

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad May 10, 2001.

NOTIFICATION

S. R. O. 299 (1) /2001: In exercise of the powers conferred by clause (b) of section 43 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), read with section 5A of the Securities and Exchange Ordinance, 1,969 (XVII of 1969), the Securities and Exchange Commission of Pakistan, with the approval of the Federal Government, hereby makes the following rules, namely:

1. Short title and commencement.

- (1) These rules may be called the Brokers and Agents Registration Rules, 2001
- (2) They shall come into force at once.

2. Definitions

(1) In these rules, unless there is anything repugnant in the subject or context

- a. "Act" means the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- b. "clearing house" means a clearing house, of a stock' exchange performing the function of clearing and settling trades in securities or a clearing company established for such purpose;
- c. "Commission" means the Securities and Exchange Commission of Pakistan;
- d. "Enquiry Officer" means any officer of the Commission, or any other person, who is appointed by the Commission under the Ordinance or the Act;
- e. "Ordinance" means the Securities and Exchange Ordinance, 1969 (XVII of 1969);
- f. "Regulations" means the regulations made by a Stock Exchange; and
- g. "Schedule" means the Schedule annexed to these rules.

(2) All other words bucl expressions used but not defined in these rules shall have the same meaning as are assigned to them in the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), and the Securities and Exchange Ordinance, 1969 (XVII of 1969).

3. Application for registration.

(1) A member desirous of acting as a broker shall make an application to the Commission in Form A as set out in the First Schedule, for grant of a certificate of registration through, the stock exchange of which he is a member.

(2) An application for registration under sub-rule (1) shall be submitted along with fee as prescribed in the Second Schedule.

(3) The brokers who are working as broker before coming into force of these rules, shall apply for registration in accordance with the provisions of sub-rule (1), within ninety days of the date of coming into force of these rules.

(4) The stock exchange shall forward the application to the Commission within fourteen days from the date of its receipt.

4. Eligibility for Registration:

1. A person shall be eligible for registration as a broker under these rules, if he:

- a) is a member of the stock exchange;
- a) is not less than twenty-one years of age;
- b) is a citizen of Pakistani;
- c) has at least passed graduation or equivalent examination from an institution recognized by the Government:

Provided that the Commission may relax the educational qualification in suitable cases on merit having regard to the applicant's experience;

- d) is not a lunatic or a person of unsound mind;
- e) has not been convicted of an offence involving fraud or breach of trust;
- f) has not been adjudicated as insolvent or has suspended payment or has compounded with his creditors;
- g) has experience of not less than five years in the business of buying, selling or dealing in securities;
- h) has never been partner of a brokerage firm or a director of a brokerage company which has been convicted of an offence concerning brokerage;
- i) has not defaulted in payment of dues at a clearing house;
- j) has not defaulted in compliance with the provisions of the Ordinance, the Act and the rules and regulations made there under;
- k) is not in default on settlement of an investor complaint where such complaint has been adjudicated by a stock exchange or a committee of a stock exchange or the Commission; and
- l) has complied with the directives of- the Commission in respect of business conduct, dealings with clients and financial prudence.

(2) The applicant shall remain in compliance with the requirements of sub-rule (1) at all times and inform the Commission immediately when he is non-compliance with any of the terms and conditions.

5. Certificate of Registration

(1) The Commission, if it is satisfied that the applicant is eligible for registration as a broker, and that it shall be in the interest of the stock market to do so, may grant certificate of registration to the applicant in Form 13 as set out in the First Schedule.

(2) The certificate of registration of a broker shall be valid for one year.

(3) The Commission shall send an intimation of registration under sub-rule (1) to the concerned stock exchange or stock exchanges.

(4) No application made under sub-rule (1) of rule 3 shall be refused except after giving an applicant a reasonable opportunity of being heard.

(5) In case the Commission refuses the grant of certificate of registration to an applicant after providing an opportunity of being heard under sub-rule (4), the decision shall be communicated to the applicant as well as the concerned stock exchange within fourteen days of the last hearing given to the applicant, stating therein the grounds for refusal.

(6) An applicant aggrieved by the decision of the Commission under sub-rule (5) may apply, within a period of thirty days from the date of receipt of such intimation, to the Commission for review of its decision.

6. Effect of refusal for registration

A person whose application for grant of a certificate of registration as a broker has been refused by the Commission from and on the date of receipt of the decision under sub-rule (5) of rule 5 shall not deal in securities as a broker.

7. Renewal of registration.

(1) The . certificate of registration shall be renewable on payment of fee as prescribed in the Second Schedule.

(2) Requirements of these rules as applicable to initial registration shall also apply to renewal of the registration.

