



SOLICITATION OF PUBLIC COMMENTS

PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX) REGULATIONS IN RESPECT OF VARIOUS MATTERS

This is to inform the public that the PSX is proposing to carry out amendments to PSX Regulations in order to implement the following measures:

- 1. Proposed amendments to Chapter 5 [Listing of Companies and Securities Regulations] of PSX Regulations to impose additional service fee, equivalent to initial listing fee or PKR 450,000 whichever is lower, on a company which withdraws its listing application filed with PSX or where PSX refuses its listing application:**

**Background:**

Currently, PSX charges PKR 50,000 as a non-refundable service fee to a company which applies for enlistment at PSX. However, where a company withdraws its application after the same has been approved by PSX, the amount of non-refundable charges of PKR 50,000 is insufficient to cover the costs incurred by PSX in reviewing the documentation and approving the draft prospectus of the company.

**Proposed Amendments:**

In order to address the above, the following draft proviso is proposed to be inserted under Clause 5.18.1(f) of PSX Regulations:

*“Provided that where a company withdraws or where the Exchange refuses the listing application, for any or whatsoever reasons, the Exchange may charge additional service fee equivalent to initial listing fee or PKR 450,000 whichever is lower, which may be adjusted from the initial listing fee paid by such company under clause 5.18.1 (a) of these Regulations.”*

- 2. Proposed amendments to Chapter 5 [Listing of Companies and Securities Regulations] of PSX Regulations to charge flat annual listing fee of PKR 25,000 to all open-end mutual funds irrespective of their fund size:**

As per the existing Clause 5.18 of PSX Regulations, PSX charges the following annual listing fee to the open-end mutual funds:

Size of Instrument	Rate of Fee
Up to Rs.150 million	Rs. 20,000
Above Rs.150 million	Rs. 25,000

It is proposed to charge a flat annual listing fee of PKR 25,000 to all open-end mutual funds irrespective of their size due to the following reasons:

- (a) Majority of the listed funds have a fund size above PKR 150 million.
  - (b) PSX does not possess information pertaining to fund size as at June 30. As a result, PSX has to solicit documentary evidence for the same from each fund while running annual billing exercise for these funds.
  - (c) PSX's billing process for open-end funds would be simplified.
3. **Proposed amendments to PSX Regulations to provide regulatory coverage to the instructions of customers to their brokers for subscription of shares offered through IPO using the Centralized e-IPO System (CES) of Central Depository Company of Pakistan Limited (CDC):**

**Background:**

In order to facilitate IPO investors and reduce time and cost of listings, CDC has developed the Centralized e-IPO System (CES). Under the CES, investors can apply electronically for subscription of securities offered through IPO similar to the e-IPO facility being offered by some of the banks in Pakistan.

The number of investors subscribing to IPOs through CES and e-IPO facilities offered by some of the banks is increasing over the time. As a result, CDC is now planning to introduce a facility in CES whereby those TRE Certificate Holders, which are CDC Participants, could be allowed to make applications, on behalf of their costumers (Trading Account Holders), for subscription of securities offered through IPO.

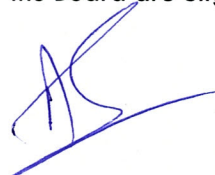
**Proposed Amendments:**

Considering that the concept of CES stipulates that a TRE Certificate Holder shall subscribe for shares in IPO on behalf of its customers only if the customers have instructed such TRE Certificate Holder through acceptable mode of communication as prescribed in PSX Regulations, the following clauses of PSX Regulations are proposed to be amended:

- (i) **Clause 18.2 [Disputes to be referred to Arbitration]** requires disputes, if arisen, to be referred to Arbitration in connection with any trade or transaction and **Clause 8.4 [Arbitration Procedures]** inter alia requires that an application for arbitration may be rejected/dismissed by PSX if subject matter in the dispute has arisen from a transaction not carried out through the Trading Systems/facilitation of the Exchange or not reported through the interface provided by the Exchange or the transaction is otherwise illegal or private deals between two Brokers.

