

INVITATION OF PUBLIC COMMENTS

Proposed amendments to Pakistan Stock Exchange Limited (PSX) Regulations in relation to (A) allowing securities brokers to open Account Facilitation/ Customer Help Centers and engage sales staff and distribution network of their associates/ holding companies for marketing their business/ products and (B) bringing minor change in clause 5D.3.1(i) for clarity

This is to inform the public that the PSX, in exercise of power conferred upon it u/s 7 of the Securities Act, 2015, is proposing to carry out amendments to PSX Regulations in relation to the following matters:

[A] ALLOWING SECURITIES BROKERS TO OPEN ACCOUNT FACILITATION/ CUSTOMER HELP CENTERS AND ENGAGE SALES STAFF AND DISTRIBUTION NETWORK OF THEIR ASSOCIATES/ HOLDING COMPANIES FOR MARKETING THEIR BUSINESS/ PRODUCTS:

Background:

This is in continuation to PSX Notice No. PSX/N-807 dated June 29, 2021 whereby PSX notified a concept paper in relation to captioned subject for seeking feedback of the market participants.

Benefits:

The above facilities would offer the following benefits:

- (i) Increasing capital market outreach.
- (ii) Attracting more investment by increasing customer base particularly from remote areas.
- (iii) Creating ease of entry due to lower requirements than opening and maintaining branch offices.
- (iv) Strengthening business relationship with customers.
- (v) Guiding and facilitating customers in account opening process and conducting KYC verification checks including allowing biometric of customer at these centers.
- (vi) Serving as an efficient channel of communication for customers in registering and resolving their disputes and complaints.

Comparison:

A comparison of requirements and activities between a branch office and Account Facilitation/ Customer Help Center is tabulated below:

SR.#	Requirements/ Activities	Branch Office	Account Facilitation/ Help Center
1	Appointment of Branch Head	YES	NO
2	Display of name of Securities Broker	YES	YES
3	Maintenance of books of accounts, records etc.	YES	NO
4	Installation of Trading Terminals	YES	NO
5	Facilitating trading activities, investment recommendations/ securities advisory	YES	NO
6	Payments made/ received to/ from customers	YES	NO

SR.#	Requirements/ Activities	Branch Office	Account Facilitation/ Help Center
7	Deployment of traders / system operators	YES	NO
8	Installation of Trading System	YES	NO
9	Availability of 'Investors Awareness Guide'	YES	YES
10	Availability of drop box facility for receipt of complaints	YES	YES
11	Availability of printed brochures relating to market services, products and investment procedures	YES	YES
12	Facilitating customers in account opening procedure	YES	YES
13	Deployment of properly trained staff for guidance and customer support for filling CRF and Sahulat Form	YES	YES
14	Biometric verification/ customer verification	YES	YES

Proposed Amendments to PSX Regulations:

In order to implement this concept, PSX is proposing to introduce a dedicated Chapter 22A titled **“Regulations Governing Opening and Operations of Account Facilitation/ Customer Help Centers by Securities Brokers”** in PSX Rulebook. The proposed chapter covers the following areas:

- (i) Procedure for opening of Account Facilitation/ Customer Help Center;
- (ii) Activities allowed to be performed at Account Facilitation/ Customer Help Center;
- (iii) Activities prohibited at Account Facilitation/ Customer Help Center;
- (iv) Obligations of brokers with regard to opening and operating Account Facilitation/Help Center;
- (v) Powers of the Exchange.

PSX hereby invites the public to provide their comments and feedback on the proposed amendments to PSX Regulations, which are attached herewith as **Annexure A**.

[B] PROPOSED CHANGE IN CLAUSE 5D.3.1(i) OF CHAPTER 5D [DIRECT LISTING REGULATIONS] OF PSX REGULATIONS TO BRING CLARITY:

Clause 5D.3.1(i) of PSX Regulations requires the promoters/ sponsors/ controlling director's/ majority shareholders of company directly listed at PSX to retain their shareholding, on a cumulative basis, equivalent to not less than 51% of the paid-up capital from the date of direct listing till the listing of company on main board.

