



**GENERAL REGULATIONS**

**OF**

**KARACHI STOCK EXCHANGE LIMITED**

**(As amended on April 03, 2013 and sent for Gazette Notification)**

## **GENERAL REGULATIONS OF KARACHI STOCK EXCHANGE LIMITED**

### **1. FIT & PROPER CRITERIA FOR DIRECTORS OF THE EXCHANGE**

Any person desiring to act as Director on the Board of Directors of the Exchange shall be judged on the basis of the "Fit & Proper Criteria", details of which are specified in Annexure-I to these Regulations.

#### **1A. RESIGNATION:**

- a) A TRE Certificate Holder may voluntarily surrender his TRE Certificate and remove himself as a TRE Certificate Holder from the Exchange, by giving one month's notice in writing to the Chief Regulatory Officer of the Exchange. The Chief Regulatory Officer on receipt of such notice shall forthwith post it on the Notice Board for a period not less than fifteen days for any objections that may be raised and received by the Chief Regulatory Officer in writing. On the expiration of these fifteen days, the Chief Regulatory Officer shall place the request of the TRE Certificate Holder along with any objections received before the Board who may accept the request at their discretion. The Board shall not be bound to give any reason for their refusal, to accept any such request of the TRE Certificate Holder.
- b) On the acceptance of the request for voluntary surrender of a TRE Certificate by the Board, such TRE Certificate Holder shall cease to be a TRE Certificate Holder of the Exchange. His name shall be removed from the Register of TRE Certificate Holders of the Exchange and his TRE Certificate shall be cancelled/ forfeited by the Exchange.

### **2. (A) SUSPENSION OR CANCELLATION/ FORFEITURE OF TRE CERTIFICATES AND IMPOSITION OF FINE:**

- (1) The Board may, by a resolution, suspend, cancel or forfeit a TRE Certificate, or impose any fine on a TRE Certificate Holder where the Board is of the opinion that a TRE Certificate Holder:
  - (a) is guilty of fraudulent conduct;
  - (b) has transacted his own or his constituent's/client's business in fictitious names;
  - (c) has refused or failed to comply with any resolution or decision of the said Board;
  - (d) has contravened any regulation of the Exchange;
  - (e) is found guilty of dishonorable or disgraceful conduct;
  - (f) has made a false declaration in his application for issuance of a TRE Certificate;
  - (g) has been convicted by a court of law for an offence involving fraud, financial or business misconduct/ malpractices or moral turpitude which renders him unfit to be a TRE Certificate Holder of the Exchange;
  - (h) has willfully obstructed the business of the Exchange; or
  - (i) is incapable of performing his/its function for any reason deemed sufficient in the discretion of the Board, including but not limited to absence of Nominee Director of Corporate TRE Certificate Holder or individual TRE Certificate Holder from Pakistan or his prolonged illness without making an alternate arrangement with the permission of Exchange, financial precariousness, insolvency of individual TRE Certificate Holder / corporate TRE Certificate Holder going into liquidation etc.
  - (j) has refused or failed to provide any information as required by the Commission and/or the Exchange.

Provided no such resolution shall be passed except after giving the TRE Certificate Holder an opportunity of being heard. Such hearing may be conducted by the Board or the Board may constitute a committee for the purpose, consisting of four of its members, two being TRE Certificate Holder directors, one being a non-TRE Certificate Holder director and one being the Managing Director of the Exchange. The decision of the Board/Board Committee shall be passed by majority vote and in case of equally divided decision the Chairman of the Board/Board Committee shall have casting vote.

Provided further that the Chairman of the Board Committee shall always be a non-TRE Certificate Holder director. The Board/Board Committee may proceed ex-parte against a

TRE Certificate Holder who fails to appear for hearing in two consecutive hearings.

- (2) The Board may also, by a resolution, suspend, cancel or forfeit a TRE Certificate, where the Board is of the opinion that a TRE Certificate Holder:
  - (a) has failed to pay any fine or penalty imposed upon him in accordance with any Regulation for the time being in force; provided that before cancellation/forfeiture of TRE Certificate the Board may allow a period of thirty days to the TRE Certificate Holder to pay any such fine or penalty.
  - (b) has failed to pay any money which may be due by him to the Exchange relating to trading, operational, and other administrative facilities within such time as may be determined by the Board, provided that before cancellation/forfeiture of TRE Certificate the Board may allow a period of thirty days to the TRE Certificate Holder to pay such money.
  - (c) has failed to submit to or abide by or carry out any award of the Sole Arbitrator/Panel of Arbitrators or the Appellate Bench. Provided that a maximum period of thirty days shall be given to the TRE Certificate Holder for implementation of the award.
- (3) The imposition of fine or suspension of a TRE Certificate under the Regulations of the Exchange shall be without prejudice to the power of the Board to subsequently cancel/forfeit the TRE Certificate of such TRE Certificate Holder in case he fails to pay the fine imposed or removes the cause of suspension within stipulated time.

**(B) SWITCHING-OFF OF TRE CERTIFICATE HOLDERS' TRADING TERMINALS BY THE EXCHANGE:**

In the event of any apparent violation/non-compliance of regulation 2 (A) above and/or non-renewal of broker registration with Commission upon its expiry, the Exchange may, after giving a notice in writing, suspend operations of trading terminals of a TRE Certificate Holder, whenever in its opinion it is necessary to take an emergent action in the best interest of market, subject to its action being confirmed by the Board in its emergent meeting/through resolution by circulation within next 24 hours. The Board may or may not ratify such action of the Exchange and such switching-off of trading terminals shall not continue for more than seven days. However, in appropriate cases, the Board may hear the concerned TRE Certificate Holder itself or for this purpose constitute its Committee as mentioned in proviso to sub-clause (1) above of this Regulation.

**3. VIOLATIONS/NON-COMPLIANCES OF REGULATIONS OF THE EXCHANGE BY TRE CERTIFICATE HOLDERS:**

- (a) Hearing, imposition of fines and appeal
  - (i) Hearing of violation/non-compliance by a TRE Certificate Holder of provisions of any Regulations of the Exchange, including these Regulations and imposition of fines up to the maximum aggregate amount of Rs. 500,000/- as prescribed there-under, shall be conducted by any officer authorized for this purpose by the Chief Regulatory Officer of the Exchange ['Authorized Officer']. Provided that power of the Chief Regulatory Officer to hear matters of violation/non-compliance under any Regulations of the Exchange and impose fine there-under, up to the extent specified above, may be delegated to any officer of the Exchange not below the level of Deputy General Manager.
  - (ii) Hearing of violation/non-compliance by a TRE Certificate Holder of provisions of any Regulations of the Exchange, including these Regulations and imposition of fines beyond the maximum aggregate amount of Rs. 500,000/- as prescribed there-under, shall be conducted by the Management Committee of the Exchange, constituted for this purpose, by the Board, from time to time. Provided that the Management Committee comprising of officers of the Exchange not below the level of Deputy General Manager, shall have a quorum of four members and its decisions shall be passed by majority vote and in case of equally divided decision the Chairman of the Management Committee shall have casting vote.

- (iii) In case the Authorized Officer finds during any stage of hearing that the aggregate amount of fine for apparent violation/non-compliance is likely to exceed the maximum aggregate amount of Rs. 500,000/-, then he will cease further proceedings and immediately refer the case to the Management Committee constituted under Sub-Clause 3(a)(ii) above.
- (iv) Cases of violation/non-compliance by a TRE Certificate Holder shall be disposed off within 30 days of the date of first hearing by the Authorized Officer or the Management Committee, as the case may be. However, if any case is not 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 shall, under intimation to the Commission, be communicated in writing to the Management Committee in case of delay by Authorized Officer and to the Board Committee in case of delay by the Management Committee.
- (v) An appeal against the decision of the Authorized Officer shall be heard and decided by the Management Committee of the Exchange, provided the Authorized Officer against whose decision, appeal has been filed, shall not participate in hearing such appeal. The decision of the Management Committee in such appeal will be final and binding on the concerned TRE Certificate Holder.
- (vi) An appeal against the decision of the Management Committee formed under Sub-Clause 3(a)(ii) above, shall be heard and decided by the Board Committee of the Exchange, constituted for this purpose, by the Board, from time to time. The Board Committee shall consist of four members of the Board, two being TRE Certificate Holder directors, one being a non-TRE Certificate Holder director and one being the Managing Director of the Exchange and its decision shall be passed by majority vote and in case of equally divided decision the Chairman of the Board Committee shall have casting vote. Provided that the Chairman of the Board Committee shall always be a non-TRE Certificate Holder director.

The decision of the Board Committee shall be final and binding on the concerned TRE Certificate Holder.

- (vii) An appeal filed pursuant to Sub-Clause (a)(v) or (a)(vi) above, shall be disposed off within 45 days of filing of such appeal. However, if such appeal is not 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 shall, under intimation to the Commission, be communicated in writing to the Board Committee in case of appeal filed with the Management Committee and the Board in case of appeal filed with the Board Committee. Provided that no appeal against decision of Authorized Officer or the Management Committee, as the case may be, filed beyond 14 days of receipt of such decision by the TRE Certificate Holder shall be entertained by the Exchange.

(b) Consequences of non-payment of fine/penalty:

A TRE Certificate Holder of the Exchange may exercise his right to appeal against the decision of the Authorized Officer or the Management Committee in accordance with sub-clause (a) of above regulation. If the TRE Certificate Holder fails to file appeal within the aforementioned period or in pursuance of the decision of the appeal, fails to pay any fine/penalty imposed upon him in accordance with any Regulation for the time being in force, disciplinary action shall be taken under Clause 2 of these Regulations.

**4. REVOCATION OF RESOLUTION OF SUSPENSION / CANCELLATION / FORFEITURE OF TRE CERTIFICATE:**

- a) An application of a suspended TRE Certificate Holder for reinstatement may be considered by the Board upon removal of cause of suspension to the satisfaction of the Board.

- (b) The Board may on its own motion reconsider and may cancel, revoke or modify a resolution of suspension, cancellation or forfeiture of TRE Certificate if Board concludes that the cause of such suspension, cancellation or forfeiture has been removed.

Provided that such reconsideration will be made only if:

- (i) In case of forfeiture of TRE Certificate, the TRE Certificate has not yet been disposed-off.
- (ii) All the investor complaints, lodged with Exchange and the Commission against such TRE Certificate Holder, are settled / withdrawn. However, Exchange shall also obtain prior written consent from all complainants with regard to their settlements / withdrawals.
- (iii) Prior written confirmation of the Commission is obtained to confirm the (i) above.
- (c) The Board shall not restore a TRE Certificate cancelled/forfeited on violation/non-compliance of regulation 2(A) (1) (a), (b), (e) and (g) above.

**5. CONSEQUENCES OF SUSPENSION / CANCELLATION/ FORFEITURE OF TRE CERTIFICATE:**

- (a) A suspended TRE Certificate Holder, during the terms of his suspension, will not exercise or enjoy any of the rights or privileges of TRE Certificate.
- (b) The suspension, cancellation or forfeiture of a TRE Certificate shall not affect the right of creditors against such TRE Certificate Holder.
- (c) The Exchange shall as soon as possible notify, together with cause of such suspension/cancellation/forfeiture, to the TRE Certificate Holders of the Exchange and the public through placement on website, any decision of suspension, cancellation or forfeiture of a TRE Certificate.

