



PAKISTAN STOCK EXCHANGE LIMITED
Stock Exchange Building, Stock Exchange Road, Karachi-74000
UAN: 111-001-122 Fax: 32437560

PSX/N-256

NOTICE

MARCH 03, 2020

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, in exercise of power conferred upon it under section 7 of Securities Act, 2015, is proposing to carry out amendments to PSX Regulations in relation to the following matters:

1. RELAXATION OF REGULATORY REQUIREMENTS FOR EXCHANGE TRADED FUNDS (ETF):

(i) Relaxation on advance notice for change in LOT size of ETF underlying constituents:

The existing PSX Regulation 10.4.1(c)(ii) requires that the marketable lots shall be revised after giving at least 30 days' notice in advance to the market.

Since the lot size of ETF underlying constituents shall be converted to **ONE** share as informed by PSX vide notice dated December 18, 2019, PSX is required under the said clause to issue 30 days' advance notice to market for such change of marketable lot. Although, the relaxation of the requirement of 30 days' advance notice for ETF underlying constituents is available with PSX, now the same is being made effective through this regulatory amendment.

(ii) Circuit Breakers (CB) for ETF:

As per existing PSX Regulation 19.4, CB are applied on a security in case its price moves by higher of PKR 1.0 or prevailing fixed percentage (or higher as may be applicable) from its last day closing price.

At present, ETFs are planned to be launched with a par value of PKR 10. Hence, the applicable CB will in effect be PKR 1.0 i.e. 10% of the ETF price, whereas, the ETF underlying constituents will have prevailing percentage based CB. In such situation, it seems likely that the ETF price may deviate significantly from its NAV.

To address this inconsistency, PSX is proposing to simply apply prevailing percentage based CB on ETF price instead of higher of such percentage or PKR 1.0.

Moreover, it is being proposed that the CB on the first trading day of ETF shall be applied at the prevailing percentage of CB on previous day's ETF NAV (which could be the face value or different depending on the initial offer process of the respective ETF).

2. ALLOWING FINANCIAL INSTITUTIONS TO ACT AS MARKET MAKERS:

With a view to enhance liquidity and efficiency in trading at PSX, PSX is proposing to allow Banks, Development Finance Institutions (DFIs) and Mutual Funds, besides Securities Brokers, to act as Market Makers at PSX.

In addition to the above, PSX is also proposing to amend the existing definition of Authorized Participant (AP) to include the above mentioned institutions to also act as AP for ETF besides Securities Brokers.

3. DELEGATION OF CERTAIN OPERATIONAL POWERS FROM BOARD OF DIRECTORS OF PSX (BOARD)/ REGULATORY AFFAIRS COMMITTEE (RAC) TO THE CHIEF REGULATORY OFFICER (CRO) OF PSX:

With a view to ensure speedy and efficient disposal of regulatory and compliance matters, several operational powers are proposed to be delegated from the PSX Board and RAC to CRO. The same will also help ensure that the Board and RAC are focused more in strategic and policy level decision making.

The clauses proposed to be amended are mentioned below:

Clause	Provision
18.1	Permanent Arbitration Panel
18.4.6	Member of the Panel bound to act as an Arbitrator
18.6	Appeal to RAC
20.4	Hearing and Appeal Procedures
20.4A	Disciplinary Actions
20.5	Specific Disciplinary Actions
20.16	General

In view of the foregoing, PSX has carried out requisite amendments to PSX Regulations which are attached herewith as **Annexure A, B, C and D**.

In terms of Section 7(3) of the Securities Act, 2015, all concerned are invited to provide written comments on the proposed amendments relating to above matters, either in hard form or through email at comments.rad@psx.com.pk latest by **Tuesday, March 10, 2020**.