Since the brokers would subscribe for shares in IPO only if customers instruct, it may be possible that a dispute may arise between a TRE Certificate Holder and its customer relating to authority for subscription of shares in IPO and hence such disputes may have to be referred for arbitration under PSX Regulations. Considering that the aforementioned clauses allow cases for arbitration which are carried out through Trading Systems of PSX or which are in connection with a trade or a transaction whereas the instruction for subscription of IPO is neither a trade/ transaction nor carried out through Trading System of PSX rather it is a primary market matter, hence, the same requires coverage in PSX Regulations before it can be referred for arbitration.

- (ii) **Clause 24.3 [Eligibility of Claims]** requires that all claims of customers arising out of transactions entered into as per PSX Regulations and/or NCCPL Regulations and approved by the Board/Committee constituted by the Board are eligible for settlement.



Since the legitimate claims of customers against misuse of clients' funds for subscription of IPO on their behalf without their exclusive consent/instructions may have to be settled from the assets of brokers or from CCPF, as the case may be, in the event of default of such broker. The same also needs coverage under aforementioned Clause 24.3.

**4. Proposed amendments to PSX Regulations pertaining to Base Minimum Capital (BMC) requirement of brokers:**

In view of the prevailing market conditions, the following amendments are proposed to be carried out in Schedule-I [BMC to be maintained by a Broker] of Chapter 19 [Risk Management Regulations] of PSX Regulations:

- (i) PSX should determine the required value of BMC for each broker on the first working day of every **week** instead of every month on the basis of Assets Under Custody of such broker as of the last working day of the preceding week.
- (ii) The time period for Brokers to fulfill any shortfall in the BMC may be reduced from existing five (5) working days to **two (2) working days** due to the proposed increase in frequency of BMC review from monthly to weekly basis.
- (iii) The existing first slab of BMC may be divided into two slabs in the following manner:

EXISTING			PROPOSED		
AUC (in PKR)			AUC (in PKR)		
From	To	Required Amount of BMC (in PKR)	From	To	Required Amount of BMC (in PKR)
0	50,000,000	16,000,000	0	25,000,000	12,000,000
			25,000,001	50,000,000	16,000,000

Pursuant to Section 7(3) of the Securities Act, 2015, PSX hereby invites the public to provide comments on the proposed amendments in relation to the above matters, which are attached herewith as **Annexure A, B, C and D** respectively.

All concerned are invited to provide written comments on the proposed amendments either in hard form or through email at [comments.rad@psx.com.pk](mailto:comments.rad@psx.com.pk) latest by **Friday, August 23, 2019**.

  
**ABBAS MIRZA**  
 Acting Chief Regulatory Officer

- Cc:**
1. The Executive Director/HOD (PRDD), SMD, SECP
  2. The Acting Chief Executive Officer, PSX
  3. The Chief Executive Officer, CDC
  4. The Chief Executive Officer, NCCPL
  5. The Chief Executive Officer, PMEX
  6. All Heads of Department, PSX
  7. All Listed Companies of PSX through PUCARS
  8. PSX Notice Board & Website

**“ANNEXURE A”**

**PROPOSED AMENDMENTS TO CHAPTER 5 [LISTING OF COMPANIES AND SECURITIES REGULATIONS] OF PSX RULEBOOK RELATING TO CHARGING ADDITIONAL SERVICE FEE TO A COMPANY WHICH WITHDRAWS OR WHERE THE EXCHANGE REFUSES ITS LISTING APPLICATION**