Further, in case of cancellation/forfeiture of TRE Certificate, Exchange shall publish such notice in at least two widely circulated newspapers.

- (d) A TRE Certificate Holder shall not, without the special permission of the Board as specified in the procedures, carry on business for or with an individual TRE Certificate Holder or in case of Corporate Brokerage House, its Nominee Director/ Chief Executive and other directors (holding 20% or more of its shares) who has been suspended or whose TRE Certificate has been cancelled/forfeited by the Exchange.
- (e) When a TRE Certificate of the Exchange is cancelled/forfeited, all the rights and privileges of concerned TRE Certificate Holder of the Exchange shall stand withdrawn but any liability of any such TRE Certificate Holder to the Exchange or to any other TRE Certificate Holder of the Exchange shall continue and remain unaffected by such cancellation/forfeiture.
- (f) Upon cancellation/forfeiture of a TRE Certificate, the Exchange may utilize the following for the purpose of discharging such TRE Certificate Holder's obligations related to transactions and dealings made subject to any Regulations of the Exchange or NCCPL towards NCCPL, other TRE Certificate Holders and investors:
- i) All moneys, securities and other assets due or deliverable to the TRE Certificate Holder by any other TRE Certificate Holder of the Exchange or NCCPL in respect of transactions or dealings made subject to any Regulations of the Exchange or NCCPL;
- ii) Securities and deposits, if any, held in the custody of the Exchange;
- iii) Securities and/or cash/bank guarantee, if any, held in the custody of NCCPL; and

- (iv) Base Minimum Capital maintained with the Exchange in accordance with the Regulations Governing Risk Management of the Exchange.

Provided that in case where a TRE Certificate Holder has a subsisting right to transfer its TRE Certificate and such TRE Certificate is a component of the Base Minimum Capital maintained by such TRE Certificate Holder under the Regulations Governing Risk Management such TRE Certificate will not be cancelled and instead shall be forfeited and transferred by the Exchange and proceeds shall be utilized under these Regulations. However, all the provisions of these regulations applicable consequent upon cancellation of TRE Certificate shall remain so applicable on the TRE Certificate Holder considering as if its TRE Certificate has been cancelled.

**6. DISPOSAL OF ASSETS COMPRISING BASE MINIMUM CAPITAL AND PROCEEDS THEREOF:**

(a) The assets comprising Base Minimum Capital shall be free of all rights, claims or interest of such TRE Certificate Holder or anyone else and the Exchange shall be entitled to deal with or dispose of such assets in such manner and at such price, as the Exchange may think fit. If the Exchange disposes-off the assets, the sale proceeds thereof shall in the first place be applied for satisfying the liabilities of the TRE Certificate Holder, to NCCPL in respect of any contract made subject to the Regulations of the Exchange and the balance thereof shall be utilized for satisfying the investors claims against the TRE Certificate holder.

(b) In case the investors' claims admitted by the Exchange against a TRE Certificate Holder in accordance with the procedures specified by the Exchange from time to time are more than the balance amount left unutilized out of the sale proceeds of assets comprising Base Minimum Capital for satisfying such claims, all the claims will be satisfied on pro-rata basis. The claims still remaining unsatisfied after pro-rata sharing will then be paid from the Investors Protection Fund in accordance with the KSE Investors Protection Fund Regulations.

(c) Notwithstanding anything contained hereinabove, the Exchange may, consequent upon cancellation/forfeiture of a TRE Certificate, where proceeds of assets comprising Base Minimum Capital, are not immediately available, for any reason whatsoever, in the interest of the investors allow settlement of investors' admitted claims first from the Investors Protection Fund to the extent of the maximum permitted amount under the KSE Investors Protection Fund Regulations. However, in the event the proceeds of assets of Base Minimum Capital become available subsequently, then after satisfaction of all claims as provided for in sub-clause 6(a) above, any amount remaining unutilized out of the sale proceeds of such assets shall be deposited in the Investors Protection Fund.

**7. VERIFICATION OF INVESTORS' CLAIMS, INSPECTION OF BOOKS & RECORDS AND CONDUCTING OF ENQUIRY:**

The Exchange may verify genuineness of investors' claims against a TRE Certificate Holder and may inspect books and records of any TRE Certificate Holder and/or conduct enquiry into his dealings and business affairs and for this purpose may also appoint an auditor selected from the panel of auditors prescribed by the Exchange under Regulations Governing System Audit of the Brokers of the Exchange, 2004.

**8. AUTHORIZED CLERKS**

a) NON-TRE CERTIFICATE HOLDERS AS AUTHORIZED CLERK: The Board shall from time to time fix the number of Authorized Clerks, a TRE Certificate Holder may be allowed to employ. The Authorized Clerks shall be allowed to be appointed up to 30th June each year and thereafter-fresh applications will have to be made by the TRE Certificate Holder for the continuation of such Authorized clerk.

b) TRE CERTIFICATE HOLDERS AS AUTHORIZED CLERK: TRE Certificate Holders of the Exchange may be employed as Authorized Clerks in excess of the number permitted by this rule. A TRE Certificate Holder so employed shall not himself be entitled to employ authorized clerks.

*Extracts from the Board Minutes No. 1 dated January 7, 1970.*

- c) The approval of appointment of Agents will be done by the office of the Exchange on having given due notice to the TRE Certificate Holders of the Exchange.
- d) The Board in its meeting held on 27th July, 1972 decided that hereafter annual fees for the appointment of the Accredited Agents shall be as under:
  - i) For first to 2nd Agents.                      Rs. 180.00 each
  - ii) For 3rd to 8th Agents.                      Rs. 360.00 each

**9. UNAUTHORIZED CLERKS EXCLUDED FROM MARKET:**

- a) An authorized clerk is entitled to admission to the market and the clerk who is not authorized is not so entitled.
- b) An application by a TRE Certificate Holder to employ an authorized clerk who previously had been acting as clerk to another TRE Certificate Holder must be accompanied by a clearance certificate from the former employer.
- c) The Governing Board of Directors of the Exchange, may in its sole and absolute discretion, dispense with the condition of production of a No Objection Certificate as required by Rule 13(b) and may permit any person to work as an Authorized Clerk of any TRE Certificate Holder of the Exchange.

**10. POWER OF AUTHORIZED CLERK:**

- a) An authorized clerk, or a TRE Certificate Holder acting as authorized clerk, can transact business only on behalf of his employer. He shall not make bargains in his own name or in any name other than that of his employer or sign contracts in his own name or in any other name save on behalf on his employer.
- b) The Board shall expel immediately an authorized clerk or cancel/forfeit the TRE Certificate of the TRE Certificate Holder acting as an authorized clerk who contravenes this rule.
- c) TRE CERTIFICATE HOLDER LIABLE FOR BARGAINS OF AUTHORIZED CLERK: A TRE Certificate Holder shall be liable for all bargains made with other TRE Certificate Holders in the market by any authorized clerk employed by him and he shall fulfill such bargains according to the Regulations of the Exchange in the manner as if such bargains had been made personally by himself.

**11. REGISTER OF AUTHORIZED CLERKS:**

The Chief Regulatory Officer of the Exchange shall keep a register of authorized clerks and shall enter in such register the name of the clerk and the TRE Certificate Holder who employees him, the date of the beginning and termination of his employment or the withdrawal of his authorization.

**12. NOTICE OF AUTHORIZATION-TERMINATION & WITHDRAWAL:**

A TRE Certificate Holder employing an authorized clerk or terminating employment or withdrawing the authorization of such clerks shall give a notice in writing to the Chief Regulatory Officer of the Exchange, of the name of such clerk and the date of the beginning or termination of his employment or the withdrawal of his authorization and the Chief Regulatory Officer shall forthwith post the notice of such employment, termination or withdrawal upon the Notice Board of the Exchange.

**13. LIABILITY OF THE EMPLOYER TO CONTINUE UNTIL NOTICE:**

The Responsibility of a TRE Certificate Holder for the bargains of his authorized clerk shall continue until one day after the notice of the termination of his employment or the withdrawal of his authorization shall have been received by the Chief Regulatory Officer.

A TRE Certificate Holder may, on giving notice in writing to the Chief Regulatory Officer of the Exchange and on payment of a fee prescribed by the Board, nominate a substitute clerk to act temporarily in the absence of an authorized clerk for a period not exceeding 30 days.

**APPOINTMENT OF ACCREDITED AGENTS:**

TRE Certificate Holders are hereby informed that it has been decided by the Governing Board of Directors of the Exchange that it is not desirable to extend the responsibility of a TRE Certificate Holder for the bargaining of his authorized clerk until one day after the notice of termination of employment or the withdrawal of his authorization is received by the secretary, and the responsibility of a TRE Certificate Holder should continue till the date of termination of his employment.

*It was, therefore, resolved as follows:-*

“RESOLVED that the words ‘One day after’ appearing in Regulation 13 of the General Regulations of the Exchange be deleted and the words ‘Upto the day on which’ be substituted in its place.”

It was further decided as follows:

- 1) In view of the fact that a TRE Certificate Holder giving No Objection Certificate remained liable for the transactions entered into by his Agents, while he was in his employment, the practice of issuing a notice calling for objections within seven days should be discontinued. Only in case of new Agents, the objections be invited and the usual procedure be followed.
- 2) In case the Agent, of one TRE Certificate Holder left his services and joined the other member and if a clearance certificate was issued by his former employer then the Secretary, if he was satisfied that the application was bonafide, and was made on the prescribed form, may allow such an agent to function on the Exchange from one day after the notice of termination of his employment, or withdrawal of his authorization was received by the Secretary.
- 3) The appointment made by the Secretary will be provisional and will be subject to consideration by the Advisory and Arbitration Committee of the Exchange and further confirmation by the Board of Directors of the Exchange. If the Board approved the appointment, the Agent shall continue, if the Board does not approve the appointment, the Agent shall immediately cease to work.
- 4) The TRE Certificate Holder making the appointment, whether appointment was provisional or permanent, shall be responsible for the bargains of his Agent.”

*Extracts from the Board Minutes No. 18 dated 24th September, 1970.*

The Board decided that if and when any TRE Certificate Holder send a notice to the Office of the Exchange canceling agent ship, the agent ship will be cancelled only after the notice has been on the Notice Board for 48 hours and the Office of the Exchange has notified the member concerned.

*Extracts from Board Minutes No. 24 dated 14th July, 1964.*

**UNDERTAKING FROM THE ACCREDITED AGENTS:**

The Board decided that TRE Certificate Holders wishing to appoint or renew Accredited Agents on the exchange must furnish an Undertaking signed by their Agents as follows:-

- 1) I shall maintain strict discipline at all times in the Trading Hall and the premises of the Exchange.
- 2) I shall do business on the Exchange in the name of and on behalf of his appointing TRE Certificate Holder only. I shall not do any business on behalf of other TRE Certificate Holders of the Exchange directly as their constituent or on account of his constituents:



- 3) I shall at all times abide by the Regulations of the Exchange and will not act or indulge in any activities which might prejudice the fair name or the interest of the Exchange or his appointing TRE Certificate Holder or other TRE Certificate Holder.”