ABBAS MIRZA

GM & Acting Chief Regulatory Officer

Cc:

1. The Executive Director/HOD (PRDD), SMD, SECP
2. The 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. Regional Heads, PSX
8. PSX Website

“ANNEXURE A”

**PROPOSED AMENDMENTS TO PSX REGULATIONS TO RELAX THE REQUIREMENT OF
ISSUANCE OF 30 DAYS' ADVANCE NOTICE TO MARKET FOR CHANGE IN LOT SIZE OF
ETF UNDERLYING CONSTITUENTS**

Existing Regulations	Proposed Amendments	Rationale
Chapter 10: Ready Delivery Contracts Market Regulations		
<p>10.4. STANADARDIZED MARKETABLE LOTS:</p> <p>10.4.1. BOOK-ENTRY SECURITIES:</p> <p>(c) The following shall be applicable on Book-entry Securities with Marketable Lots of more than one:</p> <p>(i) The Clearing Company shall determine Marketable Lots based on the Closing Prices of the Securities at the Exchange. On the basis of which the Clearing Company will notify the Marketable Lots to all market participants.</p> <p>(ii) The Marketable Lot shall be revised after giving at least 30 days' notice in advance in coordination with the Clearing Company.</p>	<p>10.4. STANADARDIZED MARKETABLE LOTS:</p> <p>10.4.1. BOOK-ENTRY SECURITIES:</p> <p>(c) The following shall be applicable on Book-entry Securities with Marketable Lots of more than one:</p> <p>(i) The Clearing Company shall determine Marketable Lots based on the Closing Prices of the Securities at the Exchange. On the basis of which the Clearing Company will notify the Marketable Lots to all market participants.</p> <p>(ii) The Marketable Lot shall be revised after giving at least 30 days' notice in advance in coordination with the Clearing Company.</p> <p><u>Provided that the sub-clause (ii) shall not apply to ETF constituent stocks which shall be disclosed by the Exchange in accordance with the index policy agreed with the concerned AMC.</u></p>	<p>Although, the relaxation of the requirement of 30 days' advance notice for ETF underlying constituents is available with PSX, now the same is being made effective through this regulatory amendment.</p>

“ANNEXURE B”

PROPOSED AMENDMENTS TO PSX REGULATIONS TO APPLY PREVAILING PERCENTAGE BASED CIRCUIT BREAKERS ON ETF PRICE INSTEAD OF HIGHER OF SUCH PERCENTAGE OR PKR 1.0 /-

Existing Regulations	Proposed Amendments	Rationale
Chapter 19: Risk Management Regulations		
19.4. SCRIP-BASED CIRCUIT BREAKER:	19.4. SCRIP-BASED CIRCUIT BREAKER:	
<p>(a) The Exchange shall apply security-wise circuit breaker for each Market separately (except Stock Index Futures Market, Index Option Market and Odd Lots Market) in case of price fluctuation of 5% or Re. 1/ -, whichever is higher from the security's Closing Price of the previous day which shall increase 0.5% after every 15th day till the time the circuit breakers reach the level of 7.5% or Re. 1, whichever is higher. Circuit breakers on the first trading day of a security shall be applicable as follows:</p> <p align="center"><u>New Insertion</u></p> <p align="center"><u>New Insertion</u></p>	<p>(a) The Exchange shall apply security-wise circuit breaker for each Market separately (except Stock Index Futures Market, Index Option Market and Odd Lots Market) in case of price fluctuation of 5% or Re. 1/ -, whichever is higher from the security's Closing Price of the previous day which shall increase 0.5% after every 15th day till the time the circuit breakers reach the level of 7.5% or Re. 1, whichever is higher.</p> <p><u>Provided that for ETF, there shall be a security-wise circuit breaker in case of price fluctuation of 7% from the closing price of ETF on previous day or higher circuit breaker as notified by the Exchange from time to time under clause.</u></p> <p><u>Provided further that, where ETF underlying constituents comprise of stocks which are subject to both values of circuit breakers i.e. Rs. 1/- and percentage based circuit breaker, the circuit breaker of such ETF shall be applied as the weighted average circuit breaker of underlying constituents for the day.</u></p> <p>(b) Circuit breakers on the first trading day of a security shall be applicable as follows:</p>	<p>ETFs are planned to be launched with a Par value of PKR 10. Hence, the applicable circuit breaker will be PKR 1.0 i.e. 10% of ETF price. Whereas, the ETFs constituent securities will likely have prevailing percentage based CB. In such case, it seems likely that the ETF price may easily deviate significantly from its NAV. Therefore, in case of ETF, CB are proposed to be applied at prevailing percentage of CB.</p>

	<p><u>(iii) During the first trading day of ETF on the Ready Delivery Contract Market, the circuit breaker on ETF shall apply on the ETF NAV of the previous day in the same manner as specified for ETF in proviso to clause 19.4.(a).</u></p>	<p>The CB on first trading day of ETF shall be applicable on its previous trading day's NAV.</p>
--	---	--