Considering that a company whether listed through direct route or otherwise is traded on main board of PSX, it is deemed important that the said clarity be brought in the regulation. Accordingly, the aforesaid Clause is proposed to be amended as below:

5D.3.1(i) “Its promoters/ sponsors/ controlling directors/ majority shareholders shall retain, on a cumulative basis, their shareholding equivalent to not less than 51% of the paid-up capital ~~from the date of direct listing~~ till the ~~listing of company on main board~~ time the company remains directly listed on the Exchange.”

The proposed regulatory amendments to PSX Regulations are attached herewith as **Annexure B**.

INVITATION OF PUBLIC COMMENTS:

In terms of Section 7(3) of the Securities Act, 2015, all interested parties are invited to provide written comments on the proposed regulatory amendments, which are attached herewith as mentioned above. The comments can be submitted through any of the following modes latest by **September 17, 2021** in the manner as suggested in the 'Guidelines for Submission of Comments' attached herewith as **Exhibit A**.

Email	comments.rad@psx.com.pk
Mail	The Chief Regulatory Officer, Regulatory Affairs Division, 2 nd Floor, Administration Building, Pakistan Stock Exchange Building, Pakistan Stock Exchange Road, Karachi – 74000.



AJEET KUMAR

Chief Regulatory Officer

Cc:

1. The Director/HOD (PRDD), SMD, SECP
2. All Listed Companies of PSX through PUCARS
3. The Chief Executive 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, IFMP
8. All Heads of Departments, PSX
9. PSX Website

“ANNEXURE A”

CHAPTER 22A: REGULATIONS GOVERNING OPENING AND OPERATIONS OF ACCOUNT FACILITATION/ CUSTOMER HELP CENTER BY SECURITIES BROKERS

22A.1. APPLICABILITY:

The provisions of this Chapter shall apply to the Securities Brokers that:

- (a) apply for opening for Account Facilitation/ Customer Help Center(s) under this Chapter; and
- (b) have opened and operate Account Facilitation/ Customer Help Center(s) under this Chapter.

22A.2. DEFINITIONS:

In this chapter, unless there is anything repugnant in the subject or context:

- (a) “Account Facilitation/ Customer Help Center (“**Center**”)” shall mean the Center(s) opened and maintained by a Securities Broker and include the sales office(s) of its Associated/ Holding Companies used by such Securities Brokers for performing such activities as specified in this Chapter.

Provided that the Center shall not fall within the definitions of Broker’s Main Office, Head Office, Office(s) or Branch Office(s) of the Securities Broker under these Regulations.

- (b) “Representative” shall mean the sales staff/officials of Associated Companies/ Holding Companies engaged by the Securities Broker for marketing of its business and products.

22A.3. PROCEDURE FOR OPENING OF CENTER:

A Securities Broker may open its Center subject to prior intimation of the Exchange on letterhead of the Securities Broker, duly signed by the authorized signatories along with following information:

- (a) Address of the Center;
- (b) A list of employees/ Representatives to be deployed at the Center including their CNIC numbers, official contact details, qualification and work experience;
- (c) An undertaking on letterhead of the Securities Broker, as per the specimen attached as **Annexure-A**.

Provided that the Securities Broker shall include the following contents of the undertaking required under this sub-clause, in the undertaking provided at the time of renewal of its registration as Securities Broker with the Commission:

- (i) The Center(s) is/are being used solely as an Account Facilitation/ Help Center;

- (ii) No trading and investment advisory activities shall be performed;
- (iii) No Trading Terminal shall be placed in the Center; and
- (iv) Securities Broker shall, at all times, remain compliant with all the requirements relating to opening and operations of Center as prescribed by the Exchange.

22A.4. ACTIVITIES PERMITTED:

A Securities Broker shall be allowed to perform following activities in the Center:

- (a) Facilitate and guide customers in account opening including conducting KYC verification check;
- (b) Address grievances and complaints of customers;
- (c) Make available account opening forms, specimen of Risk Disclosure Document, Investors Awareness Guide, tariff structure and marketing material; and
- (d) Perform any other activity as may be permitted by the Exchange.