That the amendment and the New Rule comes into force with immediate effect.

**14. ADMISSION DURING GOOD BEHAVIOR:**

- a) Authorized Clerks shall be admitted to the market only during good behavior and the Board or any other Committee appointed by the Board may, by a resolution, in their absolute discretion refuse admission to the market of the authorized Clerk of any TRE Certificate Holder and may at any time, suspend, terminate, the right of admission of such clerk without assigning any reason whatsoever.
- b) Clerks of defaulters or of TRE Certificate Holders whose TRE Certificates have been suspended, cancelled or forfeited shall be excluded from the market.

**15. BADGES:**

A TRE Certificate Holder and his Authorized Clerk when in the market must wear a badge. No clerk without such badge shall be admitted into the market to transact business.

The Board in its meeting held on April 8, 1971 decided that appropriate badges in three different designs should be issued to the TRE Certificate Holders, their agents as well as Runners.

The Board further decided that while entering the Trading Hall the TRE Certificate Holders need not wear these Badges, which will be more in the form of Identity Cards, which should be carried with them on their person. As far as the Agents and Runners were concerned, it should be insisted that they wear these Badges while entering the Trading Hall as well as at all times during which they are inside the trading Hall.

**16. PENALTY FOR IMPROPER USE OF BADGE:**

- a) The Board shall expel or suspend any authorized clerk who transfers his badge to any person.
- b) When a clerk is expelled or suspended for any reason his employer shall not be permitted to substitute a clerk in his place for a period not exceeding three months.

**17. LOSS OF BADGE:**

A TRE Certificate Holder shall notify the loss of badge to the Chief Regulatory Officer of the Exchange who will issue another in its place on application by such member and on payment of Rs. 6/- or such other sum as the Board may from time to time determine.

**18. RETURN OF BADGE:**

A TRE Certificate Holder who terminates or withdraws the authorization of clerk/s shall return the badge to the Chief Regulatory Officer of the Exchange on the date of such termination or withdrawal.

**19. TRE CERTIFICATE HOLDER CEASING TO DO BUSINESS:**

A TRE Certificate Holder who has ceased doing business in his own name shall not be entitled to employ any authorized clerk and shall return the badge of any such clerk which may have been issued to him.

**20. CANCELLED/FORFEITED TRE CERTIFICATES:**

No TRE Certificate Holder shall, without the special permission of the Board, take into or continue in his employment in any capacity in any business carried on by him, a former TRE Certificate Holder whose TRE Certificate has been suspended, cancelled or forfeited.

- a) That no TRE Certificate Holder of the Exchange is allowed to give to the Press for publication any report on Stocks and Shares. TRE Certificate Holders of the Exchange may issue reports on stocks

and shares only to their clients, Joint Stock companies and Banks, but are debarred from general circulation of the same.

**21. REPORT OF VIOLATION OF REGULATIONS:**

Every TRE Certificate Holder of the Exchange shall immediately report to the Board any violation by any TRE Certificate Holder of any regulation of the Exchange which may come under his notice. Any report so made to the said Board or to the Chief Regulatory Officer of the Exchange shall be deemed privileged and confidential.

**22.** Deleted.

**23.** Deleted.

**24. REMOVAL OF MEMBER:**

a) The Board may for reason to be recorded remove member of a Sub-Committee from such Sub-Committee.

b) **RETIRING MEMBERS:** All Retiring members of Sub-Committee shall be eligible for re-election.

c) **TO CONTINUE OFFICE:** All retiring members of a Sub-Committee shall continue in office until their successors are validly elected.

d) **CASUAL VACANCY:** A casual vacancy in a Sub-Committee shall be filled by the Board and the Sub-committee member so appointed shall retain office till the next election and shall be eligible for re-election.

e) **LEAVE AND TEMPORARY APPOINTMENT:** A member of Sub-Committee who is likely to be absent from Karachi for a period exceeding three months shall give intimation to the Secretary of the Sub-Committee and such intimation shall be placed before the Sub-Committee in its next meeting. The Sub-Committee may there upon either declare the seat of such member vacated, when such vacancy shall be filled by the Board in the manner provided in these Regulations or the Sub-Committee may fill the vacancy on the Sub-Committee in place of the absent member. The member so appointed shall vacate office on the return to Karachi of the absent member. A member absenting himself from Karachi for a period exceeding three months without giving intimation shall be deemed to have vacated his seat.

The Sub-Committee may from time to time determine its own quorum, provided that such quorum shall not be less than one-third of the total number of the members of such Sub-Committee.

**25. ADVISORY & ARBITRATION COMMITTEE:**

The Advisory & Arbitration Committee ("Committee") shall consist of a minimum number of ten and maximum number of fifteen members. The membership of the Committee shall include TRE Certificate Holders of the Exchange and Management staff of the Exchange. The KSE official dealing with complaints/disputes shall be the Secretary of the Committee.

**26. DISPUTE TO BE REFERRED TO ARBITRATION:**

Whenever any dispute arises between TRE Certificate Holders *interse*, or between any of the TRE Certificate Holders and their constituents/clients, or between any of the TRE Certificate Holders and their authorized agents or between authorized agent(s) and their constituents/clients in connection with the 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 these Regulations.

**27. APPLICATION FOR ARBITRATION:**

Where a dispute cannot be settled amicably, it must be referred to arbitration. Any party to the dispute may initiate arbitration, in accordance with these Regulations by making an application in writing to the Committee. The applicant shall be required to furnish the following:

- i) Claim Form duly filled and signed by investor or TRE Certificate Holder, as the case may be, along with all supporting documents and annexure as mentioned in the Form.
- ii) In case applicant is not a TRE Certificate Holder of the Exchange, he shall give an undertaking to abide by all the Regulations of the Exchange in force for the arbitration, as well as the award of the Sole Arbitrator/Panel of Arbitrators appointed under the said Regulations.

**28. CONSTITUTION OF PANEL OF EXPERTS:**

A panel of ten non-TRE Certificate Holder arbitrators shall be constituted, comprising of 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., Central Depository System, National Clearing and Settlement System, etc. in accordance with procedures laid down by the Exchange from time to time.

**29. CONSTITUTION OF PANEL OF ARBITRATORS:**

A panel of Arbitrators shall consist of three arbitrators, out of which two shall be appointed by drawing lots, one from the committee and the other from the Panel of Experts. The third arbitrator shall be the Managing Director of the Exchange or his appointed nominee. Provided, however, the Panel of Arbitrators constituted shall necessarily comprise two non-TRE Certificate Holders.

The updated list of members of the Committee and Panel of Experts shall be displayed on the KSE website. The list shall also contain the details of the companies with which the experts have any association.

**30. ARBITRATION PROCEDURE:**

- a) ***Scrutiny of application.*** - An application received for arbitration shall be scrutinized by the relevant Department of the Exchange as specified in the procedures, designated for the purpose by the Committee to check whether it is complete in all respects and acceptable for arbitration.
- b) ***Rejection or Dismissal of application.*** - Any application may be rejected or dismissed if:
  - i) The applicant refuses, neglects or fails to comply with the provisions of any Regulations, or
  - ii) The applicant refuses, neglects or fails to carry out any direction issued by the Management, Committee or the Board, or
  - iii) The application is not otherwise in order or in accordance with the Regulations of the Exchange or lacking the adequate documentary evidence, or
  - iv) The subject in the dispute has arisen from a non-Stock Exchange transaction or the transaction is otherwise illegal.

In case of rejection of any application, the Exchange shall, under intimation to the Commission, communicate the reasons for any such rejection to the applicant within fifteen days.

- c) ***Claims up to five hundred thousand rupees.*** - Claims/disputes of up to five hundred thousand rupees shall be referred for arbitration to the Managing Director of the Exchange ("Sole Arbitrator"), who may either enter upon the reference himself or appoint a nominee on his behalf who shall not be below the level of Deputy General Manager.
- d) ***Claims of over five hundred thousand rupees.*** - Claims of over five hundred thousand rupees shall be forwarded to the Panel of Arbitrators for its action. Such claims/disputes shall be referred to the Panel of Arbitrators appointed under Regulation 29 for arbitration proceedings.
- e) ***Lots to be drawn.*** - i) Lots shall be drawn from amongst the names of the members of the Committee and the Panel of Experts, whose names have not been drawn in the lots previously. If, however, the names of all these members have been drawn in the lot once, then the names of all the members shall be included for drawing subsequent lots. The drawing of lots would be conducted by the Chairman of Advisory and Arbitration Committee or any other member of the committee nominated by him.

The names of Arbitrators drawn by Chairman of Advisory and Arbitration Committee or any other member of the committee nominated by him will be communicated to the parties at the arbitration within three working days.

ii) In case of valid objection within seven working days by any party to the dispute for appointing any person as an arbitrator, re-drawing of lots shall be undertaken. The Chairman of the Committee or his nominee shall be the sole judge to decide the validity of any objection. A party to dispute failing to raise objection as mentioned above shall not be entitled to raise such objection subsequently in the proceedings.

Provided that lots shall be drawn within thirty days from the date of receipt of any application for arbitration which is to be referred to the sole arbitrator or Panel of Arbitrators.

- f) **Presence of parties at the time of drawing and/or re-drawing.** - The parties to the dispute shall be given a notice of a minimum five working days, to remain present personally or through an authorized representative at the time of drawing and/or re-drawing lots before the Chairman of Advisory and Arbitration Committee or any other member of the committee nominated by him. Provided, that the drawing of lots shall take place at the given time and date even if the party or parties are not present despite of the notice and that the party or parties shall have no objection to drawing of such lots.

Parties to the dispute shall be provided with a list of members of the Committee and arbitrators on the Panel of Experts, along with the above notice of drawing and/or re-drawing lots.

- g) **Member bound to act as arbitrator.** -The member of the Committee whose name has been drawn in the lot shall be bound to act as an arbitrator till the announcement of award notwithstanding the lapse of term of the Committee of which he/she was a member.
- h) **Fresh arbitrator.** - In case if one or more arbitrators refuse, neglect or fail to consider the dispute or give an award, fresh arbitrator from the Committee or the Panel of Experts, as the case may be, shall be appointed by the Chairman of Advisory and Arbitration Committee or any other member of the Committee nominated by him. However, the arbitrator(s) who refuse, neglect or fail to consider the dispute or give an award shall communicate reasons thereof to the Committee, in writing, within ten days of referral of the dispute to him/her/them.

Upon receipt of information of non- availability of any such arbitrator, the Exchange shall immediately inform the complainant of the new panel members. The Exchange while intimating name of any alternate arbitrator(s) to both parties to a dispute may also reconfirm or reschedule the earlier date of hearing or arrange for any re-hearing held earlier by the previous Panel of Arbitrators to be reheard, in line with Clause 30(e)(i).