“ANNEXURE C”

PROPOSED AMENDMENTS TO PSX REGULATIONS TO ALLOW FINANCIAL INSTITUTIONS (FIS) TO ACT AS MARKET MAKERS AT PSX AND TO INCLUDE SUCH FIS TO ALSO ACT AS AUTHORIZED PARTICIPANT IN ETF

Existing Regulations	Proposed Amendments	Rationale
Chapter 2: Interpretation and Definitions		
vi. Authorized Participant (AP) means a Securities Broker, appointed by the AMC under the Authorized Participant Agreement and obligations and responsibilities of whom are also specified in the Constitutive Documents and Chapter 16 of these Regulations;	vi. Authorized Participant (AP) means a <u>company</u> Securities Broker <u>specified under clause 12.3.2.1. of these Regulations</u> , appointed by the AMC under the Authorized Participant Agreement and obligations and responsibilities of whom are also specified in the Constitutive Documents and Chapter 16 of these Regulations;	In line with the scope of Market Maker proposed to be broadened to include financial institutions, the definition of AP is also proposed to be amended to include financial institutions besides brokers.
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.	xxxiii.a. Designated Market Maker shall mean a <u>company</u> 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.	It is proposed to allow the Financial Institutions to be appointed as Market Makers in addition to Securities Brokers, hence the definition has been generalized.
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: <u>New Insertion</u>	12.1 DEFINITIONS: In this chapter, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below: <u>(b) “Designated Broker” shall mean a Securities Broker performing market making activities on behalf of the company specified in clause 12.3.2.1. (b), (c), (d) and (e) through a bilateral arrangement which shall make available the bids and offers either sequentially or simultaneously in the Assigned Security;</u>	This definition is proposed to be added since financial institution is also proposed to be allowed to act as MM and such financial institution would be required to appoint a

(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.	(c 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.	Designated Broker to carry out market making on behalf of financial institution.
<p>12.3. DIVISION 1 - DESIGNATED MARKET MAKERS:</p> <p>12.3.1. Qualifications and Application of Designated Market Makers:</p> <p>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.</p>	<p>12.3. DIVISION 1 - DESIGNATED MARKET MAKERS:</p> <p>12.3.1. Qualifications and Application of Designated Market Makers:</p> <p>A <u>company</u> 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.</p>	
<p>12.3.2. Appointment of Designated Market Makers:</p> <p>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). The Exchange may consult the issuer but reserves the right to make the final decisions in all Designated Market Maker assignments matters.</p> <p>New Insertion</p>	<p>12.3.2. Appointment of Designated Market Makers:</p> <p>12.3.2.1. The Exchange may appoint as <u>any of the following companies as Designated Market Maker for an Assigned Security:</u></p> <p><u>(a) 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).</u></p> <p><u>(b) A Banking Company, as defined under the Banking Companies Ordinance, 1962;</u></p> <p><u>(c) A Development Finance Institution (DFI);</u></p> <p><u>(d) A Collective Investment Scheme (CIS) as defined under</u></p>	<p>It is proposed to allow Financial Institutions to act as Market Makers in addition to Securities Brokers. Accordingly, the list of eligible financial institutions is prescribed along with certain eligibility criteria.</p>

	<p><u>the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the Constitutive Document allows such CIS to act as Market Maker; and</u></p> <p><u>(e) Any other company permitted by the Exchange and approved by the Commission.</u></p> <p><u>Provided that an eligible Market Maker, other than a Securities Broker, must have:</u></p> <p><u>i. been allocated minimum short-term credit rating of A3 in case of a Banking Company or a DFI and fund stability rating of A(f) in case of CIS, assigned by a credit rating company licensed by the Commission;</u></p> <p><u>ii. obtained prior written consent from a Designated Broker.</u></p> <p>The Exchange may consult the issuer but reserves the right to make the final decisions in all Designated Market Maker assignments matters.</p>	
--	--	--

“ANNEXURE D”

PROPOSED AMENDMENTS TO PSX REGULATIONS RELATING TO DELEGATION OF CERTAIN OPERATIONAL POWERS FROM THE RAC/BOARD TO THE CRO-PSX

