

INVITATION OF PUBLIC COMMENTS

PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX) REGULATIONS IN RELATION TO CHANGES IN THE DEFINITION OF ACCREDITED INDIVIDUAL INVESTOR ELIGIBLE FOR TRADING IN SECURITIES LISTED IN GROWTH ENTERPRISE MARKET (GEM) OF PSX

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 pertaining to the definition of Accredited Individual Investor and its eligibility to trade in GEM companies.

Taking into consideration the concerns raised by some of the Securities Brokers and Pakistan Stock Brokers Association and subsequent deliberation held with them, PSX is proposing to make following amendments to PSX Regulations:

1. Definition of Accredited Investor is proposed to be amended as below:

[a] An additional definition of Accredited Individual Investors is proposed to be specified, whereby an individual who holds securities in CDC worth PKR 5 million or more at the time of self-declaration should also be considered eligible to trade in GEM companies.

[b] The existing definition of Accredited Individual Investors to have **net assets** of at least PKR 5 million is proposed to be replaced with **total assets** of same value.

2. PSX Regulation 4.29 is proposed to be amended to empower PSX to notify the manner of determining eligibility of an Accredited Individual Investor. In this regard, **self-declaration** of eligibility by individual investors would be considered sufficient as a verifiable mean to trade in securities listed in GEM.

Additionally, following operational arrangements are being considered to be adopted by PSX:

3. Any ineligible investor who has subscribed shares of company listed in GEM would be allowed one-time exit at his/her own risk, without any responsibility at Securities Broker end.

4. Auto-marking of all those Accredited Investors would be done in National Clearing and Settlement System of NCCPL who participated in the IPO following due process of submitting self-declaration.

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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 to PSX Regulations, which are attached herewith as **Annexure A**.

The comments can be submitted through any of the following modes latest by **January 06, 2022** in the manner as suggested in the 'Guidelines for Submission of Comments' which are 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. The Chief Executive Officer, PSX
3. The Chief Executive Officer, CDC
4. The Chief Executive Officer, NCCPL
5. The Chief Executive Officer, PMEX
6. The Chief Executive Officer, IFMP
7. All Heads of Departments, PSX
8. PSX Website

“ANNEXURE A”

**PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO CHANGES
IN THE DEFINITION OF ACCREDITED INDIVIDUAL INVESTOR ELIGIBLE FOR
TRADING IN SECURITIES LISTED IN GROWTH ENTERPRISE MARKET (GEM)**

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
Chapter 4: Trading Rights Entitlement (TRE) Certificate		
<p>4.29. EXECUTION OF TRADES ON THE ACCOUNTS OF ELIGIBLE CUSTOMERS:</p> <p>It shall be mandatory for Securities Brokers to ensure through verifiable means that the orders of only those customers are entered into the Trading System for execution who/which are eligible for trading in a particular security and/or market as per the criteria laid down for such security and/or market, as the case may be, under these Regulations.</p>	<p>4.29. EXECUTION OF TRADES ON THE ACCOUNTS OF ELIGIBLE CUSTOMERS:</p> <p>It shall be mandatory for Securities Brokers to ensure through verifiable means, <u>in the manner as notified by the Exchange</u>, that the orders of only those customers are entered into the Trading System for execution who/which are eligible for trading in a particular security and/or market as per the criteria laid down for such security and/or market, as the case may be, under these Regulations.</p>	<p>To empower PSX to notify the manner whereby eligibility of Accredited Investor could be determined. In this regard, the manner would be that the investor would self-declare himself as an eligible individual investor and the same would be considered sufficient by the regulators.</p>
Chapter 5A: Regulations Governing Listing and Trading of Equity Securities on GEM		
<p>5A.1. DEFINITIONS:</p> <p>5A.1.1. In this chapter, unless the subject or context otherwise requires:</p> <p>(d) “Accredited Investor” includes:</p> <p>(i) Institutional investors; and</p> <p>(ii) Accredited individual investors registered with NCCPL having net assets of at least Rs. 5 million.</p>	<p>5A.1. DEFINITIONS:</p> <p>5A.1.1. In this chapter, unless the subject or context otherwise requires:</p> <p><u>(ad)</u> “Accredited Investor” includes:</p> <p>(i) Institutional investors; and</p> <p>(ii) Accredited individual investors registered with NCCPL having:</p> <p><u>i. net assets of at least Rs. PKR 5 million; or</u></p> <p><u>ii. value of securities maintained in CDC worth PKR 5 million or more; or</u></p> <p><u>iii. any other criteria or threshold as may be specified by the Exchange.</u></p>	<p>To broaden the definition of accredited individual investor for ease of eligibility monitoring.</p> <p>Moreover, the term ‘net asset’ is proposed to be replaced with ‘assets’.</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.