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p><b>5.18. LISTING AND ANNUAL FEES:</b></p> <p><b>5.18.1. LISTING FEE SCHEDULE:</b></p> <p>(f) A company applying for enlistment on the Exchange shall, in addition to other fees, pay a sum of Rs. 50,000/- (Rupees fifty thousand only) as non-refundable service charges. An open-end mutual fund applying for listing on the Exchange shall pay a sum of Rs. 25,000/- (Rupees twenty five thousand only) as non-refundable service charges.</p> <p align="center"><u><a href="#">New Insertion</a></u></p>	<p><b>5.18. LISTING AND ANNUAL FEES:</b></p> <p><b>5.18.1. LISTING FEE SCHEDULE:</b></p> <p>(f) A company applying for enlistment on the Exchange shall, in addition to other fees, pay a sum of Rs. 50,000/- (Rupees fifty thousand only) as non-refundable service charges. An open-end mutual fund applying for listing on the Exchange shall pay a sum of Rs. 25,000/- (Rupees twenty five thousand only) as non-refundable service charges.</p> <p><u><a href="#">Provided that where a company withdraws or where the Exchange refuses the listing application, for any or whatsoever reasons, the Exchange may charge additional service fee to such company, equivalent to initial listing fee or Rs. 450,000 whichever is lower, which may be adjusted from the initial listing fee paid by such company under clause 5.18.1(a) of these Regulations.</a></u></p>	<p>To cover the costs incurred in reviewing the documentation and charges of convening the meeting(s) of listing committee for approving the draft prospectus of the company.</p>

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

**“ANNEXURE B”**

**PROPOSED AMENDMENTS TO CHAPTER 5C [LISTING OF COMPANIES AND SECURITIES REGULATIONS] OF PSX RULEBOOK IN RELATION TO CHARGING A FLAT ANNUAL LISTING FEE FROM ALL OPEN-ENDED MUTUAL FUNDS**

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE												
<p><b>5.18. LISTING AND ANNUAL FEES:</b></p> <p><i>5.18.1. LISTING FEE SCHEDULE:</i></p> <p>Provided that in case of Open-Ended Mutual Funds, the annual listing fee shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30th September in each calendar year, as per following schedule:</p> <table border="1" data-bbox="172 929 638 1146"> <thead> <tr> <th>SIZE OF INSTRUMENT</th> <th>RATE OF FEE</th> </tr> </thead> <tbody> <tr> <td>Up to Rs.150 million</td> <td>Rs. 20,000</td> </tr> <tr> <td>Above Rs.150 million</td> <td>Rs. 25,000</td> </tr> </tbody> </table>	SIZE OF INSTRUMENT	RATE OF FEE	Up to Rs.150 million	Rs. 20,000	Above Rs.150 million	Rs. 25,000	<p><b>5.18. LISTING AND ANNUAL FEES:</b></p> <p><i>5.18.1. LISTING FEE SCHEDULE:</i></p> <p>Provided that in case of Open-Ended Mutual Funds, the annual listing fee <u>of Rs. 25,000/-</u> shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30th September in each calendar year. <del>as per following schedule:</del></p> <table border="1" data-bbox="670 929 1129 1146"> <thead> <tr> <th>SIZE OF INSTRUMENT</th> <th>RATE OF FEE</th> </tr> </thead> <tbody> <tr> <td><del>Up to Rs.150 million</del></td> <td><del>Rs. 20,000</del></td> </tr> <tr> <td><del>Above Rs.150 million</del></td> <td><del>Rs. 25,000</del></td> </tr> </tbody> </table>	SIZE OF INSTRUMENT	RATE OF FEE	<del>Up to Rs.150 million</del>	<del>Rs. 20,000</del>	<del>Above Rs.150 million</del>	<del>Rs. 25,000</del>	<ul style="list-style-type: none"> <li>Majority of the listed funds have a fund size above Rs.150 million.</li> <li>PSX does not possess information pertaining to fund size as at June 30. Hence, PSX has to solicit documentary evidence for the same from each open-end fund while running annual billing exercise for such funds.</li> <li>PSX's billing process would be simplified.</li> </ul>
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Up to Rs.150 million	Rs. 20,000													
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<del>Above Rs.150 million</del>	<del>Rs. 25,000</del>													