22A.5. ACTIVITIES PROHIBITED:

A Securities Broker shall not be allowed to perform following activities in the Center:

- (a) Conduct trading activities on its own account or on account of its customers;
- (b) Provide investment advisory services to its customers;
- (c) Make or receive payments to/ from customers;
- (d) Install Trading Terminals or any trading related applications obtained from the Exchange or any third party;
- (e) Deploy system operators/ traders;
- (f) Maintain any books of accounts, records etc.;
- (g) Perform any other activity as may be prohibited by the Exchange.

22A.6. OBLIGATIONS OF A SECURITIES BROKER WITH RESPECT TO OPENING OF CENTER:

A Securities Broker shall comply with the following obligations with respect to the Center:

- (a) Display a board at a prominent place outside the Center, containing name of such Securities Broker and the words "Account Facilitation/ Customer Help Center".
- (b) Display on its official website the list and addresses of all Center(s), the names and contact details including official email address of employees and Representatives deputed at the Center. The Securities Broker shall update such information as and when any change occurs.
- (c) Display a board/standee at a conspicuous place at the reception/front desk of the Center, clearly mentioning in English or Urdu and regional language, the following:
 - (i) trading and investment advisory activities shall not be performed at the Center.
 - (ii) payments to/ from customers are not allowed at the Center and can only be made at Head Office/ Main Office/ Branch Office through "A/c Payee Only" crossed cheque, bank drafts, pay orders or other banking channels only.

- (iii) CRF and Sahulat Forms along with Risk Disclosure Document, applicable Tariff Structure, Investor Awareness Guide can be obtained from the Center.
- (d) Register every person deputed at the Center as 'employee' in NCCPL's UIN Database.

Provided that the 'Representatives' employed by the Securities Broker shall not be required to be registered as 'employee' in UIN Database of NCCPL. Instead, the Securities Broker shall display the list of Representatives on its official website as required under sub-clause 22A.6.1 (b).
- (e) Provide relevant trainings to the Representatives before engaging them for performing functions as specified in this Chapter.
- (f) Provide visiting cards to its employees and Representatives; mentioning their name, designation, official contact details, name of Securities Broker and address of Center.
- (g) Install CCTV cameras for live monitoring of activities of staff dealing with the customers.
- (h) Have in place recorded telephone lines and availability of call recordings, stored in a database with relevant file names containing information such as date, time and any other relevant information for a prescribed time period.
- (i) Manage and monitor the internet access to ensure that activities as prohibited by the Exchange are not being performed. All hardware and software facilities at the Center shall be configured and controlled in a centralized IT environment by the Securities Broker, which should include placement of firewalls and prohibition of use of any portable devices.
- (j) All written communications made by the employees and Representatives shall be through official e-mail addresses/ letterheads of the Securities Broker.
- (k) Notify to the Exchange in advance regarding the closure of a Center.
- (l) The Compliance Officer of the Securities Broker shall confirm to the Exchange on a bi-annual basis that the Center(s) of the Securities Broker is/are in compliance with the requirements of this Chapter. In case of any non-compliance, the Compliance Officer shall report the same to the concerned Securities Broker and the Exchange.

22A.7. LIABILITY OF A SECURITIES BROKER FOR ACTS OF EMPLOYEES/ REPRESENTATIVES:

The Securities Broker shall be responsible for any act, omission, or failure of employees or Representatives in performing their duties within the scope of their office or employment.

22A.8. POWERS OF THE EXCHANGE:

22A.8.1. The Exchange shall have the powers to:

- (a) visit the Center to check the activities performed at such Center; and

- (b) conduct inspection or investigation at any time on any matter in relation to requirements prescribed under this Chapter. The Exchange may appoint an audit firm for this purpose at the cost to be borne by the relevant Securities Broker.

22A.8.2. If the Securities Broker fails to comply with any of the provisions or requirements prescribed in this Chapter, the Exchange shall have power to initiate disciplinary action(s) against such Securities Broker including issuance of direction to close such Center permanently.

