>i. A Corporate Brokerage House; or</p> <p>ii. A financial institution which satisfies the eligibility criteria devised by the Exchange with prior approval of the Commission. In such case, the application shall be accompanied with prior written consent from the concerned designated Broker.</p> <p>(b) Has a minimum equity (net of provisions and capitalized losses if any) of Rs. 100 million as per the latest audited financial statements.</p> <p>5B.11.3. A Market Maker may resign after three months of commencement of its term by providing the Issuer and Exchange at least two months' prior</p>	<p><b>5B.11. APPOINTMENT AND FUNCTIONS OF DESIGNATED MARKET MAKER</b></p> <p>5B.11.1. For the purpose of this chapter, <b>Designated</b> Market Maker shall be appointed by the Issuer.</p> <p><del>5B.11.2. A person shall be eligible to be appointed as a Market Maker if such person:</del></p> <p><del>(a) Is:</del></p> <p><del>i. A Corporate Brokerage House; or</del></p> <p><del>ii. A financial institution which satisfies the eligibility criteria devised by the Exchange with prior approval of the Commission. In such case, the application shall be accompanied with prior written consent from the concerned designated Broker.</del></p> <p><del>(b) Has a minimum equity (net of provisions and capitalized losses if any) of Rs. 100 million as per the latest audited financial statements.</del></p> <p><del>5B.11.3. A Market Maker may resign after three months of commencement of its term by providing the Issuer and Exchange at least two months' prior</del></p>	<p>Only TREC Holders are proposed to be appointed as MM as against the existing regulations which allow FIs to be appointed as MM in addition to brokers. The appointment criteria for MM shall be governed under chapter 12 of PSX Rulebook.</p> <p>This clause needs to be deleted in light of the compulsory requirement of the</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>written notice along with the reasons for resignation and specifying the effective date of resignation, provided that a substitute Market Maker in the Debt Security which fulfills the eligibility criteria is ready to take the outgoing Market Maker's role and responsibilities for the remaining period of the term of such Debt Security.</p> <p>5B.11.4. The Market Maker shall be responsible to perform the below mentioned functions:</p> <p>(a) The spread charged by the Market Maker shall not be more than the one as disclosed in the prospectus for issue of the Debt Security.</p> <p>(b) The Market Makers must at all times hold at least one percent of the outstanding amount of the Debt Security.</p> <p>(c) The Market Maker shall mandatorily make available two way quotes on continuous basis during Market Making period; Market Maker shall be bound to purchase or sell a maximum of one percent of total principal outstanding of the issue in the Debt Security during a trading day or such other percentage as may be prescribed by the Exchange;</p> <p>(d) Market Marker shall make available copy of the prospectus to the investors at all times;</p> <p>(e) It shall be obligatory for a Market Maker to replenish its orders/quotes within 90 seconds following full</p>	<p><del>written notice along with the reasons for resignation and specifying the effective date of resignation, provided that a substitute Market Maker in the Debt Security which fulfills the eligibility criteria is ready to take the outgoing Market Maker's role and responsibilities for the remaining period of the term of such Debt Security.</del></p> <p>5B.11.2. The <b>Designated</b> Market Maker shall, <u>in addition to the functions specified in Chapter 12 of these Regulations,</u> <del>be responsible to perform the below mentioned following</del> functions:</p> <p>(a) The spread charged by the <b>Designated</b> Market Maker shall not be more than the one as disclosed in the prospectus for issue of the Debt Security and the agreement executed with the <b>Designated</b> Market Maker, <u>which shall be disclosed on the website.</u></p> <p><del>(b) The Market Makers must at all times hold at least one percent of the outstanding amount of the Debt Security.</del></p> <p><del>(c) The Market Maker shall mandatorily make available two way quotes on continuous basis during Market Making period; Market Maker shall be bound to purchase or sell a maximum of one percent of total principal outstanding of the issue in the Debt Security during a trading day or such other percentage as may be prescribed by the Exchange;</del></p> <p><del>(d)</del> <u>(b) The Designated</u> Market <del>Marker</del> <b>Maker</b> shall make available copy of the prospectus to the investors at all times <u>and also place the same on its website;</u></p> <p><del>(e) It shall be obligatory for a Market Maker to replenish its orders/quotes within 90 seconds following full</del></p>	<p>Market Maker Regulations and it should not be on the discretion of the Market Maker to resign however, the Exchange may consider the request provided the alternative market maker arrangement is made available in terms of the disclosure made available in the Prospectus.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>execution, withdrawal, expiration or any change in the price of either bid or offer;</p> <p>(f) The Market Making Orders/Quotes are to be maintained on both sides during Market Making period as per Market Making agreement which shall be for the tenure of the Debt Security.</p> <p>(g) The Market Maker shall be allowed to Blank Sale in Debt Security subject to sufficient pre-existing interest at the end of each Blank Sale day to validate that the Market Maker can deliver the quantity sold blank during the trading day.</p>	<p><del>execution, withdrawal, expiration or any change in the price of either bid or offer;</del></p> <p><del>(f) The Market Making Orders/Quotes are to be maintained on both sides during Market Making period as per Market Making agreement which shall be for the tenure of the Debt Security.</del></p> <p><del>(g) The Market Maker shall be allowed to Blank Sale in Debt Security subject to sufficient pre-existing interest at the end of each Blank Sale day to validate that the Market Maker can deliver the quantity sold blank during the trading day.</del></p>	<p>This is repetition as clause 12.4.5 allow Market Makers to execute Blank Sale in Assigned Securities.</p>
<p><b>5B.13 CIRCUIT BREAKERS AND SUSPENSION OF TRADING</b></p> <p>5B.13.1. The security-wise circuit breakers imposed by the Exchange from time to time shall also be applicable on Debt Securities.</p> <p>Further, the Market Maker may not be required to enter two-way quotes where the relevant Debt Security continuously trades for fifteen minutes within one percent below the applicable circuit breakers.</p>	<p><del>5B.13 CIRCUIT BREAKERS AND SUSPENSION OF TRADING</del></p> <p><del>5B.13.1. The security-wise circuit breakers imposed by the Exchange from time to time shall also be applicable on Debt Securities.</del></p> <p><del>Further, the Market Maker may not be required to enter two-way quotes where the relevant Debt Security continuously trades for fifteen minutes within one percent below the applicable circuit breakers.</del></p>	<p>This clause may be deleted as there is no circuit breaker applicable and the market maker will be required to act in terms of the market maker agreement and the Regulations.</p>
<b>Chapter 5C: PRIVATELY PLACED DEBT SECURITIES' LISTING REGULATIONS</b>		
<p><b>5C.2. DEFINITIONS:</b></p> <p>5C.2.1. In this chapter, unless the subject or context otherwise requires:</p> <p>(i) "Bid Price", means the price at which the market maker is willing to buy the debt security.</p> <p>(vi) "Market Making", means continuous submission of two-way quotes i.e. Bid Price and Offer Price by a Market Maker for the purchase and sale of debt securities of the company.</p> <p>(vii) "Offer Price", means the price at which a Market Maker is willing to sell the debt security.</p>	<p><del>5C.2. DEFINITIONS:</del></p> <p><del>5C.2.1. In this chapter, unless the subject or context otherwise requires:</del></p> <p><del>(i) "Bid Price", means the price at which the market maker is willing to buy the debt security.</del></p> <p><del>(vi) "Market Making", means continuous submission of two-way quotes i.e. Bid Price and Offer Price by a Market Maker for the purchase and sale of debt securities of the company.</del></p> <p><del>(vii) "Offer Price", means the price at which a Market Maker is willing to sell the debt security.</del></p>	<p>These definitions pertaining to Market Makers are deleted consequent to the proposed deletion of provisions of Clause 5C.10 below.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p><b>5C.4. CONDITIONS FOR LISTING:</b></p> <p>A company intending to list its debt securities under this Chapter shall comply with the following conditions:</p> <p>(iii) the company has appointed, through an agreement in writing, a Market Maker for a period not less than the tenure of the debt security.</p>	<p><b>5C.4. CONDITIONS FOR LISTING:</b></p> <p>A company intending to list its debt securities under this Chapter shall comply with the following conditions:</p> <p>(iii) the company has appointed, through an agreement in writing, a <b>Designated</b> Market Maker <del>for a period not less than the tenure of the debt security.</del></p> <p><u>Provided that a Designated Market Maker's obligations with respect to a Debt Security, which is maturing and called for redemption or retraction, terminates 10 business days prior to the maturity date or redemption date of the security.</u></p>	<p>Placing this condition upfront may discourage market makers. Further, there is no tenure for perpetual PPDS.</p> <p>This has been added pursuant to Regulation 12.5.2 of Revised Market Maker Regulations.</p>
<p><b>5C.8. POST LISTING REQUIREMENTS:</b></p> <p>(x) In case the Market Maker appointed by the company discontinues to act as Market Maker due to any reason, it shall immediately appoint another person eligible to act as Market Maker.</p>	<p><b>5C.8. POST LISTING REQUIREMENTS:</b></p> <p><del>(x) In case the Market Maker appointed by the company discontinues to act as Market Maker due to any reason, it shall immediately appoint another person eligible to act as Market Maker.</del></p>	<p>MM can resign after giving an advance notice to PSX, hence this requirement being tough in nature is proposed to be removed.</p>
<p><b>5C.10. ROLES AND RESPONSIBILITIES OF THE MARKET MAKER:</b></p> <p>The Market Maker, in addition to its role and responsibilities as prescribed in Chapter 12 of the PSX Regulations, shall be responsible to perform the below mentioned functions:</p> <p>(i) The Market Maker shall provide two-way quotes in the debt security for which it is appointed as a Market Maker.</p> <p>(ii) The spread limit to be charged by the Market Maker shall not be more than 10%.</p> <p>(iii) The Market Maker shall at all times hold at least 1% of the outstanding principal amount of the debt security.</p>	<p><del><b>5C.10. ROLES AND RESPONSIBILITIES OF THE MARKET MAKER:</b></del></p> <p><del>The Market Maker, in addition to its role and responsibilities as prescribed in Chapter 12 of the PSX Regulations, shall be responsible to perform the below mentioned functions:</del></p> <p><del>(i) The Market Maker shall provide two-way quotes in the debt security for which it is appointed as a Market Maker.</del></p> <p><del>(ii) The spread limit to be charged by the Market Maker shall not be more than 10%.</del></p> <p><del>(iii) The Market Maker shall at all times hold at least 1% of the outstanding principal amount of the debt security.</del></p>	<p>The functions of MM are prescribed under general MM Regulations in Chapter 12 and governed under MM Agreement. Hence, repetition is deleted from there.</p>



EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>(iv) Market Maker shall purchase or arrange purchase of the debt security from any holder that tenders such security for sale to it.</p> <p>(v) Market Maker may sell or arrange sale of the debt security to any investor that intends to purchase it.</p> <p>(vi) Market Maker shall make available copy of the information memorandum to the debt security holders at all times during the tenure of the debt security.</p>	<p><del>(iv) Market Maker shall purchase or arrange purchase of the debt security from any holder that tenders such security for sale to it.</del></p> <p><del>(v) Market Maker may sell or arrange sale of the debt security to any investor that intends to purchase it.</del></p> <p>(vi) Market <del>Maker</del> <b>Maker</b> shall make available copy of the information memorandum to the debt security holders at all times during the tenure of the debt security and ensure its placement on the website.</p>	
<p align="center"><b>ANNEXURE-II</b></p> <p><b>CONTENTS OF INFORMATION MEMORANDUM</b></p> <p>The Information Memorandum prepared with respect to issue of a debt security to QIBs through private placement shall contain at least the following information and disclosures:</p> <p>22. Name and contact detail of the Market Maker; role and responsibility of the Market Maker, maximum spread to be charged by the Market Maker;</p>	<p align="center"><b>ANNEXURE-II</b></p> <p><b>CONTENTS OF INFORMATION MEMORANDUM</b></p> <p>The Information Memorandum prepared with respect to issue of a debt security to QIBs through private placement shall contain at least the following information and disclosures:</p> <p>22. Name and contact detail of the <b>Designated</b> Market Maker; role and responsibility of the <b>Designated</b> Market Maker, maximum spread to be charged by the <b>Designated</b> Market Maker;</p>	
<b>Chapter 7: PROPRIETARY TRADING REGULATIONS</b>		
<p><b>7.2. PROCEDURE FOR EXECUTION OF PROPRIETARY TRADING BY THE BROKER OR ITS AGENT OR ANY ASSOCIATED PERSON:</b></p> <p>7.2.3. A Broker who has an order to buy or sell a security shall not fill such order by engaging in Proprietary Trading for himself or for the Broker for which he is a partner or for the account of any of the partners therein or for any account in which he, such Broker or partner, directly or indirectly, has an interest, except when:</p> <p>(a) the order is a Limit Order;</p>	<p><b>7.2. PROCEDURE FOR EXECUTION OF PROPRIETARY TRADING BY THE BROKER OR ITS AGENT OR ANY ASSOCIATED PERSON:</b></p> <p>7.2.3. A Broker who has an order to buy or sell a security shall not fill such order by engaging in Proprietary Trading for himself or for the Broker for which he is a partner or for the account of any of the partners therein or for any account in which he, such Broker or partner, directly or indirectly, has an interest, except when:</p> <p>(a) the order is a Limit Order;</p>	

