

INVITATION OF PUBLIC COMMENTS

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

This is to inform that the Pakistan Stock Exchange Limited (PSX), in exercise of the power conferred upon it u/s (7) of the Securities Act, 2015, is proposing amendments to PSX Regulations in relation to the following matters:

1. Shifting of disciplinary power – which restricts a securities broker from opening a new branch office for three years as a repercussion for breaching clients’ assets segregation – from Chapter 22 to general disciplinary powers of PSX in Chapter 20 of PSX Rulebook:

PSX Regulation 22.2 (a) prohibits a securities broker from opening a new branch office for three years if PSX has taken significant disciplinary action against it for any material violations in relation to misuse or unauthorized use of customers’ assets or segregation of customers’ funds or where it has been found that an unauthorized person was involved in dealing with customers on commission basis for trading through the securities broker.

PSX is proposing that the disciplinary action of imposing restrictions on opening a new branch office for three years, in case of the aforesaid violation, should be decided on a case-by-case basis after considering the risk factors including materiality, duration, and frequency instead of imposing a blanket restriction.

The proposed amendment strives to strike an optimal balance between the regulatory priority of investor protection and the strategic business requirements of market penetration, financial inclusion, and branch-led customer engagement.

2. Removal of non-technical areas from the scope of Internet Based Trading Services (IBTS) Audit of securities brokers under Chapter 9 to eliminate duplication with the similar inspection areas already covered in the scope of System Audit under Chapter 23:


The salient features of the proposed amendments in relation to this matter are as below:

- (i) Removal of non-technical areas from the IBTS audit scope that are already covered in the System Audit scope under Chapter 23 of PSX Regulations.
- (ii) There are some of the non-technical areas of IBTS audit that are exclusively covered in Chapter 9, which are proposed to be added in the existing scope of System Audit under Chapter 23 of PSX Regulations to ensure completeness of the scope.
- (iii) Consequently, the requirement of IBTS Audit in non-technical areas and submission of IBTS Audit Report in relation thereto, are proposed to be deleted from Chapter 9.

Consequent to the above, all ‘non-technical areas of IBTS audit’ shall only be covered under the scope of System Audit. Whereas, the remaining “technical areas of IBTS” shall continue to be covered under the Vulnerability Assessment and Penetration Testing (VAPT) audit of IBTS in accordance with the audit requirements of Chapter 9.

Invitation of Public Comments:

In terms of Section 7(3) of the Securities Act, 2015, securities brokers and other concerned are invited to provide written comments on the proposed amendments to PSX Regulations in relation to the above matters, which are attached herewith as **Annexure A** and **Annexure B**, respectively. The comments can be submitted latest by **July 09, 2026** through such modes and in such manner as prescribed in the 'Guidelines for Submission of Comments', which are attached as **Exhibit A**.



AJEET KUMAR
Chief Regulatory Officer

Cc:

1. The Divisional Head (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, E-Clear
7. The Chief Executive Officer, IFMP
8. The Chief Executive Officer, MUFAP
9. The President and CEO, PICG
10. The CEO & Secretary General, PSBA

“ANNEXURE A”

PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO SHIFTING OF DISCIPLINARY POWER – WHICH RESTRICTS A SECURITIES BROKER FROM OPENING A NEW BRANCH OFFICE FOR THREE YEARS AS A REPERCUSSION FOR BREACHING CLIENTS’ ASSETS SEGREGATION – FROM CHAPTER 22 TO GENERAL DISCIPLINARY POWERS OF PSX IN CHAPTER 20 OF PSX RULEBOOK