ANNEXURE-A

UNDERTAKING

(On Letterhead of the Securities Broker)

We, _____ TREC Holder of Pakistan Stock Exchange Limited, having Head office at _____, intend to open an Account Facilitation/ Customer Help Center at _____, and hereby agree and undertake as under:

1. That we will abide by Chapter 22A of these Regulations governing the opening and operations of Account Facilitation/ Customer Help Center, which is presently in force or as amended from time to time.
2. That the Account Facilitation/ Customer Help Center will be used solely as a facilitation/help center and no trading activity and securities/futures advisory shall be given at this place, and further that no Trading Terminal will be installed or connected with Trading System of Exchange.
3. That we undertake to provide any information/record required by the Exchange from time to time and further undertake to allow inspection of this Account Facilitation/ Customer Help Center, to any representative of the Exchange or the audit firm appointed by the Exchange.
4. That we hereby undertake to keep the Exchange indemnified against all losses, charges, penalties, damages, expenses or other costs, which the Exchange may incur at any time, or in case of claims made by any authority or any other person as a result of the above information provided by us.
5. That whatever stated above is correct and true to the best of our knowledge and belief and nothing has been concealed hereof.

Signed this undertaking on _____ day of _____, _____ in presence of the following witnesses.

Common Seal

Signature on behalf of the Securities Broker

WITNESSES:

- | | |
|-----------------|-----------------|
| 1. _____ | 2. _____ |
| Name: _____ | Name: _____ |
| CNIC No.: _____ | CNIC No.: _____ |
| Address: _____ | Address: _____ |

“ANNEXURE B”

MINOR CHANGE IN CLAUSE 5D.3.1(i) OF PSX REGULATIONS TO BRING CLARITY

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>5D.3. ELIGIBILITY CRITERIA FOR DIRECT LISTING:</p> <p>5D.3.1. An applicant company shall fulfil the following eligibility criteria for Direct Listing:</p> <p>(i) Its promoters/ sponsors/ controlling directors/ majority shareholders shall retain, on a cumulative basis, their shareholding equivalent to not less than 51% of the paid-up capital from the date of direct listing till the listing of company on main board.</p> <p>Provided that in case of change of management/ revival of the company, the Exchange may allow the transfer of such shares to any other person(s) with the same condition for the remainder of the retention period, upon submission of a valid scheme of revival including supporting documents and agreements from the company to the Exchange.</p>	<p>5D.3. ELIGIBILITY CRITERIA FOR DIRECT LISTING:</p> <p align="center">No Change</p> <p>(i) Its promoters/ sponsors/ controlling directors/ majority shareholders shall retain, on a cumulative basis, their shareholding equivalent to not less than 51% of the paid-up capital from the date of direct listing till the listing of company on main board <u>time the company remains directly listed on the Exchange</u>.</p> <p align="center">No Change</p>	<p>Considering that a company whether listed through direct route or otherwise is traded on main board of PSX, it is considered important that the said clarity be brought in this clause.</p>

End of proposed amendments

“EXHIBIT A”

GUIDELINES FOR SUBMISSION OF COMMENTS

1. PSX invites the interested parties to provide their comments and views with specific reference to the subject matter of the proposed amendments to PSX Regulations notified in this Notice.
2. At the time of submission of comments, respondent is advised to provide the information, as per **Table-A** below, so that PSX may contact him/her for clarification or deliberation on the comments, if needed. Anonymous responses may be disregarded by PSX.

Table-A

TO BE FILED BY THE RESPONDENT	
Name of respondent	
Name of company (if applicable)	
Designation (if applicable)	
Contact Number	
Email Address	

3. The respondent may request confidential treatment for his/ her identity and all or any part of comments due to their proprietary, confidential or commercial nature, by clearly marking the information in **Table-B** below:

Table-B

DISCLOSURE OF IDENTITY AND COMMENTS
Please check the box(es) if you wish to be remain confidential:
<input type="checkbox"/> I wish to have my identity remain confidential.
<input type="checkbox"/> I wish to keep all or any part of my comments confidential.

If respondent wishes to keep any part(s) of comments confidential, then he/she is required to clearly specify such part(s) of comments.

4. To ensure quality and promote transparency, PSX will publish the relevant comments of respondents and its management's response thereon in the form of a **Response Paper** on its website, within a reasonable timeframe, after close of public consultation session, unless the respondent has made a confidentiality request.
5. Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, respondents should note that notwithstanding any confidentiality request, PSX will share all their response(s) with the Securities and Exchange Commission of Pakistan (Apex Regulator).
6. By submitting comments, respondents are deemed to have consented to the collection, use and disclosure of data that is provided to PSX, unless respondents wish to have their identity or comments remain confidential.