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

**“ANNEXURE C”**

**PROPOSED AMENDMENTS TO PSX REGULATIONS TO PROVIDE REGULATORY COVERAGE TO THE INSTRUCTIONS OF CUSTOMERS TO THEIR BROKERS FOR SUBSCRIPTION OF SHARES OFFERED THROUGH IPO USING THE CENTRALIZED E-IPO SYSTEM (CES) OF CDC**

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<b>Chapter 18: Investors’ Claims, Brokers’ Disputes and Arbitration Regulations</b>		
<p><b>18.2. DISPUTES TO BE REFERRED TO ARBITRATION:</b></p> <p>Whenever any dispute arises between Brokers interse, or between any of the Brokers and their clients, or between any of the Brokers and their Authorized Agents or between Authorized Agent(s) and their clients in connection with any trade or transaction and is not otherwise settled amicably, it shall be referred to arbitration and shall be dealt with according to the procedure laid down in this chapter.</p>	<p><b>18.2. DISPUTES TO BE REFERRED TO ARBITRATION:</b></p> <p>Whenever any dispute arises between Brokers interse, or between any of the Brokers and their clients, or between any of the Brokers and their Authorized Agents or between Authorized Agent(s) and their clients in connection with any trade or transaction <u>or subscription of shares offered through IPO</u> and is not otherwise settled amicably, it shall be referred to arbitration and shall be dealt with according to the procedure laid down in this chapter.</p>	<p>Due to the implementation of Centralized e-IPO System (CES) by CDC, consequential amendments are proposed to be made in this clause for providing regulatory coverage to the instructions of customers to their brokers for subscription of IPO through CES.</p>
<p><b>18.4. ARBITRATION PROCEDURE:</b></p> <p><i>18.4.2 REJECTION OR DISMISSAL OF APPLICATION:</i></p> <p>(d) The subject matter in the dispute has arisen from a transaction not carried out through the Trading Systems/facilitation of the Exchange or not reported through the interface provided by the Exchange or the transaction is otherwise illegal or private deals between two Brokers.</p>	<p><b>18.4. ARBITRATION PROCEDURE:</b></p> <p><i>18.4.2 REJECTION OR DISMISSAL OF APPLICATION:</i></p> <p>(d) The subject matter in the dispute has arisen from a transaction:</p> <p><u>(i) not carried out through the Trading Systems/facilitation of the Exchange; or</u></p> <p><u>(ii) not reported through the interface provided by the Exchange; or</u></p> <p><del>(iii) the transaction is otherwise</del> <u>which is</u> illegal or private deals between two Brokers; <u>or</u></p> <p><u>(iv) which is not related to subscription of shares offered through IPO.</u></p>	<p>Instruction for subscription of IPO is not a transaction carried out through Trading System of PSX rather it is an order relating to primary market (IPO), hence, the same has been given regulatory coverage in PSX Regulations before it can be referred for arbitration.</p>

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<b>Chapter 24: Centralized Customers Protection Compensation Fund (CCPF) Regulations</b>		
<p><b>24.3 ELIGIBILITY OF CLAIMS:</b></p> <p>All claims of customers arising out of transactions entered into as per Regulations and/or the NCCPL regulations and approved by the Board/Committee constituted by the Board shall be eligible for consideration under these regulations.</p>	<p><b>24.3 ELIGIBILITY OF CLAIMS:</b></p> <p>All claims of customers arising out of <u>subscription of shares offered through IPO or</u> transactions entered into as per Regulations and/or the NCCPL regulations and approved by the Board/Committee constituted by the Board shall be eligible for consideration under these regulations.</p>	<p>The legitimate claims of customers against misuse of clients' funds for subscription of IPO on their behalf without their exclusive consent/instructions may require to be settled from the assets of Brokers or CCPF, as the case may be, in the event of default of such broker. Hence, the same has been given regulatory coverage in PSX Regulations.</p>