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
Chapter 18: INVESTORS' CLAIMS, BROKERS' DISPUTES AND ARBITRATION REGULATIONS		
18.1. PERMANENT ARBITRATION PANEL: 18.1.1. RAC shall form a Permanent Arbitration Panel (referred to as “Panel” in this chapter) which shall consist of a minimum number of forty-five members. The membership of the Panel shall include TRE Certificate Holders as advisors, senior management staff of the Exchange and industry experts. Provided TRE Certificate Holders should not be more than fifteen and industry experts should not be less than thirty selected on the basis of criteria prescribed by the Exchange with the prior approval of the Commission. Provided further that the industry experts shall include advocates, professional accountants or other persons having knowledge or experience in the field of law, trade, commerce, industry, arbitration, securities market or the fields ancillary to the stock market i.e. CDS, NCSS, etc. in accordance with procedures laid down by the Exchange from time to time and subject to concurrence from the Commission.	18.1. PERMANENT ARBITRATION PANEL: 18.1.1. RAC <u>The CRO in consultation with CEO</u> shall form a Permanent Arbitration Panel (referred to as “Panel” in this chapter) which shall consist of a minimum number of forty-five members. The membership of the Panel shall include TRE Certificate Holders as advisors, senior management staff of the Exchange and industry experts. Provided TRE Certificate Holders should not be more than fifteen and industry experts should not be less than thirty selected on the basis of criteria prescribed by the Exchange with the prior approval of the Commission. Provided further that the industry experts shall include advocates, professional accountants or other persons having knowledge or experience in the field of law, trade, commerce, industry, arbitration, securities market or the fields ancillary to the stock market i.e. CDS, NCSS, etc. in accordance with procedures laid down by the Exchange from time to time and subject to concurrence from the Commission.	<p>Since the formation of the Panel is an operational matter, the CRO instead of RAC may be authorized to form such panel in consultation with CEO including making any changes in its composition.</p>
Sole Arbitrator: From the Panel, CRO in consultation with the Chairman or any other member of RAC shall appoint an industry expert as a Sole Arbitrator excluding TRE Certificate Holders on case to case basis.	Sole Arbitrator: From the Panel, CRO in consultation with the <u>CEO</u> Chairman or any other member of RAC shall appoint an industry expert as a Sole Arbitrator excluding TRE Certificate Holders on case to case basis.	<p>The appointment of industry experts in the Permanent Arbitration Panel is an operational activity which may be performed by CRO in consultation with CEO instead of chairman RAC or any of its members.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>18.4.6. MEMBER OF THE PANEL BOUND TO ACT AS AN ARBITRATOR:</p> <p>A member of the Panel whose name has been finalized by the CRO in consultation with Chairman or any other member of the RAC shall be bound to act as an Arbitrator till the announcement of award.</p>	<p>18.4.6. MEMBER OF THE PANEL BOUND TO ACT AS AN ARBITRATOR:</p> <p>A member of the Panel whose name has been finalized by the CRO in consultation with CEO Chairman or any other member of the RAC shall be bound to act as an Arbitrator till the announcement of award.</p>	<p>Consequential change due to change proposed above.</p>
<p>18.6. APPEAL TO RAC:</p> <p>18.6.1.A party to a dispute that is dissatisfied with any award of the Sole Arbitrator or the Sub Panels, as the case may be, may appeal to the RAC against such an Award within fifteen working days of receipt of the Award.</p> <p>RAC may constitute one or more sub panels (hereinafter referred as "Appellate Panel") consisting of five members for hearing appeals against Awards of the Sole Arbitrator/Sub Panel. RAC may appoint any member of the Arbitration Panel in the said Appellate Panel provided he has not been the Arbitrator of the Award against which appeal has been filed with the RAC. Provided further that Appellate Panel shall not include a TRE Certificate Holder.</p> <p>18.6.3.The decision of the Appellate Panel shall be announced within forty five days of the receipt of the appeal. However, in case the Appellate Panel is unable to announce the decision within the forty five days period due to unavoidable circumstances or reasons beyond control, the Appellate Panel will seek further time from the Chairman of the RAC, by indicating specific reasons for its inability to announce the decision and the Chairman of the RAC may extend the time but not more than thirty days. However, such</p>	<p>18.6. APPEAL TO RAC CRO:</p> <p>18.6.1.A party to a dispute that is dissatisfied with any award of the Sole Arbitrator or the Sub Panels, as the case may be, may appeal to the RAC CRO against such an Award within fifteen working days of receipt of the Award.</p> <p>CRO RAC may constitute one or more sub panels (hereinafter referred as "Appellate Panel") consisting of five members for hearing appeals against Awards of the Sole Arbitrator/Sub Panel. CRO RAC may appoint any member of the Arbitration Panel in the said Appellate Panel provided he has not been the Arbitrator of the Award against which appeal has been filed with the CRO RAC. Provided further that Appellate Panel shall not include a TRE Certificate Holder.