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
CHAPTER 20: DISCIPLINARY ACTIONS AGAINST TRE CERTIFICATE HOLDERS REGULATIONS		
<p>20.5.2. GENERAL DISCIPLINARY ACTIONS:</p> <p>Disciplinary actions that may be taken pursuant to sub-clause 20.5.1 are as follows:</p> <p>(d) Impose any one or more conditions or restrictions including but not limited to the following:</p> <p>(i) Decrease capital adequacy by up to 50%;</p> <p>(ii) Prohibit opening of trading account of new clients;</p> <p>(iii) Restrict buy side to ensure no further exposure is taken by Securities Broker;</p> <p>(iv) Reduce the settlement period;</p> <p style="text-align: center;"><u>New Insertion</u></p> <p>(v) Allow trading under pre-settlement mechanism only; and/or</p> <p>(vi) Restrict or suspend the Securities Broker’s trading activities in a particular market/product or any other service provided by the Securities Broker on such terms and for such period as CRO may think fit.</p>	<p>20.5.2. GENERAL DISCIPLINARY ACTIONS:</p> <p>Disciplinary actions that may be taken pursuant to sub-clause 20.5.1 are as follows:</p> <p>(d) Impose any one or more conditions or restrictions including but not limited to the following:</p> <p style="text-align: center;">No Change</p> <p style="text-align: center;">No Change</p> <p style="text-align: center;">No Change</p> <p style="text-align: center;">No Change</p> <p><u>(v) Prohibit opening of new Office(s)/ Branch Office(s) for specified period;</u></p> <p>(vi) Allow trading under pre-settlement mechanism only; and/or</p> <p>(vii) Restrict or suspend the Securities Broker’s trading activities in a particular market/product or any other service provided by the Securities Broker on such terms and for such period as CRO may think fit.</p>	<p>PSX is proposing that the disciplinary action of imposing restrictions on opening a new branch office for three years, in case of the aforesaid violation, should be decided on a case-by-case basis after considering the risk factors including materiality, duration, and frequency instead of imposing a blanket restriction.</p> <p>The proposed amendment strives to strike an optimal balance between the regulatory priority of investor protection and the strategic business requirements of market</p>

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
		penetration, financial inclusion, and branch-led customer engagement.
Chapter 22: BROKERS' OFFICE/BRANCH OFFICE REGULATIONS		
<p>22.2. ELIGIBILITY CRITERIA FOR OPENING OFFICE(S) OR BRANCH OFFICE(S):</p> <p>Only a Broker complying with the following conditions shall be eligible to open Office(s) or Branch Office(s):</p> <p>(a) Any significant disciplinary action has not been taken against the Broker by the Commission, Exchange or CDC during the last 3 years for any material violations in relation to misuse or unauthorized use of customers' assets or segregation of customers' funds or where it has been found that an unauthorized person was involved in dealing with customers on commission basis for trading through the Broker;</p>	<p>22.2. ELIGIBILITY CRITERIA FOR OPENING OFFICE(S) OR BRANCH OFFICE(S):</p> <p>Only a Broker complying with the following conditions shall be eligible to open Office(s) or Branch Office(s):</p> <p>(a) Any significant disciplinary action has not been taken against the Broker by the Commission, Exchange or CDC during the last 3 years for any material violations in relation to misuse or unauthorized use of customers' assets or segregation of customers' funds or where it has been found that an unauthorized person was involved in dealing with customers on commission basis for trading through the Broker;</p>	

END OF ANNEXURE A

“ANNEXURE B”

**PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO
REMOVAL OF NON-TECHNICAL AREAS FROM THE SCOPE OF IBTS AUDIT
OF SECURITIES BROKERS UNDER CHAPTER 9 TO ELIMINATE
DUPLICATION WITH THE SIMILAR INSPECTION AREAS ALREADY
COVERED IN THE SCOPE OF SYSTEM AUDIT UNDER CHAPTER 23**

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
CHAPTER 9: INTERNET TRADING REGULATIONS		
<p>9.12. PERIODIC AUDIT, VULNERABILITY ASSESSMENT AND PENETRATION TESTING:</p> <p>9.12.1. The Broker shall ensure that its IBTS systems, controls and procedures are audited and penetration tested independently, once in every two years, by an audit firm approved by the Exchange.</p> <p>9.12.2. The Broker shall submit report of the auditor to the Exchange within two months of the date of the close of its periodic vulnerability assessment, if not assessed by the Exchange itself.</p> <p>9.12.3. If the IBTS audit report or the Penetration Testing and Vulnerability Testing audit report indicates any non-compliance(s) or vulnerabilities in the system, controls or procedures, the Securities Broker shall be liable to rectify such noncompliance(s) /remove the vulnerability and furnish a compliance report to PSX from the auditor, within 30 days from the date of submission of audit report, certifying that the noncompliance(s)/vulnerability has been rectified/removed.</p>	<p>9.12. PERIODIC AUDIT, VULNERABILITY ASSESSMENT AND PENETRATION TESTING (“VAPT”):</p> <p>9.12.1. The Broker shall ensure that its VAPT of its IBTS systems, controls and procedures are audited and penetration tested is conducted independently, once in every two years, by an audit firm approved by the Exchange.</p> <p>9.12.2. The Broker shall submit VAPT audit report of the auditor to the Exchange within the time and in the manner specified by the Exchange two months of the date of the close of its periodic vulnerability assessment, if not assessed by the Exchange itself.</p> <p>9.12.3. If the IBTS audit report or the Penetration Testing and Vulnerability Testing VAPT audit report indicates any non-compliance(s) or vulnerabilities in the system, controls or procedures, the Securities Broker shall be liable to rectify such noncompliance(s) /remove the vulnerability and furnish a compliance report to PSX from the auditor, within 30 days from the date of submission of VAPT audit report, certifying that the noncompliance(s)/vulnerability has been rectified/removed.</p>	<p>To eliminate duplication, non-technical areas of IBTS audit scope are proposed to be removed as they are already covered in the scope of system audit under Chapter 23 of PSX Regulations.</p> <p>Consequent to removal of this duplication, all ‘non-technical areas of IBTS audit’ shall now be covered through the scope of System Audit only.</p> <p>Whereas, the remaining ‘technical areas of IBTS, shall continue to be covered under the Vulnerability Assessment and Penetration Testing (VAPT) audit of IBTS in accordance with the audit requirements of Chapter 9.</p>