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

**“ANNEXURE D”**

**PROPOSED AMENDMENTS TO BASE MINIMUM CAPITAL REQUIREMENT OF BROKERS**

<b>Required value of Base Minimum Capital:</b>			<b>RATIONALE</b>																																
<p>Every Broker shall maintain Base Minimum Capital ('BMC') as per the following slabs with the Exchange which shall be determined based on the Assets Under Custody (AUC) which is same as the Custody Position held under its Participant Account with CDC:</p> <table border="1"> <thead> <tr> <th colspan="2"><b>AUC (in PKR)</b></th> <th rowspan="2"><b>Required Amount of BMC (in PKR)</b></th> </tr> <tr> <th><b>From</b></th> <th><b>To</b></th> </tr> </thead> <tbody> <tr> <td align="center">0</td> <td align="center"><del>50,000,000</del> 25,000,000</td> <td align="center">12,000,000 <del>16,000,000</del></td> </tr> <tr> <td align="center">25,000,001</td> <td align="center">50,000,000</td> <td align="center">16,000,000</td> </tr> <tr> <td align="center">50,000,001</td> <td align="center">250,000,000</td> <td align="center">17,000,000</td> </tr> <tr> <td align="center">250,000,001</td> <td align="center">500,000,000</td> <td align="center">19,000,000</td> </tr> <tr> <td align="center">500,000,001</td> <td align="center">1000,000,000</td> <td align="center">21,000,000</td> </tr> <tr> <td align="center">1000,000,001</td> <td align="center">2,500,000,000</td> <td align="center">23,000,000</td> </tr> <tr> <td align="center">2,500,000,001</td> <td align="center">5,000,000,000</td> <td align="center">26,000,000</td> </tr> <tr> <td align="center">5,000,000,001</td> <td align="center">10,000,000,000</td> <td align="center">28,000,000</td> </tr> <tr> <td align="center">Over 10,000,000,000</td> <td></td> <td align="center">31,000,000</td> </tr> </tbody> </table>			<b>AUC (in PKR)</b>		<b>Required Amount of BMC (in PKR)</b>	<b>From</b>	<b>To</b>	0	<del>50,000,000</del> 25,000,000	12,000,000 <del>16,000,000</del>	25,000,001	50,000,000	16,000,000	50,000,001	250,000,000	17,000,000	250,000,001	500,000,000	19,000,000	500,000,001	1000,000,000	21,000,000	1000,000,001	2,500,000,000	23,000,000	2,500,000,001	5,000,000,000	26,000,000	5,000,000,001	10,000,000,000	28,000,000	Over 10,000,000,000		31,000,000	<p>Considering the prevailing market conditions, the existing first slab is proposed to be divided into two slabs which would reduce the minimum BMC requirement from PKR 16 million to PK 12 million.</p>
<b>AUC (in PKR)</b>		<b>Required Amount of BMC (in PKR)</b>																																	
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<p>Provided that the above AUC slabs shall not exceed the Maximum Custody Limits authorized by the CDC to a Broker being its Participant in terms of the Capital Adequacy Level of such Broker as provided by the CDC in its Regulations and Procedures made thereunder. The terms, 'Custody Position', 'Maximum Custody Limit' and 'Capital Adequacy Level' shall have the same meanings as ascribed thereto under the CDC Regulations.</p>																																			
<b>Review and Updation of BMC</b>			<p>To ensure that the minimum value of BMC is assessed based on weekly figures of AUC rather than monthly.</p> <p>Due to the proposed increase in frequency of BMC review from monthly to weekly basis, the number of days for brokers to fulfil any shortfall in BMC is proposed to be reduced from 5 to 2 working days.</p>																																
<p>1. The Exchange shall determine the required value of BMC for each Broker on the first working day of every <del>week</del> <del>month</del> on the basis of AUC of such Broker as of the last working day of the preceding <del>week</del> <del>month</del>.</p> <p>2. The Broker shall be required to fulfill any shortfall in the BMC within next <del>two (02)</del> <del>five (5)</del> working days of the issue of notice by the Exchange.</p>																																			

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