</p> <p>18.6.3.The decision of the Appellate Panel shall be announced within forty-five days of the receipt of the appeal. However, in case the Appellate Panel is unable to announce the decision within the forty five days period due to unavoidable circumstances or reasons beyond control, the Appellate Panel will seek further time from the CRO Chairman of the RAC, by indicating specific reasons for its inability to announce the decision and the CRO Chairman of the RAC may extend the time but not more than thirty days. However, such extension of</p>	<p>Appeal may be submitted to the CRO due to its operational nature and this would enable expeditious proceedings and announcement of appeal award.</p> <p>The power to form appellate panel may also vest with CRO instead of RAC.</p> <p>Since granting extension in time is an operational matter, therefore the power for granting extension in time for both arbitration awards and appeals should rest with the CRO.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
extension of time should be forthwith intimated to the Commission.	time should be forthwith intimated to the Commission.	
Chapter 20: DISCIPLINARY ACTIONS AGAINST TRE CERTIFICATE HOLDERS REGULATIONS		
<p>20.4. HEARING AND APPEAL PROCEDURES:</p> <p>20.4.1 Any officer of RAD, not below the level of Senior Manager, authorized in this regard by the CRO, shall have the authority to conduct a hearing in respect of any violation/non-compliance by a TRE Certificate Holder of provisions of PSX Regulations in all the matters where contravention attracts imposition of fine of up to an aggregate amount of Rs. 1 million. The Chief Executive Officer or any other Senior Management Officer of the TRE Certificate Holder concerned or any of its Representatives including Agents who is well conversant with the case and is authorized in this regard shall appear for the hearing with proof of such authorization. Upon completion of the hearing, the officer of RAD who conducted the hearing shall send his recommendations to the CRO for his approval and final decision.</p> <p>Provided that the sub-committee of the RAC shall have the authority to conduct a hearing in respect of any violation/non-compliance by a TRE Certificate Holder of provisions of PSX Regulations in all matters where contravention attracts imposition of aggregate fine above Rs. 1 million.</p> <p>Provided further that in case the officer of the RAD conducting a hearing finds during any stage of hearing that the aggregate amount of fine for apparent violation/non-compliance is likely to exceed the aggregate amount of Rs. 1 million, then he shall refer the case to the sub-committee of the RAC.</p>	<p>20.4. HEARING AND APPEAL PROCEDURES:</p> <p>20.4.1 Any officer of RAD, not below the level of Senior Manager, authorized in this regard by the CRO, shall have the authority to conduct a hearing in respect of any violation/non-compliance by a TRE Certificate Holder of provisions of PSX Regulations in all the matters where contravention attracts imposition of fine of up to an aggregate amount of Rs. 1 million. The Chief Executive Officer or any other Senior Management Officer of the TRE Certificate Holder concerned or any of its Representatives including Agents who is well conversant with the case and is authorized in this regard shall appear for the hearing with proof of such authorization. Upon completion of the hearing, the officer of RAD who conducted the hearing shall send his recommendations to the CRO for his approval and final decision.</p> <p>Provided that the sub-committee of the RAC shall have the authority to conduct a hearing in respect of any violation/non-compliance by a TRE Certificate Holder of provisions of PSX Regulations in all matters where contravention attracts imposition of aggregate fine above Rs. 1 million.</p> <p>Provided further that in case the officer of the RAD conducting a hearing finds during any stage of hearing that the aggregate amount of fine for apparent violation/non-compliance is likely to exceed the aggregate amount of Rs. 1 million, then he shall refer the case to the sub-committee of the RAC.</p>	<p>It is proposed that the fine limit of PKR 1 million for CRO may be removed to allow CRO to also hear and decide cases attracting penalty beyond this limit without referring it to RAC.</p> <p>Consequential changes due to change proposed to remove fine limit for CRO.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>20.4.2 All cases of violation/non-compliance by a TRE Certificate Holder shall be disposed-off within thirty (30) days of the date of first hearing by the RAD or the sub-committee of the RAC, as the case may be.</p> <p>20.4.3 In case hearing could not be disposed-off within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension up to a maximum of 15 days shall be communicated in writing:</p> <p>(a) to the sub-committee of the RAC, in case of delay by the RAD; (b) to the RAC, in case of delay by the sub-committee of RAC.</p> <p>20.4.4 An appeal by an aggrieved TRE Certificate Holder against the decision of the CRO made on the recommendations of the authorized officer of RAD, shall be heard and decided by the sub-committee of RAC. The decision of the sub-committee of the RAC in such appeal shall be final and binding on the concerned TRE Certificate Holder.</p> <p>20.4.5 Subject to sub-clause 20.4.7 herein below, an appeal by an aggrieved TRE Certificate Holder against the decision of the sub-committee of RAC shall be heard and decided by the RAC itself. The decision of the RAC shall be final and binding on the concerned TRE Certificate Holder.