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>(i) he sells the security at a price not exceeding the price at which the transaction immediately preceding the receipt of the order by him actually took place;</p> <p>(ii) he buys the security at a price which is not less than the price at which the transaction immediately preceding the receipt of the order by him actually took place; or</p> <p>(iii) the Broker trades in the capacity of a Market Maker in accordance with chapter 12 pertaining to Market Makers of these Regulations.</p>	<p>(i) he sells the security at a price not exceeding the price at which the transaction immediately preceding the receipt of the order by him actually took place;</p> <p>(ii) he buys the security at a price which is not less than the price at which the transaction immediately preceding the receipt of the order by him actually took place; or</p> <p>(iii) the Broker trades in the capacity of a <b>Designated</b> Market Maker in accordance with chapter 12 pertaining to Market Makers of these Regulations.</p>	
<b>Chapter 20: DISCIPLINARY ACTIONS AGAINST TRE CERTIFICATE HOLDERS REGULATIONS</b>		
<p><b>20.8. DISCIPLINARY ACTIONS IN RESPECT OF MARKET MAKING ACTIVITIES:</b></p> <p>20.8.1. The CRO may immediately, restrict or suspend activities of Market Maker or cancel its appointment where a Market Maker:</p> <p>(a) Is found involved in activities that are not commensurate with the responsibilities assigned to a Market Maker or are detrimental to the interest of market and general investors;</p> <p>(b) Fails to perform its duties as prescribed in Market Making Agreement under chapter 12 dealing with Market Makers or any other requirement under PSX Regulations;</p> <p>(c) Fails to renew its agreement on its expiration;</p> <p>(d) Fails to pay any fine or penalty imposed upon him within the specified time in accordance with these Regulations.</p> <p>Provided no such action shall be taken by CRO except after giving the</p>	<p><del>20.8. DISCIPLINARY ACTIONS IN RESPECT OF MARKET MAKING ACTIVITIES:</del></p> <p><del>20.8.1. The CRO may immediately, restrict or suspend activities of Market Maker or cancel its appointment where a Market Maker:</del></p> <p><del>(a) Is found involved in activities that are not commensurate with the responsibilities assigned to a Market Maker or are detrimental to the interest of market and general investors;</del></p> <p><del>(b) Fails to perform its duties as prescribed in Market Making Agreement under chapter 12 dealing with Market Makers or any other requirement under PSX Regulations;</del></p> <p><del>(c) Fails to renew its agreement on its expiration;</del></p> <p><del>(d) Fails to pay any fine or penalty imposed upon him within the specified time in accordance with these Regulations.</del></p> <p><del>Provided no such action shall be taken by CRO except after giving the</del></p>	<p>The present enforcement powers of CRO against MM be removed as any violation of MM requirement will constitute a breach of MM Agreement leading to imposition of restriction, suspension or cancellation of MM Agreement by the Exchange (CEO).</p> <p>However, for violation of trading rules in the capacity as MM such as Blank Sale or market manipulation, the general enforcement powers of CRO for proprietary trading violations shall be triggered against MM.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>Market Maker an opportunity of being heard. However, in case where it is necessary in the opinion of CRO to take an emergent action in the best interest of market, CRO may, after giving a notice in writing, immediately suspend the market making activities of Market Maker. However, subsequent to such suspension the CRO shall provide the Market Maker with an opportunity of being heard in accordance with procedures and take appropriate action as provided in PSX Regulations.</p> <p>20.8.2. In case of suspension, default of a TRE Certificate Holder or cancellation of TRE Certificate of TRE Certificate Holder being appointed as a Market Maker, the CRO shall immediately restrict the Market Maker to perform its market making activities.</p> <p>Provided that the CRO shall notify the AMC if Market Maker was appointed by such AMC for ETF prior to taking any action under these Regulations.</p> <p>20.8.3. In case of exceptional circumstances affecting the market, which result in significant order imbalance, the CRO under intimation to the Commission may, on the request of the Market Maker, allow suspension of market making activities in the Designated Products for the requested period.</p> <p>20.8.4. If appointment of Market Maker is restricted, suspended or cancelled for any reason in accordance with PSX Regulations or Market Making Agreement, then the suspended/ terminated Market Maker may carry out all other trading activities of a TRE Certificate Holder as a Broker.</p> <p>20.8.5. The Exchange shall disseminate to the market as soon as possible the information relating to</p>	<p><del>Market Maker an opportunity of being heard. However, in case where it is necessary in the opinion of CRO to take an emergent action in the best interest of market, CRO may, after giving a notice in writing, immediately suspend the market making activities of Market Maker. However, subsequent to such suspension the CRO shall provide the Market Maker with an opportunity of being heard in accordance with procedures and take appropriate action as provided in PSX Regulations.</del></p> <p><del>20.8.2. In case of suspension, default of a TRE Certificate Holder or cancellation of TRE Certificate of TRE Certificate Holder being appointed as a Market Maker, the CRO shall immediately restrict the Market Maker to perform its market making activities.</del></p> <p><del>Provided that the CRO shall notify the AMC if Market Maker was appointed by such AMC for ETF prior to taking any action under these Regulations.</del></p> <p><del>20.8.3. In case of exceptional circumstances affecting the market, which result in significant order imbalance, the CRO under intimation to the Commission may, on the request of the Market Maker, allow suspension of market making activities in the Designated Products for the requested period.</del></p> <p><del>20.8.4. If appointment of Market Maker is restricted, suspended or cancelled for any reason in accordance with PSX Regulations or Market Making Agreement, then the suspended/ terminated Market Maker may carry out all other trading activities of a TRE Certificate Holder as a Broker.</del></p> <p><del>20.8.5. The Exchange shall disseminate to the market as soon as possible the information relating to</del></p>	<p>This provision has been shifted in</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>imposition of restriction, suspension or cancellation of appointment of Market Maker through the Public Address System of the Exchange. All such information shall also be made available to general public through the Exchange's Website.</p> <p>20.8.6. CRO may impose financial penalty on the Market Maker up to the amount of transaction fee refunded to such Market Maker during the last six months or any additional penalty up to a maximum of Rs.100,000/-.</p> <p>20.8.7. All the above mentioned actions of suspension, restriction and/or imposition of financial penalty on TRE Certificate Holders, by the CRO and to give effect to such decision the same shall be ratified by the RAC in its meeting or through resolution by circulation within three working days commencing from the next day of such action.</p>	<p><del>imposition of restriction, suspension or cancellation of appointment of Market Maker through the Public Address System of the Exchange. All such information shall also be made available to general public through the Exchange's Website.</del></p> <p><del>20.8.6. CRO may impose financial penalty on the Market Maker up to the amount of transaction fee refunded to such Market Maker during the last six months or any additional penalty up to a maximum of Rs.100,000/-.</del></p> <p><del>20.8.7. All the above mentioned actions of suspension, restriction and/or imposition of financial penalty on TRE Certificate Holders, by the CRO and to give effect to such decision the same shall be ratified by the RAC in its meeting or through resolution by circulation within three working days commencing from the next day of such action.</del></p>	<p>Chapter 12 with some changes.</p>

# **Pakistan Stock Exchange Limited**

## **Designated Market Maker (DMM) Code of Conduct**

## **1. The Role of Designated Market Maker (DMM)**

A DMM is responsible, for its assigned securities, to:

- Ensure fair and orderly markets.
- Contribute to quality price discovery.
- Supply liquidity by committing its own capital.
- Provide support in times of stress and be willing to take on risk.

## **2. Obligations**

The Exchange imposes the following obligations on a DMM:

- Commit to taking on assignments in liquid and illiquid securities in the proportion defined by the Exchange from time to time.
- Maintain a two-sided market i.e. posting of bid and offer at all times for all assigned securities.
- Maintain a minimum displayed volume within a maximum spread, which will vary depending on the security tier.
- Be present at the Best Bid and Best Offer for a certain portion of the day, which will vary depending on the security tier.
- Execute all odd lot orders for assigned securities.
- Disclose to the Exchange any relationship/ association it has with the issuer of a security assigned to the Market Maker that may reasonably be expected to create a conflict of interest.