- i) **Hearing Notice.** - The Secretary of the Committee shall give both parties to the dispute not less than seven days' notice from the date of receipt of such notice regarding the date, time and the place appointed for Arbitration.
- j) **Both parties present.** -If both parties to the dispute are present at the appointed date, time and place, the Sole Arbitrator/Panel of Arbitrators shall proceed to hear the reference and to give the award.
- k) **Ex-Parte decision on the summary disposal.** - If the party against whom complaint is made has not been able to make himself present or shows his inability to attend the hearing at the appointed date, time and place for two consecutive times, the sole arbitrator/panel of arbitrators may hear and decide the dispute Ex Parte, and if the party making the complaint has shown his inability to attend or fails to make himself available for hearing at the appointed date, time and place for two consecutive times, the sole arbitrator/panel of arbitrators may dismiss the reference summarily.

- l) **Remedies at law.** -The Sole Arbitrator/Panel of Arbitrators may decline to hear the dispute or may dismiss any case and refer the parties to avail their remedies through a Court of Law by recording reasons for the decline or dismissal.
- m) **Equal opportunity to both parties.** - The parties will be dealt with on an equal footing. Each of the parties will be given the opportunity at a session of the Sole Arbitrator/Panel of Arbitrators to present and explain their point of view verbally or in writing:
- i) the defendant will be given an opportunity to respond to the point of representations of the claimant;
  - ii) the Sole Arbitrator/Panel of Arbitrators will not hear any party in the absence of the opposing party, unless the latter party has been given every reasonable opportunity to attend;
  - iii) arbitrators will not discuss cases with the parties to the proceedings or their counsel beyond the normal procedure.
  - iv) parties may appear at a session in person or through a representative ad litem, to present and explain their respective claim or to defend verbally or, with the permission of the Sole Arbitrator/Panel of Arbitrators, in writing.
- n) **Decision by majority in cases referred to Panel of Arbitrators.** - All claims/disputes referred to the Panel of Arbitrators shall be decided by majority and such decision shall be deemed to be the award in the arbitration.
- o) **Time for disposal of application.** - An application received under Regulation 27 and found acceptable after scrutiny under clause 30(a) shall be disposed-off within ninety days of its receipt including the award of Sole Arbitrator/Panel of Arbitrators. However, if the application is not disposed-off within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay shall be communicated in writing to both the parties to the dispute and the Commission. The time extension granted by the Chairman of the Committee shall be indicated in the communication, which shall not exceed thirty working days from the expiry date of the prescribed ninety days.
- p) **Fee for making an application for arbitration.** - The fee for filing an application for arbitration will be submitted by the applicant as follows:
- 1) Rs. 2,000 for dispute having value up to Rs. 100,000
  - 2) Rs. 4,000 for dispute having value more than Rs. 100,000 and up to Rs.300,000/-
  - 3) Rs. 6,000 for dispute having value more than Rs. 300,000 and up to Rs.1,000,000/-
  - 4) Rs. 10,000 for dispute having value more than Rs.1,000,000/-
- Fifty percent (50%) of initial deposited fee will be refunded to the applicant if Award is announced in his favor.”
- q) **Entitlement of corporate benefits issued during the dispute.** - The Award would include provision for any corporate benefits (right shares, dividends, bonuses) issued during the pendency of dispute for the securities for which the application for arbitration has been made. The disputed period would be up to the date on which an award is honored.
- r) **Time period for retaining arbitration record.** - Record of proceedings of all meetings, hearings and the evidences on the basis of which the awards are announced shall be retained for at least five years.
- s) **Time period to abide by arbitration.** - The arbitration award shall be executed within maximum of 15 days of its announcement by the Sole Arbitrator/Panel of Arbitrators.”

**31. LATE CLAIMS BARRED:**

The Sole Arbitrator/Panel of Arbitrators shall not take cognizance of any claim or dispute which is not referred to him/them within one year from the date it arose.

**32. APPEAL TO THE APPELLATE BENCH:**

- a) A party to a dispute that is dissatisfied with any award of the Sole Arbitrator or Panel of Arbitrators may appeal to the Appellate Bench against such an award within fifteen working days of receipt of the award. The Committee may constitute one or more Appellate Benches for hearing appeals.
- b) The Appellate Bench shall consist of three Arbitrators out of which two shall be appointed by drawing lots, one each from the Committee and the Panel of Experts. The third Arbitrator shall be the Managing Director or his appointed nominee. The arbitrator from the Committee once appointed shall act as an arbitrator till the decision in the appeal notwithstanding the lapse of term of the Committee. Provided, however, that the Appellate Bench so constituted shall necessarily comprise two non-TRE Certificate Holder and none of the arbitrators who have heard the reference or passed the award shall be a member of the Appellate Bench hearing an appeal against that award.
- c) A party appealing to the Appellate Bench shall state in writing the objections to the award of the Sole Arbitrator/Panel of Arbitrators and shall pay a fee of two thousand five hundred rupees being institution fee through cheque in favor of the Exchange in its designated bank account. Further, if the Appellant is a TRE Certificate Holder of the Exchange, he shall deposit the full amount of award and deliver the securities or the value thereof at the ruling market price of the securities with the Exchange. If the Appellant fails in his appeal, he shall satisfy the award within seven days of its announcement. In case of his failure to do so, the Exchange shall have the authority to pay the amount of the award and securities to the Respondent on the Appellant's behalf. However, the Appellant shall still be liable to pay the balance securities/amounts, if any, payable under the award in appeal. An Appeal shall not be entertained if the required fee/award money or securities, if any, is not deposited with the Exchange.
- d) The award of the Appellate Bench shall be announced within forty five days of the receipt of the appeal. However, in case the Appellate Bench is unable to announce the award within the forty five day period due to unavoidable circumstances or reasons beyond control, the Appellate Bench will seek further time from the Chairman of the Committee, by indicating specific reasons for its inability to announce the award and the Chairman of the Committee may extend the time but not more than thirty days. However, such extension of time should be forthwith intimated to the Commission.
- e) The award of the Appellate Bench shall be final and shall be deemed binding on the parties to the dispute and upon their constituents.

The above award shall be honored within 15 days of its announcement.

**33. MEMBERS INVOLVED NOT TO HEAR THE CASE/APPEAL:**

A member of the Committee shall not be appointed as a Member of the Panel of Arbitrators or Appellate Bench, as the case may be, in a dispute in which he is a party and/or has association with either party, whatsoever.

**34. ADJOURNED MEETINGS:**

- a) There shall be no objection to an award of the Sole Arbitrator/Panel of Arbitrators or the Appellate Bench that the meeting at which a dispute was enquired into or an appeal was heard was adjourned or that the enquiry was not completed or that the appeal was not finally heard at one meeting. Provided the reasons for adjournment, non-completion and non-hearing of appeal are recorded.

- b) There shall be no objection to an award of the Panel of Arbitrators or the Appellate Bench regarding any change(s) in the composition of the Panel of Arbitrators or the Appellate Bench during the enquiry or appeal. Provided, however, that on re-composition of the Panel of Arbitrators or the Appellate Bench, fresh hearing of the reference/appeal shall take place.
- c) Three Members of the Panel of Arbitrators or the Appellate Bench shall be necessary to constitute a quorum for the purpose of the enquiry or appeal.
- d) In case the members of the Panel of Arbitrators or the Appellate Bench fail to reach a unanimous decision, the decision of the majority will prevail.

**35. SUMMARY DISMISSAL AND EX-PARTE DECISION:**

If any party to a dispute who has appealed against any award to the Appellate Bench is not present at the time fixed for hearing the appeal or any adjournment thereof, the Appellate Bench, may dismiss the appeal summarily. However, in case the appellant is present but the respondent is absent, the Appellate Bench may proceed with the appeal ex-parte.

**36. SETTING ASIDE EX-PARTE AWARD:**

The Committee may, on sufficient cause, including non-receipt of notice/absence of party from the city/country, being shown by a party within thirty days of receipt of the ex-parte award, set aside the award made by the Sole Arbitrator/Panel of Arbitrators or the Appellate Bench and direct the reference or the appeal to be reheard.

**37. EXTENSION OF TIME:**

The Committee may for special reasons extend the time for which a reference for Arbitration or an appeal against any award of the Sole Arbitrator or the Panel of Arbitrators may be made whether or not the time for making the same has expired.

**38. PLACEMENT OF NAME OF DELINQUENT CLIENT/CONSTITUENT OF A TRE CERTIFICATE HOLDER ON DATABASE DEVELOPED AND MAINTAINED BY THE EXCHANGE:**

In case an application is filed for arbitration by a TRE Certificate Holder against his client and the Award goes in favor of the TRE Certificate Holder, the client shall be liable to pay an amount (debit/margin) to the TRE Certificate Holder and the same would be explicitly mentioned in the Award.

The name and other relevant particulars of a client/constituent of a TRE Certificate Holder against whom:

- (a) An award of the Sole Arbitrator/Panel of Arbitrators has been passed and the maximum time to file an appeal against the award has elapsed; or
- (b) In case such client/constituent of a TRE Certificate Holder files an appeal in accordance with these Regulations and the Appellate Bench has also decided against such client/constituent of a TRE Certificate Holder; and
- (c) In both cases the client/constituent of a TRE Certificate Holder fails or refuses to abide by or carry out such award/decision;

his name shall be placed on the Exchange's database accessible by TRE Certificate Holders of the Exchange by following a procedure. Placement of name of such client/constituent of a TRE Certificate Holder shall be without prejudice to the right of the concerned TRE Certificate Holder to apply to the court of competent jurisdiction for making the award a rule of the court and enforce the same through a decree of the court.

**38A. ADMINISTRATION OF OATHS TO THE PARTIES TO THE DISPUTE:**

The arbitrator shall administer oath to the parties and witnesses before examining them.

**38B. UNDERTAKING TO BE SIGNED BY TRE CERTIFICATE HOLDER AND COMPLAINANT APPEARING BEFORE AN ARBITRATOR/PANEL OF ARBITRATORS:**

Both the parties appearing before an arbitration panel shall be required to sign the following undertaking:

- i. I will say the truth, nothing but the truth and will not try to mislead the Arbitrator(s).
- ii. I will provide all information asked by the Arbitrator(s) within such time as may be specified by the arbitrator and in case of failure the Arbitrator(s) may decide the case on available facts.
- iii. I hereby declare that I shall abide by the award of Sole Arbitrator / Panel of Arbitrators/Appellate Bench, as the case may be.

**39. LIABILITIES OF PAST TRE CERTIFICATE HOLDERS:**

A TRE Certificate Holder who shall for any reason have ceased to be a TRE Certificate Holder of the Exchange shall nevertheless remain liable for and shall pay to the Exchange all monies which at the time of his ceasing to be a TRE Certificate Holder shall have been due by him to the Exchange.

***FAILURE TO PAY DUES:***

- a) If a TRE Certificate Holder fails to pay his annual subscription or any other money which may be due by him to the Exchange within a period of two months after the same have been become due the Chief Regulatory Officer of the Exchange may by notice in writing request payment of the same. The notice shall appoint the day and place for payment.