</p> <p>20.4.6 An appeal filed pursuant to above decisions, shall be disposed-off within forty five (45) days of its</p>	<p>20.4.2 All cases of violation/non-compliance by a TRE Certificate Holder shall be disposed-off within thirty (30) days of the date of first hearing by the RAD or the sub-committee of the RAC, as the case may be.</p> <p>20.4.3 In case hearing could not be disposed-off within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension up to a maximum of 15 days shall be communicated in writing:</p> <p>(a) to the sub-committee of the RAC <u>CRO</u>, in case of delay by the <u>authorized officer of</u> RAD; (b) to the RAC, in case of delay by the sub-committee of RAC <u>CRO</u>.</p> <p>20.4.4 An appeal by an aggrieved TRE Certificate Holder against the decision of the CRO made on the recommendations of the authorized officer of RAD, shall be heard and decided by the <u>Appellant Committee constituted by the Board sub-committee of RAC</u>. The decision of the <u>Appellant Committee sub-committee of the RAC</u> in such appeal shall be final and binding on the concerned TRE Certificate Holder.</p> <p>20.4.5 Subject to sub-clause 20.4.7 herein below, an appeal by an aggrieved TRE Certificate Holder against the decision of the sub-committee of RAC shall be heard and decided by the RAC itself. The decision of the RAC shall be final and binding on the concerned TRE Certificate Holder.</p> <p>20.4.6 An appeal filed pursuant to above decisions, shall be disposed-off within forty-five (45) days of its filing.</p>	<p>The hearing opportunity under clause 20.4 may only be provided by CRO or his/her authorized officer from RAD and all disciplinary actions under clause 20.4A may be exercised by CRO.</p> <p>This is an operational matter and revised as per the reporting lines.</p> <p>It is proposed that a single Board's constituted Appellant Committee be formed to hear appeal filed against decisions of the CRO.</p> <p>Deleted as it is proposed that the hearing opportunity under clause 20.4 may only be provided by CRO or his/her authorized officer from RAD and all disciplinary actions under clause 20.4A may be exercised by CRO.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>filing. However, if such appeal is not disposed-off within this prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension shall be communicated in writing to the RAC, in case of appeal filed with the sub-committee of the RAC, and to the Board in case of appeal filed with the RAC.</p> <p>Provided that no appeal against the decision of the CRO or sub-committee of the RAC, as the case may be, shall be filed beyond 14 days of receipt of such decision by the concerned TRE Certificate Holder and any such appeal even if filed shall not be entertained by the Exchange.</p> <p>20.4.7 No second (2nd) appeal shall be entertained against the appellate decisions of the sub-committee of RAC or RAC, as the case may be.</p>	<p>However, if such appeal is not disposed-off within this prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension shall be communicated in writing to the RAC, in case of appeal filed with the sub-committee of the RAC, and to the Board in case of appeal filed with the or the RAC.</p> <p>Provided that no appeal against the decision of the CRO or sub-committee of the RAC, as the case may be, shall be filed beyond 14 days of receipt of such decision by the concerned TRE Certificate Holder and any such appeal even if filed shall not be entertained by the Exchange.</p> <p>20.4.7 No second (2nd) appeal shall be entertained against the appellate decisions of the Appellant Committee sub-committee of RAC or RAC, as the case may be.</p>	<p>Same as above.</p> <p>Same as above.</p> <p>Same as above.</p>
<p>20.4A. DISCIPLINARY ACTIONS:</p> <p>20.4A.1. Pursuant to Clause 20.4 hereinabove, the CRO, sub-committee of RAC or RAC, as the case may be, may initiate disciplinary actions against a TRE Certificate Holder under sub-clause 20.4A.2 when it is prima facie established that such TRE Certificate Holder has breached one or more of the PSX Regulations or failed to comply with a policy, procedure, order, notice, guideline, direction, manual, decision, instruction or ruling of the Exchange or failed to provide any required information or provided incomplete, false, forged or misleading information to the Exchange as may be required from time to time.</p> <p>20.4A.5. RAC may, considering the factors identified under 20.4A.3, recommend the Board to exercise</p>	<p>20.4A. DISCIPLINARY ACTIONS:</p> <p>20.4A.1. Pursuant to Clause 20.4 hereinabove, the CRO, sub-committee of RAC or RAC, as the case may be, may initiate disciplinary actions against a TRE Certificate Holder under sub-clause 20.4A.2 when it is prima facie established that such TRE Certificate Holder has breached one or more of the PSX Regulations or failed to comply with a policy, procedure, order, notice, guideline, direction, manual, decision, instruction or ruling of the Exchange or failed to provide any required information or provided incomplete, false, forged or misleading information to the Exchange as may be required from time to time.</p> <p>20.4A.5. The CRO RAC may, considering the factors identified under 20.4A.3, recommend the Board</p>	<p>It is proposed that all the disciplinary actions mentioned u/c 20.4A.2 be solely exercised by the CRO.</p>