## **3. Benefits**

Subject to fulfillment of its obligations, the Exchange will award the following benefits to the DMM:

- Exemption of Exchange trading fees, CDC & NCCPL charges excluding contributions to Centralized Customer's Protection Compensation Fund (CCPF) and regulatory levy on all market making transaction carried out by the DMM in the assigned securities.
- Additionally, the Exchange will rebate 50% of transaction fee to the respective DMM collected from the counterparty involved in the trade executed with the DMM.

## **4. Transparency**

The Exchange will regularly monitor the DMMs' activities to ensure that the obligations and benefits are balanced. Performance statistics for each DMM will be published on the website.

## **5. Expectations**

The DMM fulfills a critical role in the marketplace and is key to restoring and maintaining high levels of investor confidence. We will hold each DMM to the highest standards of professional integrity and expect that the DMM will adhere to the following rules of engagement:

- It views the obligations as minimum requirements and will at all times strive to exceed those obligations.
- It will post all orders with an intention to trade and it will strive to set an example for other liquidity providers to reduce message-to-trade ratios.
- It views the matching priority as a mechanism to trade continuously through the day and will not intentionally build up a buffer to trade disproportionately at the end of the day.
- It will not use the matching priority opportunistically, but rather in a balanced manner to trade with its orders posted as part of its obligations and to offset risk.
- It will be willing to take on some overnight positions to support illiquid securities.

- It will support assigned securities in times of stress and will not intentionally fail to meet the obligations in order to avoid risk.
- It will monitor its assigned securities for unusual trading.
- It will advise the Exchange if it becomes aware of any issues impacting fair and orderly trading in its assigned securities, including unusual trading.
- It will use its ability to delay the opening or re-opening of an assigned security in the best interests of the exchange and not for its own benefit.

#### **6. Monitoring**

The Exchange will monitor all DMMs to ensure they comply with this Code of Conduct and failure to do so will ultimately lead to revoking the right to be a DMM.



**“EXHIBIT B”**

**DESIGNATED MARKET MAKER (DMM) AGREEMENT**

THIS AGREEMENT is made, on this \_\_\_\_\_ day of \_\_\_\_\_.

**BETWEEN**

**Pakistan Stock Exchange Limited**, a Company incorporated under the Laws of Pakistan, having its registered office at Stock Exchange Building, Stock Exchange Road, Karachi, (which expression shall mean and include its successor-in-interest and assigns) (hereinafter referred to as the “Exchange”);

**AND**

\_\_\_\_\_, a company incorporated under the Laws of Pakistan and a Registered Trading Right Entitlement Certificate (“TRE Certificate”) Holder of Exchange having its registered office at \_\_\_\_\_ (hereinafter referred to as the “Designated Market Maker” or “DMM”);

- 1. Incorporation of Exchange Regulations:** The Exchange Regulations applicable on the TRE Certificate Holders, as they may be amended from time to time, are hereby incorporated into and form part of this Agreement. The provisions of the Exchange Regulations, including without limitation all provisions with respect to the definitions, rights and responsibilities of the parties, representations and warranties, confidentiality, warranty, limitation on liability, indemnification, and dispute resolution provisions, to the extent that they are not inconsistent with the provisions hereof, apply *mutatis mutandis* to this Agreement. In the case of any inconsistency between the terms of this Agreement and the provisions of Exchange Regulations, the provisions of the Exchange Regulations shall govern.
- 2. Definitions:** Capitalized words and phrases used but not defined in this DMM Agreement have the respective meanings given to them in the Exchange Regulations.
- 3. Designated Market Maker’s Responsibilities:**
  - (a) **Appointment of Designated Market Maker.** Upon execution of this Agreement, the DMM agrees to act as a Designated Market Maker for all securities assigned to it by the Exchange. The Exchange may approve the DMM for specific securities in such manner as the Exchange may deem appropriate, in its sole discretion. The Exchange retains the discretion to change the DMM’s list of Assigned Securities.
  - (b) **Status as a TRE Certificate Holder.** The DMM agrees to maintain its status as a TRE Certificate Holder of the Exchange.
  - (c) **Designated Market Maker’s Obligations.** For its Assigned Securities, the DMM agrees to comply with all obligations of a DMM as set out in the Exchange Regulations, including but not limited to those obligations published on the Exchange’s website (which may be amended by the Exchange, subject to regulatory approval, upon notice either: (i) directly to the DMM, or (ii) to all TRE Certificate Holders or all DMM(s), including by email distribution and concurrent posting of such notice on Exchange’s website), or as otherwise directed by the Exchange (“**Obligations**”). Where the DMM does not comply with such requirements it will immediately advise the Exchange of such

non-compliance in writing. Such notification will include specific information as to the nature of such failure to comply.

- (d) **Code of Conduct and Transparency of Obligations.** The DMM acknowledges and agrees that it is subject to and will follow the Exchange's Designated Market Maker Code of Conduct, as amended, which will be delivered to the DMM by general email distribution and concurrently posted on the Exchange's website along with DMM performance information. The DMM acknowledges and agrees that the Exchange has the right to publish statistics relating to the performance of the DMM's Obligations.
- (e) **Resources.** The DMM represents and warrants that it has and will continue to have necessary resources, including trained personnel, technology and capital including, but not limited to, that required by the Exchange, to allow it to:
  - (i) carry out all of its Obligations; and
  - (ii) ensure compliance with all applicable Exchange Regulations when undertaking any activity on the Exchange Systems in furtherance of a trade, and it has the capacity to settle all trades executed on or through the use of the Exchange Systems.
- (f) **Policies and Procedures.** The DMM shall implement policies and procedures to achieve and maintain compliance with its Obligations.
- (g) **Odd Lot Responsibilities.** The DMM will carry out all obligations as an odd lot dealer in its Assigned Securities as otherwise directed by the Exchange, subject to compliance with applicable laws, rules, regulations, notifications and procedures.

#### 4. **Designated Market Maker's Benefits:**

- (a) **Benefits:** The DMM is entitled to the benefits posted on the Exchange's website (which may be amended, subject to regulatory approval, by the Exchange upon prior written notice to the DMM or to all TRE Certificate Holders or all DMMs, including by email distribution and concurrent posting of such notice on the Exchange's website) in relation to the securities for which it is acting as the DMM.
- (b) **Invoicing:** All cash benefits earned hereunder will be aggregated with any amount payable in the capacity as DMM or TRE Certificate Holder.