***SUSPENSION:***

- b) If the requisitions of such notice be not complied with, the Board may by a notice on the notice board of the Exchange, suspend the TRE Certificate of such TRE Certificate Holder until he shall have paid his dues and such TRE Certificate Holder shall remain suspended and debarred from exercising any of the rights and privilege of a TRE Certificate until by a further notice upon the notice board of the Exchange the suspension shall have been revoked.

***FURTHER NOTICE:***

- c) If such TRE Certificate Holder shall not within two months of his suspension pay his dues, the Board shall direct a further notice to be served upon him requesting him to pay his dues within one month of the service at the time and place therein prescribed.

***CANCELLATION/FORFEITURE:***

- d) If the requisition in such further notice are not complied with the Board may by a Resolution passed by a majority of three-fourths of the members of the said Board present at the meeting issue directions for cancellation/forfeiture of the TRE Certificate of such TRE Certificate Holder. Notice of such Resolution shall be posted forthwith on the Notice Board of the Exchange.

Provided that in case where a TRE Certificate Holder has a subsisting right to transfer its TRE Certificate and such TRE Certificate is a component of the Base Minimum Capital maintained by such TRE Certificate Holder under the Regulations Governing Risk Management such TRE Certificate will not be cancelled and instead shall be forfeited and transferred by the Exchange and proceeds shall be utilized under these Regulations. However, all the provisions of these regulations applicable consequent upon cancellation of TRE Certificate shall remain so applicable on the TRE Certificate holder considering as if its TRE Certificate has been cancelled.

***RE-ADMISSION:***

- e) The said Board may on an application of a TRE Certificate Holder whose TRE Certificate has been cancelled/forfeited under the provisions of these Regulations within one year of such cancellation/forfeiture and on cause being shown to the satisfaction of the said Board rescind its Resolution by a like majority, provided all dues of such TRE Certificate Holder to the Exchange up-to date are fully paid up.



Provided that in case the TRE Certificate has been forfeited, the Board may rescind its resolution only if the TRE Certificate has not yet been disposed-off.

**40. REGULATIONS FOR THE MAINTENANCE OF A STANDARDIZED ACCOUNT OPENING FORM**

(1) The Brokers shall adopt the Standardized Account Opening Form (SAOF), attached as Annexure-II to these Regulations, as amended from time to time, for all their Account Holders.

**Explanation:**

SAOF contains the minimum Terms and Conditions which are equally binding on the Broker and Account Holder(s). However, in order to protect the rights of the concerned parties, the Brokers may include additional terms and conditions preferably in separate section to the SAOF, as long as such terms and conditions do not, in any way, negate or undermine any other applicable laws, rules, regulations, directives/notices/circulars of the Commission, the Exchange etc., and the terms and conditions laid down in the said SAOF.

(2) Brokers shall incorporate any amendments in SAOF for their new Account Holders immediately and bring the same into conformity through addendums for their existing Account Holder(s) within 3 months from the publication of such amendments in the Official Gazette of Pakistan or any other time period specified by the Exchange from time to time with prior approval of the Commission. After expiry of such period the Brokers shall not allow any Account Holder to purchase further securities without complying with the above requirement.

(3) Any amendment in the SAOF pertaining to roles and responsibilities of Brokers shall be binding on them after 7 days' notice to market participants by the Exchange, whether or not such amendments have been incorporated in the manner specified above.

**40A. KNOW YOUR CUSTOMER AND CUSTOMER DUE DILIGENCE**

The Brokers shall formulate and implement an effective Know Your Customer (KYC) and Customer Due Diligence (CDD) internal policy and framework in accordance with the guidelines issued by the Exchange, with the prior approval of the Commission and any notices or circulars issued by the Commission from time to time. The KYC and CDD policy should be approved by the Board of Directors of the Broker, if it is a Corporate Brokerage House, and must be appropriately communicated to every agents and branches of the Broker. The Brokers shall also ensure that the above-mentioned policies are effectively disseminated to and understood by the relevant personnel.

**41. SEGREGATION OF CLIENTS' ASSETS BY THE BROKERS**

(1) The Brokers shall ensure that the assets belonging to their clients are kept separated from the assets of the Broker. For this purpose, the Broker shall maintain;

(a) a separate bank account which will include all the fund deposits of their clients along with record/breakdown of clients' balances.

(b) separate sub-accounts under his Participant Account in Central Depository System (CDS) for each of his clients to maintain the custody of margins deposited by the clients in the form of securities and securities bought for clients.

(c) a Collateral Account under his Participant Account in CDS for all clients. This account shall be used exclusively for instances where outstanding payment has not been received from clients in respect of securities purchased on their behalf and relevant purchase obligation is to be settled. In such cases, the Broker will be allowed to transfer the securities on the respective settlement date from the respective sub-account to the Collateral Account for a maximum period of three (3) settlement days only to the extent of the transaction volume for which the client's payment is outstanding for whatsoever reason and comply with relevant requirements contained in the CDC Regulations. The Broker shall, in addition to the electronic reporting of such transfers through ways and means as specified by the Exchange report the Exchange in writing explaining the reason for utilizing the Collateral Account and / or for holding client's

securities immediately after such transfer. The notice from the Broker will be accompanied with following documents:

- (i) Non-payment notice served on the client through courier, personal delivery method, facsimile, email or properly recorded telephone line, advising him to make payment by the close of banking hours on the next business day after the settlement day and notifying that, otherwise the Broker shall have a right to dispose of the required securities to cover the shortfall in the client's account at client's risk and cost;
- (ii) Client's sub-account and Collateral Account Activity Report of movement date and;
- (iii) Documentary evidence substantiating the genuineness and circumstances of the reason for non-payment by the client which may include failure of client to pay in time due to non-clearance of client's cheque, any natural calamity, law and order situation, non or delayed functioning of an automated procedure, e.g., NIFT.

Provided that for a particular client, the Broker is allowed to transfer securities from the sub-account of client to the Collateral Account only once in a calendar month.

- (2) Except as permitted above, the clients' funds and securities shall not be used by the Broker for any purpose other than as authorized by the client in writing in the manner and procedure prescribed by the Exchange and/or CDC. The Broker shall be obliged to maintain and furnish documentary evidence to substantiate the compliance with the above regulations as and when required by the Exchange.
- (3) On the basis of documents mentioned under Sub-Clause 1(c) above, the Exchange shall determine if the requisite documents substantiate the transfer of client's securities by the Broker and shall maintain a database of such transfers. Exchange may also carryout enquiry and/or special audit in relation to non-compliance with this regulation.
- (4) In case of non-compliance on the part of the Broker, as mentioned in Sub-Clause 1(c) above, is established, after enquiry and providing opportunity of hearing, the Broker shall be liable to pay penalty of 1.0% of the market value of securities moved, subject to a maximum penalty of Rs. 50,000/.

Provided that warning may be issued once on the first instance of non-compliance by the Broker subsequent to implementation of automated settlement mechanism.

- (5) Where non-compliance of sub-clause 2 and 3 by a Broker is established, the Exchange may, after providing an opportunity of being heard to the broker, impose penalty on such broker in the manner provided in sub-clause 4 above.

#### **42. CONFIRMATION OF CLIENTS' ORDERS BY TRE CERTIFICATE HOLDERS/BROKERS:**

Whenever an order of any client has been executed by a Broker, confirmation of such execution shall be transmitted to the said client by the Broker within 24 hours of the execution of such transaction through any previously agreed mode of communication as specified in the Standardized Account Opening Form. The confirmation order shall precisely include the following specific information:

- a) Date on which order is executed;
- b) Name and number of securities;
- c) Nature of transaction (SPOT, Ready, Future, Leveraged Market, Debt Market and also whether bought or sold);
- d) Price;
- e) Commission rate;
- f) Whether the order is executed for the TRE Certificate Holder's own account or from the market. {Rule 4(4) of Securities & Exchange Rules, 1971}.

**Fines:**

Once it is established that the Broker is in violation of the above order confirmation requirements, the Chief Regulatory Officer shall impose a fine amounting to not less than Rs. 10,000/- per default but not exceeding Rs. 25,000/- per default.

**42A. GENERAL OBLIGATIONS OF TRE CERTIFICATE HOLDERS /BROKERS RELATING TO LEVERAGED MARKETS**

In addition to any obligation of a broker/TRE Certificate Holder under the applicable laws, agreements or as specified in the Standardized Account Opening Form, the Broker shall ensure the following:

- (1) No transaction is executed by the Broker on behalf of a client in the Leveraged Market unless an appropriate agreement has been executed between the broker and such client.
- (2) All risks involved in the relevant transactions have been fully disclosed and the broker has obtained a written confirmation from its clients that they have understood and have the ability to bear the risks in such transactions.
- (3) The options available to a client in respect of various financing facilities in the securities markets have been fully disclosed and explained to the clients.
- (4) All provisions of the Anti-Money Laundering Act, 2010 (Act VII of 2010) and any rules and regulations made there-under are complied with at all times.
- (5) The credit worthiness of clients is evaluated through a proper credit risk assessment methodology and credit limits are assigned to each client beyond which the client shall not be allowed to take a position in the Leveraged Market.
- (6) Maintenance of records evidencing compliance with the aforesaid obligations and that such records remain available for inspection by the Commission or any other person authorized to do so, at any time.

**43. TRADING BY EMPLOYEES OF BROKERAGE HOUSES:**

- (a) The TRE Certificate Holders may allow securities trading to their employees only through their own Brokerage houses.
- (b) The TRE Certificate Holders shall register their all employees into the UIN database with all registration details including their respective designations and update/modify the registration details whenever any change occurs.
- (c) The TRE Certificate Holders shall ensure that while trading, the concerned employee strictly observes the Code of Conduct prescribed by the Exchange, which is annexed in Annexure-III to these Regulations.
- (d) The Exchange will monitor compliance of this Regulation including Code of Conduct. Any breach/violation by the TRE Certificate Holder or its employees will attract penalties on the concerned TRE Certificate Holder as may be prescribed by the Exchange from time to time.
- (e) A TRE Certificate Holder shall not allow trading on behalf of another TRE Certificate Holder's employees. TRE Certificate Holders shall use the facility mentioned in Regulation 43(b) above for this purpose.

Provided that nothing contained in this Regulation shall be applicable on employees of TRE Certificate Holders not registered as Brokers with the Securities & Exchange Commission of Pakistan under the Brokers and Agents Registration Rules, 2001 at the relevant time, who may trade in the securities through other brokerage houses under intimation to the concerned non-broker TRE Certificate Holders and the Exchange.

**Penalty:**

The Exchange in its sole discretion may impose a penalty of up to Rs. 100,000/- on the TRE Certificate Holders for any single breach/violation of this Regulation including the Code of Conduct by the TRE Certificate Holders or their employees.