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
disciplinary powers under clause 20.15. 20.4A.6. If RAC has reasons to believe that the broker, its sponsors, directors and/ or senior management officers are no longer fit and proper persons, it shall refer the matter to the Commission.	<u>through RAC</u> to exercise disciplinary powers under clause 20.15. 20.4A.6. If <u>the CRO</u> RAC has reasons to believe that the broker, its sponsors, directors and/ or senior management officers are no longer fit and proper persons, it shall refer the matter to the Commission.	
20.5. SPECIFIC DISCIPLINARY ACTIONS: In case it is established that a TRE Certificate Holder has failed to comply with any PSX Regulation(s) in respect of matters specified in Clauses 20.5A, 20.5B, 20.5C, 20.5D, 20.6, 20.7 and 20.9 below, the relevant authority may, in addition to or apart from the general disciplinary actions prescribed in sub-clause 20.4A.2., take any one or more of the specific disciplinary actions provided in the respective sub-clauses as aforesaid by considering the factor(s) laid down in Clause 20.4A.3.	20.5. SPECIFIC DISCIPLINARY ACTIONS: In case it is established that a TRE Certificate Holder has failed to comply with any PSX Regulation(s) in respect of matters specified in Clauses 20.5A, 20.5B, 20.5C, 20.5D, 20.6, 20.7 and 20.9 below, the <u>CRO</u> relevant authority may, in addition to or apart from the general disciplinary actions prescribed in sub-clause 20.4A.2., take any one or more of the specific disciplinary actions provided in the respective sub-clauses as aforesaid by considering the factor(s) laid down in Clause 20.4A.3.	Since it is proposed to delegate all powers u/c 20.4A.2 to the CRO, therefore, consequential change is being made in this clause.
20.16. GENERAL: 20.16.1. Where a TRE Certificate Holder is found guilty of non-compliance with any provision of PSX Regulations, and no specific penalty for such non-compliance has been prescribed in the PSX Regulations, the following amount of fine may be imposed: (a) Up to a maximum of Rs. 1 million by CRO; (b) Up to a maximum of Rs. 5 million by RAC.	20.16. GENERAL: 20.16.1. Where a TRE Certificate Holder is found guilty of non-compliance with any provision of PSX Regulations, and no specific penalty for such non-compliance has been prescribed in the PSX Regulations, the <u>CRO may impose an amount of fine upto Rs. 5 million.</u> following amount of fine may be imposed: (a) Up to a maximum of Rs. 1 million by CRO; (b) Up to a maximum of Rs. 5 million by RAC.	As it is proposed above that the power to impose fine (including all other disciplinary actions to the extent of suspension of all trading terminals) should vest solely with CRO while the power to suspend or forfeit TREC should vest with RAC and Board respectively.

End of Proposed Amendments