#### 5. **Exchange Responsibilities:**

- (a) **Access to Information.** The Exchange shall take reasonable steps to provide the DMM with access to information necessary to allow the DMM to evaluate the performance of its Obligations. The Exchange will provide monthly (or more frequently at the Exchange's discretion) detailed reports regarding the DMM's performance of its Obligations.
- (b) **Impact of Exchange Systems Outages.** The Exchange will, to the best of its ability, provide the DMM with the access and support that it requires to perform its responsibilities. If the DMM is unable to meet its Obligations due to any Exchange Systems issues, the period in which it was impacted, as determined by the Exchange, will be excluded from any applicable calculations in relation to Obligations.
- (c) **Changes to the Trading Policies.** Where practical to do so, the Exchange shall take reasonable steps to notify the DMM of proposed changes to the Trading Policies not less than sixty (60) days prior to the implementation of such a change. Notwithstanding

this obligation, subject to regulatory requirements, the Exchange may implement any change in the Trading Policies without such notification where the Exchange deems the immediate implementation of such change is necessary or desirable, in its absolute discretion. Nothing in this section shall be construed to affect the DMM's responsibility to comply with its Obligations under section 3 herein.

## 6. Term and Termination:

- (a) **Term.** This Agreement will commence on the Effective Date and will continue in effect until terminated in accordance with the provisions hereof.
- (b) **Termination for Convenience.** The Exchange and the DMM may, upon ninety (90) days' written notice to the other party, terminate this DMM Agreement.
- (c) **Breach of Obligations.** The Exchange shall be entitled to immediately, upon written notice, suspend DMM's appointment as a DMM for any or all securities, attach such additional terms or conditions to this Agreement as the Exchange deems to be necessary or, based on the materiality of the act or failure to act, revoke the appointment, where:
  - (i) the DMM fails to comply with any material term of this Agreement, the Exchange Regulations or if the DMM fails to consistently perform its Obligations at an adequate level to the satisfaction of the Exchange (determined in the Exchange's sole discretion);
  - (ii) the Exchange determines, in its sole discretion, that the DMM or its officers, employees, directors or agents have violated any applicable, material Exchange Requirements;
  - (iii) the Exchange reasonably believes, and determines in its sole discretion, that the DMM cannot or will not be able in the future to carry out its obligations as a "Market Maker" under this Designated Market Maker Agreement; or
  - (iv) the Exchange determines, in its sole discretion, that the DMM or its officers, employees, directors or agents have in any way acted in a manner that is detrimental to the interests of the Exchange or the public.
- (d) **Termination of Responsibilities for Convenience.** The DMM shall be entitled to terminate its responsibilities hereunder, relating to some or all of its Assigned Securities, by providing not less than sixty (60) days' written notice to the Exchange of its intention to do so.
- (e) **Changes to Assignments Requested by DMM.** Upon either: (i) sixty (60) days from a request by the DMM to remove a security from its list of Assigned Securities, or (ii) agreement among the Exchange and the DMM and other affected DMM(s) and the issuer(s) of the Assigned Securities, if applicable, to exchange such securities, the DMM's appointment with regards to the security(ies) removed from its list will be terminated.
- (f) **Transition.** The DMM agrees to comply with all provisions of the Trading Policies relating to the transition responsibilities as a DMM wherever its responsibilities have been terminated, suspended or exchanged in accordance with this section 6.
- (g) **Effect of Termination.** Termination of this Agreement or the DMM's appointment as a DMM for a security shall not terminate or negate any obligations of the DMM to complete or implement any transaction entered into prior to such termination or arising from or accruing from authorized activities of the DMM up to the effective time of termination.

**7. General:**

- (a) **Assignment of Rights.** The DMM may not transfer or assign its rights and obligations hereunder, including the performance and benefits of its market making and odd lot responsibilities, to any party without the prior written approval of the Exchange.
- (b) **Severability.** Each provision of this Agreement is intended to be severable. If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect: (i) the legality, validity or enforceability of the remaining provisions of this Agreement; or (ii) the legality, validity or enforceability of that provision in any other jurisdiction.
- (c) **Amendments in Writing.** Except as otherwise provided in this Agreement, the Exchange may, , amend any term or condition of this Agreement on thirty (30) days' notice to DMM (which notice will be provided by way of a notice to all DMMs). Any use of the Services or access or use of the Exchange Systems by the DMM after the expiration of the notice period shall be deemed acceptance by the DMM of the amendment. The DMM may not alter any terms or conditions of this Agreement, and no modification to this Agreement proposed by the DMM will be effective or binding on the Exchange, unless in writing and signed by an authorized representative of the Exchange.
- (d) **Waiver.** The Exchange may, in its discretion, waive in writing any requirement of this Agreement or the related provision in the Trading Policies, subject to any required regulatory approval.
- (e) **Governing law.** This DMM Agreement shall be governed by the laws of Pakistan.
- (f) **Counterparts, etc.** This Agreement may be executed in counterparts, each of which shall constitute an original and all of which, taken together, shall constitute one and the same instrument and may be delivered by facsimile or e-mail transmission of a PDF file.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their authorized officers.

For: _____ <b>PAKISTAN STOCK EXCHANGE LIMITED</b>	Signature:	Date:
For: _____ <b>MARKET MAKER</b>	Signature:	Date:

**“EXHIBIT C”**

**ELIGIBILITY CRITERIA FOR THE MARKET MAKERS**

**TRE Certificate Holders in the Market Maker Program of Pakistan Stock Exchange Limited (PSX):**

All Brokers/TRE Certificate Holders of PSX fulfilling the following qualification criteria will be allowed to act as the Designated Market Makers by PSX.

**Qualification Criteria:**

An application shall be submitted to PSX for registration as Designated Market Maker which fulfills the following criteria:

1. The TRE Certificate Holder, at the time of applying to act as Designated Market Maker, should have and maintain a minimum equity of PKR 200 million.
2. The TRE Certificate Holder should have a sound regulatory compliance track record.

**“EXHIBIT D”**

**GUIDELINES FOR THE ASSIGNMENT OF SECURITIES TO A DESIGNATED MARKET MAKER BY PAKISTAN STOCK EXCHANGE (PSX)**

Securities in market making assignment are divided into 3 Tiers

- Tier-A: KSE30 stocks
- Tier-B: KSE100 minus KSE30 stocks
- Tier-C: all other (non-defaulters) stocks

**Assignment of Securities:**

The securities are assigned to the designated Market Makers in the form of Bundles. Each Bundle will include stocks from all the aforementioned tiers in the following manner:

Tier	Number of Securities
A	1
B	2
C	Optional

**Methods for Assigning Securities to Market makers**

Assignment of Securities to a Market Maker will be done through the Competitive Bidding Process. The details of the said competitive Bidding Process are hereunder:

**1. Competitive Bidding Process**

PSX uses a competitive bidding process to apply clear and objective criteria for security assignments that promote fairness and transparency and are designed to reward the Market Maker that commits to achieving the most favorable performance outcomes.

When a Market Maker security assignment becomes available, PSX publicizes the availability of the assignment through an email notification sent to the Market Maker contact designated by each Market Maker firm. The notice of availability includes details of the requirements for the service level bid. For any securities made available for assignment through the bidding process.

**2. Bidding Process for Market Making Assignments**

(a) Bids for Market Making assignments are to be submitted in the standard form prescribed and circulated by PSX within the allotted time. Service level bids must include a Market Maker’s commitments in respect of the following:

- (i) Minimum guaranteed fill (MGF) size
- (ii) Spread goal for the security.