**44. DISSEMINATION OF INFORMATION RELATING TO CONSEQUENTIAL ACTIONS BY THE EXCHANGE TO OTHER MARKET ENTITIES:**

The Exchange shall promptly disseminate the information relating to suspension, cancellation/forfeiture of TRE Certificate, declaration of default, suspension of any or all of the privileges of TRE Certificate of the Exchange including restriction and/or suspension of trading terminals or any similar penal action(s) taken against a TRE Certificate Holder by the Exchange under its Regulations to the Central Depository Company of Pakistan Limited (CDC), National Clearing Company of Pakistan Limited (NCCPL) and the Commission for taking required actions, if any, at their end. The Exchange shall circulate such information to all other Stock Exchanges and the Pakistan Mercantile Exchange Limited (PMEX) and also place such information on its website for general public preferably on the same day on which such action is taken but prior to opening of market on next trading day.

Further, in order to inform all clients of the TRE Certificate Holder against whom action is taken, the Exchange shall also publish notices regarding cancellation/forfeiture of TRE Certificate and/or declaration of such TRE Certificate Holder as a defaulter in widely circulated newspapers of Pakistan in Urdu and English languages as soon as possible. For the purpose of effective and timely implementation of above actions, the Exchange shall adopt the below mentioned additional measures:

**(1) IN CASE OF RESTRICTION ON TRADING TERMINALS FOR CLOSING-OUT THE OPEN OUTSTANDING POSITIONS OF A TRE CERTIFICATE HOLDER BY THE EXCHANGE:**

- a. The Exchange shall specify and inform to the CDC the action which is required to be taken by the CDC against such TRE Certificate Holder.
- b. Only upon removal of cause of restriction, the Exchange shall give its consent to the (NCCPL) for restoration of UIN Registration Facility which was suspended by the NCCPL subsequent to receipt of notice regarding restriction on trading terminals.

**(2) IN CASE OF SUSPENSION OF COMPLETE TRADING TERMINALS OR SUSPENSION OF TRADING RIGHTS OF A TRE CERTIFICATE HOLDER DUE TO ANY REASON WHICH INCLUDES NON-SUBMISSION OF CAPITAL ADEQUACY CERTIFICATE WITHIN PRESCRIBED TIME FRAME:**

Where the cause of suspension of complete Trading Terminals or Trading Rights of a TRE Certificate Holder is removed, the Exchange may allow reactivation after expiry of at least 10 business days of such suspension, unless such TRE Certificate Holder provides reason to the satisfaction of the Chief Regulatory Officer of the Exchange for restoration of trading terminals or trading rights earlier than the minimum time prescribed above.

**(3) IN CASE OF REFUSAL BY THE COMMISSION TO RENEW THE BROKER REGISTRATION OF TRE CERTIFICATE HOLDER OR FAILURE BY THE TRE CERTIFICATE HOLDER TO APPLY FOR RENEWAL TILL THE DATE OF EXPIRY OF THE BROKER REGISTRATION:**

The Exchange shall suspend the complete trading terminals of such TRE Certificate Holder after obtaining confirmation of the Commission.

**(4) IN CASE OF SWITCHING OFF OF TRADING TERMINALS BY THE EXCHANGE ON TRE CERTIFICATE HOLDER'S REQUEST:**

- a. Upon receipt of TRE Certificate Holder's request for voluntarily switching-off the complete trading terminals, the Exchange shall notify such request through notice to all its TRE Certificate Holders and also to market participants and general public through its website.
- b. Prior to issuance of notice for deactivation of the TRE Certificate, the Exchange shall ensure that no settlement is pending against such TRE Certificate Holder.

- c. The Exchange may allow reactivation of TRE Certificate of such TRE Certificate Holder after the expiry of at least 10 Business Days unless such TRE Certificate Holder provides reasons to the satisfaction of the Chief Regulatory Officer of the Exchange for reactivating trading earlier than the minimum time prescribed above.

(5) **IN CASE OF ACTIVATION OR REACTIVATION OF A TRE CERTIFICATE HOLDER:**

The Exchange shall issue notice for the activation or reactivation of a TRE Certificate provided the concerned TRE Certificate Holder submits the following to the Exchange:

- a. A copy of valid Broker Registration Certificate confirming his registration as Broker with the Commission under Brokers and Agents Registration Rules, 2001;
- b. An original certificate of an Auditor confirming his Net Capital Adequacy as required under Regulations Governing Risk Management of the Exchange;
- c. The list of signatories authorized to deal with the Exchange on his behalf.
- d. Basic Deposit along with letter of intention for trading in the respective market;
- e. Proof for his registration as Broker Clearing Member (BCM) with the NCCPL and admission as Participant with the CDC;
- f. A letter to the Exchange informing details about his Proprietary UIN and Bank Accounts opened with Settling Banks recognized by the Exchange for the purpose; etc.

(6) **EXCHANGE OF INFORMATION AMONGST THE EXCHANGE, CDC AND NCCPL:**

- a. In case of suspension, cancellation/forfeiture of TRE Certificate, declaration of TRE Certificate Holder as defaulter or expiry of Broker registration of a TRE Certificate Holder, Exchange may request CDC to provide any requisite information for investors' claim verification process.
- b. The Exchange, CDC and NCCPL, under intimation to the Commission, shall update themselves, biannually, about the latest status of their TRE Certificate Holders, Broker Participants and Clearing Members, respectively.

**45. CONSEQUENTIAL ACTION BY THE EXCHANGE IN THE EVENT OF:**

(a) **NON OR PARTIAL PAYMENT OF CAPITAL GAIN TAX (CGT) BY A TRE CERTIFICATE HOLDER ON ITS OWN OR CLIENTS' BEHALF TO NCCPL UNDER NCCPL REGULATIONS:**

In case NCCPL notifies to the Exchange regarding restriction of a UIN due to default on payment of CGT, either fully or partially, the Exchange shall restrict such UIN from taking new position in any market. However, squaring-up of open position(s) shall be allowed for such restricted UIN.

However, upon removal of cause of action against such UIN by NCCPL and receipt of notice from NCCPL in this regard, the Exchange shall remove restriction imposed on such UIN.

(b) **FAILURE TO DEPOSIT MARK-TO-MARKET LOSSES AND/OR OTHER APPLICABLE MARGINS IN MARGIN TRADING SYSTEM [MTS]:**

In case NCCPL notifies to the Exchange regarding suspension of a UIN, acting as financee in the MTS, due to default on payment of Mark-to-Market Losses and/or other applicable margins in MTS within stipulated time the Exchange shall restrict such UIN from taking new position in any market.

However, upon removal of cause of action against such UIN by NCCPL and receipt of notice from NCCPL in this regard, the Exchange shall remove restriction imposed on such UIN.

**FIT & PROPER CRITERIA FOR DIRECTORS**

Eligibility of any person desiring to act as Director on the Board of Directors of the Exchange, including any person who is by virtue of his office a Director on the Board of Directors, shall be judged on the basis of following criteria, which shall be in addition to meeting requirements stipulated under the Companies Ordinance, 1984 relating to eligibility of a director:

**(a) Integrity, Honesty and Reputation**

- (i) He has not been convicted in any criminal offence or directly involved in any settlement in civil/ criminal proceedings in a court of law, particularly with regard to investments, financial/business misconduct, fraud/ forgery, breach of trust, financial crime etc. and/ or it has not been concluded by any regulatory authority that he has been associated with any unauthorized financial activity including illegal brokerage business.
- (ii) Membership or registration of the person or any company in which he was a director during the last three years has not been suspended/ cancelled by the Commission, any other regulatory authority, any professional body, association or any relevant entity i.e. the stock or commodity exchange, depository company or clearing company.

Provided that eligibility of a person may be considered on the basis of prior clearance obtained from any such organization that suspended/ cancelled the membership or registration.

- (iii) He has not been disqualified/ removed from the post of Chief Executive, Chairman, Director, CFO or from any other senior management position\* of a company by the Commission or any other regulatory authority.
- (iv) No investigation/ enquiry, conducted under Section 29 of the Securities and Exchange Commission of Pakistan Act, 1997, Section 21 of the Securities and Exchange Ordinance, 1969, Section 263 or Section 265 of the Companies Ordinance, 1984, has been concluded against him by the Commission, with any adverse findings, either in personal capacity or as director of a company during the past three years.
- (v) An order restraining, prohibiting or debarring him from dealing in securities in the capital market or from accessing the capital market has not been passed; or penalty of Rs.500,000/- or more has not been imposed on him by the Commission in the last three years, in respect of any laws administered by the Commission.

Provided that a person may be considered eligible in case a period of at least three years from the date of expiry of the period specified in the order for which such person has been restrained/ prohibited/ debarred has elapsed.

- (vi) He has not provided false or misleading information either to the Commission or to any of the relevant entities.

**(b) Experience, Qualification and Management**

- (i) He has management/ business experience of at least 5 years at senior management position\*.
- (ii) He has at least three years' experience in the field of capital markets, banking, mutual fund industry, financial services, corporate sector or any other field ancillary to the capital markets.
- (iii) He holds professional qualification and/ or at least graduation from a university duly recognized by the Higher Education Commission of Pakistan or foreign qualification of equivalent level.

Where a person possesses 15 years of experience and knowledge of the capital markets, depositories, commodities market, or in the areas relating to corporate governance, law, information technology, banking, business and industrial concerns or other closely related

discipline, the minimum qualification requirement may be relaxed on case to case basis by the Exchange, under intimation to the Commission.

Provided that in case of Directors to be appointed by the Commission, such relaxation may be granted only by the Commission.

**(c) Solvency and Financial Integrity**

- (i) He has not been adjudged as insolvent or suspended payment of debts or has compounded with his creditors.
- (ii) He has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a financial institution including banking company, a Development Financial Institution or a Non-Banking Financial Institution.
- (iii) It has been established that he, in his individual capacity or as director of a company has not been in default of payment of dues owed to any investor.
- (iv) His name is borne on the Register of National Tax Payers.

**(d) Additional Criteria for Directors Appointed by the Commission**

- (i) He has no relationship with the Exchange that would interfere in him exercising independent professional judgment as a Director and he can be reasonably perceived as being able to exercise independent business judgment without being subservient to any apparent form of interference.
- (ii) He is not a Member or a director, officer, sponsor or direct shareholder of any Member of any stock exchange in Pakistan.

Provided that his immediate family member\*\* is also not a Member or director, officer or sponsor of any Member of any stock exchange in Pakistan and/ or the combined shareholding of the immediate family members\*\* in any brokerage house does not exceed twenty percent.

Provided further that it shall be mandatory to disclose any such shareholding to the Exchange and the Commission at the time of submission of the Form and Undertaking attached as Annexure 'I-A' and 'I-B' respectively.

- (iii) He has no personal services contract(s) with the Exchange or is not currently serving as its employee and has not been employed at any position of the Exchange within the past two years.
- (iv) He is not simultaneously serving as a Director on the Board of more than seven listed companies.