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>9.15. SUSPENSION AND CANCELLATION OF INTERNET TRADING CERTIFICATE:</p> <p>9.15.1. The CRO shall assess the effectiveness of systems and processes of the Broker providing IBTS in accordance with the procedures devised from time to time and approved by the Board, including the review of IBTS audit report and/or Penetration Testing and Vulnerability Assessment audit report as required to be submitted under clause 9.12 and/or by conducting vulnerability assessment where deemed necessary on the basis of predetermined parameters.</p> <p>9.15.2. The CRO may, after providing an opportunity of hearing in accordance with clause 20.4, suspend the internet trading certificate of a Securities Broker if it violates any of the regulations, and such suspension shall continue until and unless the Securities Broker complies with the Regulations it has violated or removes the cause of suspension in the manner as prescribed by the Exchange.</p> <p>9.15.3. The Broker may appeal for the revival of the Internet Trading Certificate in accordance with procedure specified under clause 20.4.</p>	<p>9.15. SUSPENSION AND CANCELLATION OF INTERNET TRADING CERTIFICATE:</p> <p>9.15.1. The CRO shall assess the effectiveness of systems and processes of the Broker providing IBTS in accordance with the procedures devised from time to time and approved by the Board, including the review of IBTS audit report and/or Penetration Testing and Vulnerability Assessment VAPT audit report as required to be submitted under clause 9.12 and/or by conducting vulnerability assessment where deemed necessary on the basis of predetermined parameters.</p> <p>9.15.21. <u>If the VAPT audit report indicates any vulnerabilities, as mentioned in Clause 9.12.3 the,</u> The CRO may, after providing an opportunity of hearing in accordance with clause 20.4, suspend the internet trading certificate of a Securities Broker if it violates any of the regulations, and such suspension shall continue until and unless the Securities Broker complies with the Regulations it has violated or removes removed the cause of suspension in the manner as prescribed by the Exchange.</p> <p>9.15.32. The Broker may appeal for the revival of the Internet Trading Certificate in accordance with procedure specified under clause 20.4.</p>	<p>Since the non-technical IBTS audit scope is proposed to be removed, consequential changes are also made in these clauses.</p>
CHAPTER 23: SYSTEM AUDIT [REGULATORY COMPLIANCE] REGULATIONS		
<p style="text-align: center;"><u>Schedule A</u> <u>SCOPE OF AUDIT</u></p> <p>8. Internet Trading If the Securities Broker is providing Internet Trading services, check that the</p>	<p style="text-align: center;"><u>Schedule A</u> <u>SCOPE OF AUDIT</u></p> <p style="text-align: center;">No Change</p>	

EXISTING PSX REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>Securities Broker has fully complied with the following in accordance with Chapter 9 of these Regulations:</p> <p style="text-align: center;"><u>New Insertion</u></p> <p style="text-align: center;"><u>New Insertion</u></p>	<p><u>8.8 The Securities Broker's Operational Capacity meets the requirements as stipulated under Clause 9.8 of Chapter 9 ("Internet Trading") of these Regulations.</u></p> <p><u>8.9 The Securities Broker's Service Availability and Business Continuity meet the requirements as stipulated under Clause 9.9 of Chapter 9 ("Internet Trading") of these Regulations.</u></p>	<p>Same as above.</p>

END OF ANNEXURE B

“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. The comments can be submitted through any of the following modes:

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.

3. 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 FILLED BY THE RESPONDENT	
Name of respondent	
Name of company (if applicable)	
Designation (if applicable)	
Contact Number	
Email Address	

4. 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.

5. 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, after closure of public consultation session and obtaining approval of proposed amendments from the Securities and Exchange Commission of Pakistan (SECP) – the Apex Regulator, unless the respondent has made a confidentiality request.
6. 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 SECP.
7. 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.