Bids may also include any additional information a Market Maker wishes to include, such as issuer recommendations or information concerning the trader that would become the Responsible Designated Trader for the security. Bids remain confidential by PSX until the assignment decision is made.

(b) The PSX Allocation Committee reviews bid and approves assignments. All securities are assigned to bidding firms using the following general criteria (which are listed in no specific order), subject to PSX discretion:

- Preference will be given to the applicant requesting Market Making in Tier-C in addition to Tier A and B while offering the Bundle of Securities.
- Market Maker's market making experience;
- Market Maker's market making performance score average, including the number and proportion of underperforming security assignments at the firm;
- the substance of the service level bids submitted by a Market Maker;
- the issuer's recommendation;
- the strategic focus of the Market Maker;
- the desirability of maintaining a long-run balance, depth and breadth of Market Makers; and
- other factors which are likely to contribute to a Market Maker's ability, such as the Market Maker's technological capability, market presence, global reach, and lines of business.

Winning assignments are announced publicly.



**“ANNEXURE B”**

**PROPOSED AMENDMENTS IN RELATION TO EXCHANGE TRADED FUNDS (ETFs)**

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<b>CHAPTER 2 [INTERPRETATION AND DEFINITIONS]</b>		
<p><b>2.4. GENERAL DEFINITIONS:</b></p> <p>In these Regulations, unless there is anything repugnant in the subject or context:</p> <p><b>vi. Authorized Participant (AP)</b></p> <p>means a Market Maker as defined under chapter 12 of these Regulations, appointed by the AMC under the Authorized Participant Agreement and obligations and responsibilities of whom are also specified in the Constitutive Documents;</p>	<p><b>2.4. GENERAL DEFINITIONS:</b></p> <p>In these Regulations, unless there is anything repugnant in the subject or context:</p> <p><b>vi. Authorized Participant (AP)</b></p> <p>means a <u>Securities Broker Market Maker</u> <del>as defined under chapter 12 of these Regulations</del>, appointed by the AMC under the Authorized Participant Agreement and obligations and responsibilities of whom are also specified in the Constitutive Documents <u>and Chapter 16 of these Regulations</u>;</p>	<p>AP has to be a broker but it may not necessarily be a MM.</p>
<p><b>vii. Authorized Participant Agreement (APA)</b></p> <p>means an agreement entered into between the Authorized Participant, Trustee and the Asset Management Company setting out the roles and responsibilities of each party and includes, among other things, the terms and procedures to be adopted by the AMC and AP for the issuance and redemption of creation units. Minimum contents of the Authorized Participant Agreement are specified in Annexure-A attached to chapter 16 relating to ETFs of these Regulations;</p>	<p><b>vii. Authorized Participant Agreement (APA)</b></p> <p>means an agreement entered into between the Authorized Participant, <del>Trustee</del> and the Asset Management Company setting out the roles and responsibilities of each party and includes, among other things, the terms and procedures to be adopted by the AMC and AP for the issuance and redemption of creation units. Minimum contents of the Authorized Participant Agreement are specified in Annexure-A attached to chapter 16 relating to ETFs of these Regulations;</p>	<p>ETF is to be launched by AMCs where the role of Trustee is to oversee the operations of Fund in line with Trust Deed (TD) and Offering Document (OD).</p> <p>Since operational procedures are already part of TD/OD, therefore, there is no need to involve Trustee as a party to this agreement.</p>
<p><b>xxxv. ETF</b></p> <p>means Exchange Traded Fund, which is a listed index-tracking open-ended fund structured as a Collective Investment Scheme. The primary objective of the ETF is to mimic the return of a particular benchmark index by investing substantially all of its assets in the constitution securities of the Benchmark Index. ETF issues and redeems creation units in kind through APs only;</p>	<p><b>xxxv. ETF</b></p> <p>means Exchange Traded Fund, which is a listed <del>index-tracking</del> open-ended fund structured as a Collective Investment Scheme. The primary objective of the ETF is to mimic the return of a particular benchmark index by investing substantially all of its assets in the constitution securities of the Benchmark Index. ETF issues and redeems creation units in kind through APs only;</p>	<p>Objective of ETF can be index tracking or else and the same is specified in the Offering Document approved by SECP.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p><b>xxxvi. ETF Unit</b></p> <p>means a unit of open-ended scheme that tracks a benchmark index and is listed on the stock exchange and may be traded like any other share on the stock exchange;</p>	<p><b>xxxvi. ETF Unit</b></p> <p>means a unit of open-ended scheme <del>that tracks a benchmark index and is</del> listed on the stock exchange and may be traded like any other share on the stock exchange;</p>	<p>Objective of ETF can be index tracking or else and the same is specified in the Offering Document approved by SECP.</p>
<p><b>lix.a. Pre-Existing Interest:</b></p> <p>means:</p> <p>i. An earlier purchase in the same settlement or in a different settlement which will settle prior to the settlement of the sale transaction of the same UIN in the same security; or</p> <p>ii. An open position in Margin Trading or Margin Financing Market as a finance on account of same UIN of same security.</p>	<p><b>lix.a. Pre-Existing Interest:</b></p> <p>means:</p> <p>i. An earlier purchase in the same settlement or in a different settlement which will settle prior to the settlement of the sale transaction of the same UIN in the same security; or</p> <p>ii. An open position in Margin Trading or Margin Financing Market as a finance on account of same UIN of same security.</p> <p><u><b>In addition to the Pre-Existing Interest as defined above, the following shall also qualify as Pre-Existing Interest exclusively for:</b></u></p> <p><u><b>iii. Sale of ETF units by the Market Makers for such ETF:</b></u></p> <p><u><b>a. an earlier purchase of the stocks forming part of the Benchmark Index of an ETF in equivalent quantity and amount in the same settlement or in a different settlement which will settle prior to the settlement of the sale of ETF units; or</b></u></p> <p><u><b>b. availability of stocks forming part of the Benchmark Index of an ETF in equivalent quantity and amount; or</b></u></p> <p><u><b>iv. Sale of any one or more of the stocks forming part of the Benchmark Index of an ETF by the Market Makers for such ETF:</b></u></p> <p><u><b>a. an earlier purchase of the ETF units in the same settlement or in a different settlement which will settle prior to the settlement of the sale of any one or more of</b></u></p>	<p>To facilitate hedging for ETF market makers and to reduce arbitrage between ETF market price and NAV by enabling market maker to swiftly place ETF bids and offers.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p><b>Explanation:</b> Pre-Existing Interest of a UIN in a security shall be determined based on the UIN perfect matching mechanism as prescribed by CDC and NCCPL.</p>	<p><u>the stocks forming part of the Benchmark Index of an ETF; or</u>  <u>b. availability of ETF units.</u></p> <p><b>Explanation:</b> Pre-Existing Interest of a UIN in a security shall be determined based on the UIN perfect matching mechanism as prescribed by CDC and NCCPL.</p>	