\* Senior management position wherever referred to in these criteria includes:

- a. Any executive, including the chief executive or any officer acting as second to chief executive officer including chief operating officer or by whatever name called;
- b. chief financial officer, head of accounts or head of finance;
- c. head of internal audit;
- d. head of credit or risk management;
- e. head of operations;
- f. head of treasury or chief investment officer;
- g. head of law, company secretary or compliance officer; and
- h. any other position, by whatsoever name called, which may be construed as a senior management position.

\*\* Immediate family member wherever referred in these criteria means spouse, children and parents.

The Fit & Proper Criteria is perpetual in nature and the Exchange shall ensure compliance with the provisions of the Fit and Proper Criteria.

All directors must inform the Exchange of any change in the submitted information that may potentially affect their status of directorship, within 48 hours of knowledge of such change.

Any person desiring to act as Director on the Board of Directors of the Exchange shall submit duly filled Form and undertaking appearing hereunder as Annexure 'I-A' & 'I-B' respectively.

**Information to be provided by Persons Desiring Prospective Directorship  
on the Board of the Karachi Stock Exchange**

1.	Curriculum Vitae/Resume containing:																	
(a)	Name:																	
(b)	Father's or Husband Name:																	
(c)	CNIC # (attached copy)																	
(d)	Latest photograph:																	
(e)	Nationality:																	
(f)	Age:																	
(g)	Contact details:																	
	i) Residential address:																	
	ii) Business address:																	
	iii) Tel:																	
	iv) Mobile:																	
	v) Fax:																	
	vi) E-mail:																	
(h)	National Tax Number:																	
(i)	Present occupation:																	
(j)	Qualification(s):																	
	i) Academic:																	
	ii) Professional:																	
(k)	Experience: (Positions held during the last 10 years along with name and address of company/institution). Information to be provided on the following sample format*.																	
	<table border="1"> <thead> <tr> <th rowspan="2">Sr. No.</th> <th rowspan="2">Name of Organization</th> <th rowspan="2">Designation</th> <th colspan="2">Period</th> </tr> <tr> <th>From</th> <th>Till</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Company A</td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td>Company B</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Sr. No.	Name of Organization	Designation	Period		From	Till	1.	Company A				2	Company B			
Sr. No.	Name of Organization				Designation	Period												
		From	Till															
1.	Company A																	
2	Company B																	
2.	<p>1. Nature of directorship: <input type="checkbox"/> Executive <input type="checkbox"/> Non-executive</p> <p>2. Status of directorship: <input type="checkbox"/> Nominee director <input type="checkbox"/> Elected Director</p> <p>* Number of shares subscribed or held _____ Nominated by _____ (name of shareholder/ nominating entity)</p>																	
3.	Names of companies, firms and other organizations of which the proposed person is presently a director, partner, office holder or major shareholder (Information to be provided on the following sample format*)																	
	<table border="1"> <thead> <tr> <th rowspan="2">Sr. No.</th> <th rowspan="2">Name of Organization</th> <th rowspan="2">Designation</th> <th colspan="2">Period</th> </tr> <tr> <th>From</th> <th>Till</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Company A</td> <td></td> <td></td> <td></td> </tr> <tr> <td>2</td> <td>Company B</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Sr. No.	Name of Organization	Designation	Period		From	Till	1.	Company A				2	Company B			
Sr. No.	Name of Organization				Designation	Period												
		From	Till															
1.	Company A																	
2	Company B																	
4.	In the case of nomination of director by a corporate Member the date of board of directors' meeting in which the nomination of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors.)																	
5.	Names of any persons on the board of the Karachi Stock Exchange who are related to the applicant.																	

Signature \_\_\_\_\_

\*use additional sheets if required



**AFFIDAVIT**

**Before the Securities and Exchange Commission of Pakistan/ Karachi Stock Exchange**

**(On Stamp Paper of Appropriate Value)**

I, \_\_\_\_\_ son/daughter/wife of \_\_\_\_\_ adult, resident of \_\_\_\_\_ and holding CNIC/ Passport No. \_\_\_\_\_ do hereby state on solemn affirmation as under:-

1. That I am eligible for the position of Director according to the Fit and Proper Criteria prescribed for the position of Directors, as per the General Regulations of the Karachi Stock Exchange.
2. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.
3. That I have no objection if the Karachi Stock Exchange or the Securities and Exchange Commission of Pakistan requests or obtains information about me from any third party.
4. That I undertake to bring to the attention of the Karachi Stock Exchange any matter which may potentially affect my status for the position of Director as per the Fit and Proper Criteria specified by the Karachi Stock Exchange in its General Regulations.
5. That all the documents provided to the Karachi Stock Exchange, are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

\_\_\_\_\_  
**DEPONENT**

The Deponent is identified by me

**Signature** \_\_\_\_\_  
**ADVOCATE**  
**(Name and Seal)**

Solemnly affirmed before me on this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ by the Deponent above named who is identified to me by \_\_\_\_\_, Advocate, who is known to me personally.

**Signature** \_\_\_\_\_  
**OATH COMMISSIONER FOR TAKING AFFIDAVIT**  
**(Name and Seal)**

[NAME OF THE BROKER]

**TRE Certificate Holder, \_\_\_\_\_ Stock Exchange  
(Address of Head Office and concerned Branch Office)**

Broker Registration No. \_\_\_\_\_

**ACCOUNT OPENING FORM**

NOTE 1: EACH AND EVERY COLUMN MUST BE FILLED IN  
NOTE 2: EACH PAGE OF THIS FORM WILL BE DULY SIGNED BY THE ACCOUNT HOLDER(S) AND THE BROKER

<b>NATURE OF ACCOUNT:</b>			
SINGLE: <input type="checkbox"/>	JOINT: <input type="checkbox"/>	CLIENT ID / ACCOUNT NO.	
COMPANY: <input type="checkbox"/>	FIRM: <input type="checkbox"/>	CDC ACCOUNT NO.	

<b>ACCOUNT HOLDER</b>	<b>JOINT ACCOUNT HOLDER</b>
ACCOUNT TITLE/NAME: _____	ACCOUNT TITLE/NAME: _____
ADDRESS: _____ _____	ADDRESS: _____ _____
TEL: _____	TEL: _____
E-MAIL: _____	E-MAIL: _____
FAX NO: _____	FAX NO: _____
PERMANENT/REGISTERED ADDRESS: _____ _____	PERMANENT ADDRESS: _____ _____
<b>For individuals only:</b>	
DATE OF BIRTH: _____	DATE OF BIRTH: _____
NATIONALITY: _____	NATIONALITY: _____
STATUS: _____ RESIDENT _____ NON-RESIDENT	STATUS: _____ RESIDENT _____ NON-RESIDENT
GENDER: _____ MALE _____ FEMALE	GENDER: _____ MALE _____ FEMALE
FATHER'S/HUSBAND'S NAME: _____	FATHER'S/HUSBAND'S NAME: _____
NATIONAL IDENTITY CARD NO. (IN CASE OF NON RESIDENT PASSPORT NO.) _____	NATIONAL IDENTITY CARD NO. (IN CASE OF NON RESIDENT PASSPORT NO.) _____
OCCUPATION: _____	OCCUPATION: _____

<b>For Companies or Firms only:</b>	
Company Registration No. _____	
STATUS: _____ RESIDENT _____ NON-RESIDENT	

**Declaration of Solvency**

The Account Holder hereby declares that:

- a) It has not applied to be adjudicated as an insolvent and that it has not suspended payment and that we have not compounded with our creditors;
- b) It is not un-discharged insolvent; and
- c) It has not been declared defaulter in repayment of loan of a bank/financial institutions.

**Name of Authorized Persons to operate the account**

The account shall be operated by the following:

	<u>Names</u>	<u>Specimen Signature</u>	<u>Singly/Jointly</u>
(a)	_____	_____	_____
(b)	_____	_____	_____
(c)	_____	_____	_____

The authority of the person(s) authorized to operate the account will be clearly spelled out in the letter of authorization from the Account Holder.

**MARGIN DEPOSIT**

The Account Holder(s) hereby undertakes to deposit and maintain \_\_\_\_ % margin against his/her/their outstanding trades/Exposure for the purpose of trading in his/her/their account. The broker shall notify the Account Holder(s) about any change in the above margin requirements for the already executed trades at least 3 days prior to the implementation of the revised margin requirements.

**CLIENT BANK DETAILS (OPTIONAL):**

**ACCOUNT(S) WITH OTHER BROKER(S) (OPTIONAL)**

NAME OF THE BANK: \_\_\_\_\_

SAVINGS/CURRENT A/C \_\_\_\_\_

NO.: \_\_\_\_\_

BRANCH ADDRESS: \_\_\_\_\_

NAME OF THE BROKER(S)	TRE CERTIFICATE HOLDER EXCHANGE	CLIENT ID/ACCOUNT

**NOMINATION:**

*(In the event of death of the Account Holder, the nominee shall be entitled to receive securities / cash available in the account of the account holder after set-off against losses/liabilities in the account.)*

Name of Nominee: \_\_\_\_\_ Surname: \_\_\_\_\_

NIC Number: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ (DD/MM/YYYY)

Postal Address: \_\_\_\_\_

Tel: \_\_\_\_\_ E-mail: \_\_\_\_\_

## **SPECIAL TERMS AND CONDITIONS**

The terms and conditions set herein below shall be equally binding on the Broker and the Account Holder(s).

1. All transactions between the parties shall be subject to the Articles, Rules and Regulations of the Exchange, revised policies, Board Directions and new regulations to be framed in pursuance of Section 34 of the Securities & Exchange Ordinance, 1969. Moreover, all applicable provisions of the Securities & Exchange Ordinance, 1969 read with the Securities & Exchange Commission of Pakistan Act, 1997, Brokers and Agents Registration Rules, 2001, Securities and Exchange Rules 1971 and all directions/directives passed from time to time to regulate the trades between the parties and to regulate Brokers conduct and the Central Depository Companies of Pakistan Act, 1997, Rules framed there under and the National Clearing and Settlement System Regulations and any other law for the time being in force. The Broker shall ensure provisions of copies of all the above Laws, Rules and Regulations at his office for access to the Account Holder(s) during working hours.
- 1(a). In case any dispute in connection with the trade or transaction between the Broker and the Account Holder is not settled amicably, either party may refer the same to arbitration in accordance with the provisions of General Regulations of the Exchange, which shall be binding on both the parties. The Account Holder hereby agrees that he would have no objection if his name and other relevant particulars are placed on Exchange's database accessible by TRE Certificate Holders of the Exchange if he fails or refuses to abide by or carryout any arbitration award passed against him in his dispute with the Broker.
2. The amount deposited as security margin by the Account Holder(s) with the Broker shall only be used for the purposes of dealing in securities, such as trading and/or settlement of deliveries of securities on behalf of the Account Holder(s). The Broker shall not use such amounts for his own use.
- 2(a). The credit amount of the Account Holder(s) shall be kept by the broker in a separate bank account titled "Account Holder / Client Account" and shall not be used by the broker for his own business.
3. The Broker shall be authorized to act on the verbal instructions of the Account Holder(s). The Broker shall provide a written confirmation of the executed transactions as required under rule 4(4) of the Securities & Exchange Rules, 1971, and all such transactions recorded by the Broker in his books shall be conclusive and binding upon the Account Holder(s), which shall not be questioned by him/her/them, subject to clause 5 below.

Or

The Account Holder(s) shall give written instructions for the sale/purchase of securities to the Broker. The Account Holder(s) shall not give any verbal/oral instructions. The Broker shall provide a written confirmation of the executed transactions as required under rule 4(4) of the Securities & Exchange Rules, 1971, and all such transactions recorded by the Broker in his books shall be conclusive and binding upon the Account Holder(s), which shall not be questioned by him/her/them, subject to clause 5 below.

4. The Broker shall provide the confirmation of the executed transactions to the \_\_\_\_\_ (Name of Account Holder) at the above stated address by means of acceptable mode of communication or by hand subject to acknowledgment receipt as noted in clause 16.
5. In case there are any error(s) in the daily confirmation statement, the Account Holder(s) shall report the same to the Broker within one-business day of the receipt of confirmation. In case the Account Holder(s) do not respond within one business day of the receipt of the said daily confirmation statement, the confirmation statement shall be deemed conclusively accepted by the Account Holder(s).
6. In the event that the Account Holder(s) fail(s) to deposit additional cash or securities as margin within one business day of the margin call (in writing), the Broker shall have absolute discretion to and,

without further notice to Account Holder(s), liquidate the Account Holder(s) outstanding positions, including the securities purchased and carried in such account, so that the margin is maintained at the required level.

7(a) The Broker shall be responsible to ensure delivery of CDC eligible securities in the CDC account of the Account Holder(s) subject to full payment by the Account Holder(s). In case of companies which are not on the CDS, the Broker shall ensure delivery of physical shares along with verified transfer deeds against payments, to the Account Holder(s). Further, the Broker shall be responsible for the payment of any credit cash balance available in the account of the Account Holder preferably in form of A/c Payee cross cheque only within 1 business day of the request of the Account Holder(s) (subject to the maintenance of the margin requirements).

(b) In the event of non-receipt of payment from the Account Holder on settlement day against securities bought on account of the Account Holder, the Broker may transfer such securities to his Collateral Account under intimation to the Exchange, after complying with the requirements as mentioned in the General Regulations of the Exchange.

8. The Broker shall accept from the Account Holder(s) payments through "A/c Payee Only" crossed cheque, bank drafts, pay orders or other crossed banking instruments in case of amounts in excess of Rs. 25,000/-. Electronic transfer of funds to the Broker through banks would be regarded as good as cheque. The Broker shall be responsible to provide the receipt to the Account Holder(s) in the name of the Account Holder(s) duly signed by authorized agents/employee of the Broker and the Account Holder(s) shall be responsible to obtain the receipt thereof. In case of cash dealings, proper receipt will be taken and given to the Account Holder(s), specifically mentioning if payment is for margin or the purchase of securities. The broker shall immediately deposit in its bank account all cash received in whole i.e. no payments shall be made from the cash received from clients. However, in exceptional circumstances, where it becomes necessary for Broker to accept cash in excess of Rs. 25,000/-, the Broker shall immediately report within one business day such instances with rationale thereof to the Exchange in accordance with the mechanism prescribed by the Exchange.

9. The TRE Certificate Holders shall make all the payments of Rs. 25,000/- and above, through crossed cheques / bank drafts / pay orders or any other crossed banking instruments showing payment of amount from their business bank account. Copies of these payment instruments including cheques, pay orders, demand drafts and online instructions shall be kept in record for a minimum period of five years.

10. The Account Holder(s) shall have a right to obtain a copy of his/her or their ledger statement under official seal and signature of the Broker or his authorized representative on a periodic basis. In case of any discrepancy in the ledger statement, the Account Holder(s) shall inform the Broker within 1 day of receipt of the ledger statement to remove such discrepancy.

11. The Account Holder(s) shall operate the account and execute transactions himself/herself/themselves unless the Account Holder(s) authorize Mr./Ms./ \_\_\_\_\_ I. D. No. \_\_\_\_\_ to transact in the account. All transactions executed by the authorized person shall be binding upon the Account Holder(s).

12. **For Joint Account Holder(s) only:**

We, the Account Holders shall operate the account jointly or severally and the instructions issued either jointly or severally shall be binding on us as well as upon the broker in respect of the joint titled account.

Or

Our titled account shall be operated only by \_\_\_\_\_ who shall be deemed as the authorized person for operating the joint account or issuing any instructions relating thereto.

13. The Broker shall be responsible to append a list of his authorized agents/traders and designated employees, who can deal with the Account Holder(s), with this account opening form and a copy of both the opening form and the list will be provided to the Account Holder(s). Any change therein shall be intimated in writing to the Account Holder(s) with immediate effect.
14. The Broker shall debit the account of the Account Holder(s) for the commission charges or any other charges in connection with the brokerage services rendered, which shall be clearly detailed in the ledger statement/daily confirmations.
15. The Broker shall not disclose the information of the transactions of the Account Holders to any third party and shall maintain the confidentiality of this information. However, in case the Exchange or the Commission, as the case may be, requires any such information, the Broker shall be obliged to disclose the same for which the Account Holder(s) shall not raise any objection whatsoever.
16. In case a Broker converts from an individual broker to a corporate brokerage house and vice versa the agreement and conditions laid down herein above shall remain effective unless otherwise agreed by the parties.
17. Acceptable mode of communication between the Account Holder(s) and the Broker shall be through letter (courier/registered post/fax/E-mail) or by hand subject to receipt/acknowledgment. The onus of proving that the e-mail has been received by the recipient shall be on the sender sending the e-mail. Confirmation of orders to clients made through fax or e-mail will have a time record.
18. All orders received telephonically and placed on KATS shall be supported by recording on dedicated telephonic lines, preferably connected with a computerized taping system so as the orders could possibly be sorted on UIN basis and made user friendly.
19. In case of change of address or contact numbers of either party, the concerned party shall immediately notify the other party of the changes in writing.
20. I/We, the Account Holder(s) acknowledge receipt of this account opening form (signed here by me/us in duplicate) along with the copies of all the annexures and I/we, the Account Holder(s) also undertake that I/we have understood all the above terms and conditions of this agreement which are acceptable to me/us.
21. I/We, the Account Holder(s) understand that the shares trading business carries risk and subject to the due diligence on part of the broker I/we may incur losses for which I/we, the Account Holder(s) shall not hold the Broker responsible.
22. I/We, the Account Holder(s) further confirm that all information given in this application is true and complete and hereby authorize the Broker to verify any information mentioned above.

\_\_\_\_\_  
Signature of Broker

\_\_\_\_\_  
Signature of Account Holder

\_\_\_\_\_  
Signature of Joint Account Holder

**WITNESSES:**

1. \_\_\_\_\_ (I. D. Card No. \_\_\_\_\_ )  
 2. \_\_\_\_\_ (I. D. Card No. \_\_\_\_\_ )  
 Opened by: \_\_\_\_\_ Checked by: \_\_\_\_\_  
 Date: \_\_\_\_\_

**Enclosures (for individuals):**

1. Attested copies of National Identity Card of the applicant.
2. Attested copies of National Identity Card of the Joint Holders and or Nominee(s) (if applicable)
3. Attested copies of passports of the applicant, Joint Holders and or Nominee(s) (in case of non-residents)

4. Copy of the letter of authorization from the Account Holder(s) of the person authorized to trade in my/our accounts (if other than the account holder).
5. A list of Transaction fee, Commission to be charged by the Broker and other CDC charges to be levied.

**Enclosures (for corporate entities):**

1. Certified true copy of Board Resolution (specimen provided as per Annexure 'A').
2. Certified true copies of Memorandum & Articles of Association.
3. List of authorized signatories.
4. List of nominated persons allowed to place orders.

**Annexure 'A'**

**Board Resolution**

**"RESOLVED** that an application be made on behalf of \_\_\_\_\_ (name of entity) to \_\_\_\_\_ ("broker") for opening an Account and for the afore-said purpose the Account Opening Form including Terms and Conditions as set out herein be executed on behalf of \_\_\_\_\_ (name of entity).

**FURTHER RESOLVED** that Mr./Ms. \_\_\_\_\_ and Mr./Ms. \_\_\_\_\_ be and are hereby authorized and empowered, either singly/jointly for and on behalf of \_\_\_\_\_ (name of entity) to sign and execute and deliver this Account Opening Form and Terms & Conditions and other documents in connection therewith, and to do any other act, deed or thing for and on behalf of \_\_\_\_\_ (name of entity) in respect of company's application for opening an Account.

**FURTHER RESOLVED** that Mr./Ms. \_\_\_\_\_ and Mr./Ms. \_\_\_\_\_ be and are hereby authorized and empowered, either singly/jointly to represent to the broker on all matters pertaining to the maintenance and operation of the Account, to deal, liase and correspond with broker and give instructions to fulfill all the responsibilities and obligations to broker under the Law, Rules and Regulations and the Terms and Conditions in relation to the Account from time to time, and to deal with other incidental and ancillary acts, things and deeds".

Signatures of the Directors

- |          |          |
|----------|----------|
| 1. _____ | 2. _____ |
| 3. _____ | 4. _____ |
| 5. _____ |          |

Date of Resolution: \_\_\_\_\_

\_\_\_\_\_ x \_\_\_\_\_ x \_\_\_\_\_ x \_\_\_\_\_

**CODE OF CONDUCT FOR TRADING BY EMPLOYEES OF BROKERAGE HOUSES**

1. Employees of Brokerage Houses willing to trade must obtain prior written authorization for such activity, on his trading account opening form, from the TRE Certificate Holder or authorized officer of the Brokerage house.
2. Employee must submit to the TRE Certificate Holder or authorized officer of the Brokerage house, a written undertaking of his understanding and willingness to strictly abide by all the relevant rules, regulations, codes and procedures as prescribed by the Exchange, Clearing Company, Depository Company and the Commission at all times while trading on his own account.
3. The provisions of Regulations Governing Proprietary Trading, 2004 or any other Regulation which may be made from time to time in this regard would be applicable with regard to such trades.
4. All trades on behalf of the concerned employees shall be executed against their own respective UINs and shall be subject to these Regulations and Regulations Governing Risk Management of the Exchange.
5. Employees must ensure that investment advice given to clients by them will not result in a conflict of interest with their individual trading activities.
6. The employees should not indulge in buying or selling securities of a company for their own account or any account over which they exercise control if they possess non-public information or inside information of that company or information pertaining to any potential trade/deal which may affect the share price of that company. Further, they will not pass any such information to others.
7. The employees should not buy or sell those securities for their own account in which they are aware of clients' proposed trades, trades by the Brokerage house or forthcoming research report regarding such securities.
8. TRE Certificate Holders shall monitor their employees' trades regularly and the Internal Audit Department will ensure compliance of these Regulations and any violation shall be communicated to Audit Committee/Chief Executive Officer and shall be submitted to the Exchange and/or the Commission as and when demanded.
9. Adherence by TRE Certificate Holders as well as their employees, in letter and spirit, to this Code of Conduct is mandatory.