<b>CHAPTER 10: READY DELIVERY CONTRACTS MARKET REGULATIONS</b>		
<p><b>10.15. PROHIBITION ON BLANK SALES:</b></p> <p>No Broker shall make any Blank Sale in the Ready Delivery Contract Market either for its own account or for its clients.</p>	<p><b>10.15. PROHIBITION ON BLANK SALES:</b></p> <p>No Broker shall make any Blank Sale in the Ready Delivery Contract Market either for its own account or for its clients, <u>except the Designated Market Maker which shall be allowed to execute Blank Sale in Assigned Security within the assigned position limits.</u></p>	<p>To facilitate market makers in meeting its continuous obligation of posting bids and offers.</p>
<b>CHAPTER 16 [EXCHANGE TRADED FUNDS (ETFs) REGULATIONS]</b>		
<p><b>16.1. DEFINITIONS:</b></p> <p>In this chapter, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:</p> <p>(h) “Fund” for the purpose of this chapter shall mean an index tracking open end fund structured as a collective investment scheme;</p> <p>(m) “Tracking Error” shall mean the difference between daily returns of an ETF and that of the underlying Benchmark Index for any given period;</p>	<p><b>16.1. DEFINITIONS:</b></p> <p>In this chapter, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:</p> <p>(h) “Fund” for the purpose of this chapter mean an <del>index tracking</del> open ended fund, structured as a collective investment scheme, <u>the units of which are traded on the Exchange like shares;</u></p> <p>(m) “Tracking Error” shall mean the <u>standard deviation of the</u> difference between daily returns <del>of an ETF and that</del> of the underlying <del>Benchmark Index for any given period</del> <u>and the NAV of the ETF;</u></p>	<p>Objective of ETF can be index tracking or else and the same is specified in the Offering Document approved by SECP. The definition should also be broadened to mention that ETF trades like shares for clarity purpose.</p> <p>Internationally, tracking error reflects an annualized standard deviation of daily return differences between the performance of the fund and the</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>16.3.2. The ETF units listed under these Regulations shall be traded in the Ready Delivery Contract Market through KATS and buyers and sellers may trade in ETF units in allowable lot size in the manner prescribed for Listed Securities through Brokers of the Exchange.</p>	<p>16.3.2. The ETF units listed under these Regulations shall be traded in the Ready Delivery Contract Market through KATS and buyers and sellers may trade in ETF units <u>through Brokers of the Exchange</u> in <del>allowable</del> <u>such</u> lot size in the manner <u>as</u> prescribed <del>for Listed Securities through Brokers of</del> <u>by</u> the Exchange <u>from time to time</u>.</p>	<p>performance of its underlying index.</p> <p>To allow investors to invest in any amounts that they want in line with Mutual Fund industry where investors can purchase Units in smaller amount. This shall also avoid trading of ETF Odd lots.</p>
<p><b>16.4. DISCLOSURE OF INFORMATION:</b></p> <p>16.4.1. An AMC managing an ETF shall disclose the matters relating to such ETF as specified below, prior to the opening of Exchange on a trading day:</p> <p>(c) The Tracking Error.</p> <p>16.4.2. An AMC managing an ETF shall disclose the following details immediately on its website and to the Exchange:</p> <p>(k) Creation, redemption, sale or purchase of ETF units;</p> <p>(f) Discontinuation of any business of such AMC;</p>	<p><b>16.4. DISCLOSURE OF INFORMATION:</b></p> <p>16.4.1. An AMC managing an ETF shall disclose the matters relating to such ETF as specified below, prior to the opening of Exchange on a trading day:</p> <p><del>(c) The Tracking Error.</del></p> <p>16.4.2. An AMC managing an ETF shall disclose the following details immediately on its website and to the Exchange:</p> <p><del>(k) Creation, redemption, sale or purchase of ETF units;</del></p> <p>(f) Discontinuation of any business of such AMC <u>in case it is a Listed Company</u>;</p>	<p>Based on definition proposed under 16.1 (m), Tracking Error should be measure over a time and shall be disclosed in monthly Fund Manager Report. There should not be need to disclose a daily tracking error figure.</p> <p>Creation/ Redemption is a normal course of ETF and not as material as other information laid down under this clause 16.4.2 requiring immediate disclosure on AMC website. Moreover, ETF basket and fund details are disclosed on daily basis.</p> <p>It is the ETF that is listed on Exchange and not the AMCs. For instance, if an unlisted AMC decides to discontinue its</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
		advisory business, it is a confidential matter as the company is private and unlisted. Such disclosures are only suitable in cases of listed companies.
<p><b>16.5. OBLIGATIONS OF AP:</b></p> <p>16.5.1. The AP shall fully comply with the requirements of the APA and the market making agreement with the Exchange, and shall provide an undertaking to the Exchange and the AMC of such compliance.</p> <p>16.5.2. The Exchange shall ensure that the AP observes high standards of integrity in his dealings in ETF, at the Exchange.</p>	<p><b>16.5. OBLIGATIONS OF AP <u>AND ETF MARKET MAKER:</u></b></p> <p>16.5.1. The AP shall fully comply with the requirements of the APA, <u>which is an agreement between AMC and AP</u> <del>and the market making agreement with the Exchange, and shall provide an undertaking to the Exchange and the AMC of such compliance.</del></p> <p><u>The ETF Market Maker shall fully comply with the requirements of the Market Making Agreement with the Exchange.</u></p> <p><del>16.5.2. The Exchange shall ensure that the AP observes high standards of integrity in his dealings in ETF, at the Exchange.</del></p>	<p>AP and MM are two separate roles. An AP may choose to act as a MM. PSX should address MM Obligations only. Further, there is no need of an undertaking as formally executed Agreement itself is an undertaking.</p> <p>For requiring ETF MM to comply with MM Agreement, a new sub-clause is inserted.</p> <p>PSX should monitor Market Making Obligations only instead of AP. The former is covered in Market Making agreement.</p>
<p><b>16.6. APPLICABILITY OF LISTING REGULATIONS AND OTHER ALLIED MATTERS:</b></p> <p>All provisions of chapter 5 of these PSX Regulations presently in force or as amended from time to time shall be applicable on the AMC managing an ETF, unless otherwise provided in this chapter.</p>	<p><b>16.6. APPLICABILITY OF LISTING REGULATIONS AND OTHER ALLIED MATTERS:</b></p> <p>All provisions of chapter 5 of these PSX Regulations <u>governing listing of Open-ended Mutual Funds</u> presently in force or as amended from time to time shall be applicable on the AMC managing an ETF, unless otherwise provided in this chapter.</p>	<p>ETF is managed like an open-end fund the units of which can be purchased or redeemed any time during the life of the fund. Hence, ETF shall comply with all regulations governing listing of Open-end Funds.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p style="text-align: center;"><b>ANNEXURE-A MINIMUM CONTENTS TO BE COVERED IN AUTHORIZED PARTICIPANT (AP) AGREEMENT</b></p> <p>AP agrees to act as a market maker of the Fund (the ETF) and the Asset Management Company (AMC) authorizes AP to create and redeem units of the fund in Creation Unit size or multiple thereof.</p> <p>Both parties mutually agree to clauses relating to the following areas:</p> <p style="text-align: center;"><b><u>NEW INSERTION</u></b></p> <p>(v) Conditions where Bids and Offers can be withdrawn by AP (such as at upper &amp; lower caps);</p>	<p style="text-align: center;"><b>ANNEXURE-A MINIMUM CONTENTS TO BE COVERED IN AUTHORIZED PARTICIPANT (AP) AGREEMENT</b></p> <p><del>AP agrees to act as a market maker of the Fund (the ETF) and The Asset Management Company (AMC)</del> authorizes AP to create and redeem units of the fund in Creation Unit size or multiple thereof.</p> <p>Both parties mutually agree to clauses relating to the following areas:</p> <p><b><u>(i) Agreement with AP if it intends to act as a Market Maker including obligations to be set out in Market Making Agreement with the Exchange;</u></b></p> <p>(v) Conditions where Bids and Offers can be withdrawn by <b>AP Market Maker</b> (such as at upper &amp; lower caps);</p>	<p>AP may not be a MM, hence, this part is covered as new sub-clause (i) below.</p> <p>The APA shall cover this part for an AP that intends to act as ETF Market Maker.</p> <p>AP shall not post continuous bids and asks as this role is for Market Maker is to assume.</p>
<p><b>NOTE:</b> Due to above changes in Annexure A, all other existing clauses shall be renumbered, wherever required, accordingly.</p>		
<p style="text-align: center;"><b>ANNEXURE-B MINIMUM ADDITIONAL INFORMATION TO BE DISCLOSED IN OFFERING DOCUMENT OF ETF</b></p> <p>AMCs shall ensure that the following disclosures are made in the offering document of an ETF in addition to the areas specified in Schedule VIII of the NBFC Regulations.</p> <p><b>AUTHORIZED PARTICIPANT</b></p> <p>(vi) Role, Duties and Responsibilities of Authorized Participants;</p> <p>(vii) Names and Contact information of Authorized Participants; and</p> <p>(viii) Salient features of Authorized Participant Agreement.</p>	<p style="text-align: center;"><b>ANNEXURE-B MINIMUM ADDITIONAL INFORMATION TO BE DISCLOSED IN OFFERING DOCUMENT OF ETF</b></p> <p>AMCs shall ensure that the following disclosures are made in the offering document of an ETF in addition to the areas specified in Schedule VIII of the NBFC Regulations.</p> <p><b>AUTHORIZED PARTICIPANT <u>AND MARKET MAKER</u></b></p> <p>(vi) Role, Duties and Responsibilities of Authorized Participants <b><u>and Market Makers;</u></b></p> <p>(vii) Names and Contact information of Authorized Participants <b><u>and Market Makers;</u></b> and</p> <p>(viii) Salient features of Authorized Participant Agreement.</p>	<p>AP and Market Maker are distinct roles, hence, it is proposed to separately mention 'Market Makers' in relevant clauses of the Offering Document.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p><b>OFFER / REDEMPTION OF UNITS</b></p> <p>(xx) Procedure of In-Kind Redemption; including monetary and time cost to the investor, and policy for partial shares;</p> <p><b>BENCHMARK INDEX</b></p> <p>(ix) Profile of Benchmark Index;  (x) Constituent of Benchmark Index;  (xi) Circumstances under which Benchmark Index of ETF may change;  (xii) Disclosure of Risk Factors related to Benchmark Index;  (xiii) Constituents of Benchmark Index and weightings of the top 10 largest constituent securities (where applicable) of the benchmark index as of a date within a month of the date of the offering document;  (xiv) Frequency with which benchmark index composition is reviewed;  (xv) Means by which investors may obtain the latest benchmark index information and other important news of the index; and  (xvi) Target tracking error.</p>	<p><b>OFFER / REDEMPTION OF UNITS</b></p> <p>(xx) Procedure of In-Kind Redemption; including monetary and time cost to the investor, <del>and policy for partial shares;</del></p> <p><b>BENCHMARK INDEX</b></p> <p>(ix) Profile of Benchmark Index;  (x) Constituent of Benchmark Index;  (xi) Circumstances under which Benchmark Index of ETF may change;  (xii) Disclosure of Risk Factors related to Benchmark Index;  (xiii) Constituents of Benchmark Index and weightings of the top 10 largest constituent securities (where applicable) of the benchmark index as of a date within a month of the date of the offering document;  (xiv) Frequency with which benchmark index composition is reviewed;  (xv) Means by which investors may obtain the latest benchmark index information and other important news of the index; and  <del>(xvi) Target tracking error.</del></p>	<p>There should not be any partial shares for ETF.</p>
<p style="text-align: center;"><b>ANNEXURE-I</b></p> <p><b>DOCUMENTS TO BE SUBMITTED WITH LISTING APPLICATION OF AN EXCHANGE TRADED FUND (ETF)</b></p> <p>The following documents and particulars duly attested by the AMC shall be submitted to the Exchange at the time of application for listing of its Fund as an ETF:</p> <p>17. 50 copies of the printed Offering Document of the Fund and 5 copies of the draft Offering Document;</p>	<p style="text-align: center;"><b>ANNEXURE-I</b></p> <p><b>DOCUMENTS TO BE SUBMITTED WITH LISTING APPLICATION OF AN EXCHANGE TRADED FUND (ETF)</b></p> <p>The following documents and particulars duly attested by the AMC shall be submitted to the Exchange at the time of application for listing of its Fund as an ETF:</p> <p>17. <del>50</del> 5 copies of the printed Offering Document of the Fund and 5 copies of the draft Offering Document;</p>	<p>5 Copies should suffice. In case more copies are needed, PSX can arrange at its end.</p>
<b>CHAPTER 20: DISCIPLINARY ACTIONS AGAINST TRE CERTIFICATE HOLDERS REGULATIONS</b>		
<p><b>20.15. DISCIPLINARY POWERS OF THE BOARD:</b></p> <p>Without prejudice to the generality of the powers vested in the Board and in addition to the disciplinary</p>	<p><b>20.15. DISCIPLINARY POWERS OF THE BOARD:</b></p> <p>Without prejudice to the generality of the powers vested in the Board and in addition to the disciplinary</p>	



EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>actions/powers envisaged under clause 20.4A that the CRO, sub-committee of RAC or RAC (as the case may be) may take, the Board may further exercise any one or more of the following disciplinary powers against a TRE Certificate Holder pursuant to clause 20.1:</p> <p>(b) Restrict, suspend or cancel the market making activities of the TRE Certificate Holder in a particular market / product available for trading at the Exchange or its status as Authorized Participant in case of ETF on such terms and for such period as the Board may deem fit;</p>	<p>actions/powers envisaged under clause 20.4A that the CRO, sub-committee of RAC or RAC (as the case may be) may take, the Board may further exercise any one or more of the following disciplinary powers against a TRE Certificate Holder pursuant to clause 20.1:</p> <p><del>(b) Restrict, suspend or cancel the market making activities of the TRE Certificate Holder in a particular market / product available for trading at the Exchange or its status as Authorized Participant in case of ETF on such terms and for such period as the Board may deem fit;</del></p>	<p>This power vest with Exchange under clause 12.3.2.6., hence repetitious is avoided.</p>

\*\*\*End of Proposed Amendments\*\*\*