8. Suspension of registration

Where the Commission is of the opinion that a broker:

- i. has failed to remain in compliance with any conditions subject to which certificate of registration was granted under these rules;
- ii. has otherwise failed to comply with any requirement of the Act or the Ordinance or of any rules or direction made or given thereunder
- iii. has contravened the rules and regulations of the stock exchange;
- iv. has failed to follow any requirement of the code of conduct laid down in the Third Schedule;
- v. has failed to comply with the directives of the Commission in respect of business conduct, dealings with clients and financial prudence;
- vi. has failed to furnish any information related to his transactions in securities as may be required by the Commission;
- vii. has failed to submit periodical returns as required by the Commission;
- viii. has furnished wrong or false information;
- ix. has failed to settle an investor complaint where such complaint had been adjudicated by a stock exchange or a committee of a stock exchange or the Commission;
- x. has not co-operated in any enquiry or inspection conducted by the Commission;
- xi. has indulged in manipulating price rigging or cornering activities in a stock exchange;
- xii. his financial position has deteriorated to such an extent that the Commission is of the opinion that his continuance in securities business shall not be in the interest of investors; and
- xiii. has been suspended by a stock exchange, the Commission may, if it considers necessary in the public interest so to do, by order in writing: -
 - (a) suspend the registration of a broker for such period as may be specified in the order; or
 - (b) impose on a broker a fine not exceeding one hundred thousand rupees: Provided that an appropriate opportunity of being heard shall be provided to the broker to clarify his position with regard to suspension of registration.

9. Cancellation of registration

Where the Commission is of the opinion that the cause of suspension of registration under rule 8 continues during the period of such suspension, or a broker whose registration has been suspended:

- (i) is engaged in insider trading;
- (ii) has been found guilty of fraud, or convicted of criminal offence;
- (iii) has his membership cancelled by a stock exchange; or
- (iv) has not complied with a directive of the Commission.

The Commission may, if it considers it necessary for the protection of investors so to do, by order in writing, cancel the registration of the broker:

Provided that no such order shall be made except after giving the broker an opportunity of being heard.

10. Automatic cancellation of registration

(1) A certificate of registration granted under these rules shall stand cancelled automatically if a broker to whom such certificate has been granted:

- (a) ceases to be a member of a stock exchange;
- (b) is declared defaulter by a stock exchange and is not re-admitted to membership within a period of six months from such declaration;
- (c) surrenders membership of a stock exchange;
- (d) is declared insolvent by a Court;
- (e) voluntarily surrenders certificate of registration to the Commission; or
- (f) is wound up by an order passed by a Court.

(2) Where a certificate of registration stands cancelled under sub-rule (1), the concerned stock exchange or clearing house shall intimate the Commission immediately about such cancellation of the certificate of registration.

11. Broker, etc., to clear liabilities

Notwithstanding the refusal, suspension or cancellation of a certificate of registration under rules 6,8,9 or 10, the broker shall be responsible for clearing all his obligations up to the date on which he has been working as such broker.

12. Brokers to abide by code of conduct

A broker holding a certificate of registration under these rules shall abide by the code of conduct specified in the Third Schedule.

13. Application for registration of agent

(1) A person desirous of acting as an agent shall make an application to the Commission in Form C as set out in First Schedule, for grant of a certificate of registration, through a broker with whom he is to be affiliated and the concerned stock exchange.

(2) The application for registration under sub-rule (1) shall be accompanied by an authority letter from a broker with whom he is to be affiliated along with two references including one from his banker.

(3) The application shall be submitted along with fee as prescribed in the Second Schedule.

(4) The stock exchange on receipt of an application under sub-rule (1) shall verify the information contained therein and shall also certify that the applicant is eligible for registration as per criteria specified in sub-rule (5).

(5) The eligibility criteria for registration as an agent shall be as specified in rule 3 of the Member's Agents and Traders (Eligibility Standards) Rules, 2001.

(6) The stock exchange shall forward the application form, along with their recommendations, of such applicants who comply with the requirements aforesaid, to the Commission within thirty days from the date of its receipt.

14. Registration

(1) The Commission, if it is satisfied that the applicant is eligible for registration as an agent, shall grant a certificate of registration to the applicant in Form D as set out in the First Schedule, subject to such conditions, as it may deem fit.

(2) The certificate of registration shall be valid for one year.

(3) No application made under sub-rule (1) of rule 13 shall be refused except after giving the applicant a reasonable opportunity of being heard.

(4) In case the Commission refuses, the grant of certificate of registration to an applicant after providing the opportunity of being heard under sub-rule (2), the decision shall be communicated to the applicant as well as the member and the stock exchange concerned within fourteen days of the last hearing given to the applicant, stating, therein the grounds for refusal.

(5) An applicant aggrieved by the decision of the Commission under sub-rule (4), may apply, within a period of thirty days from the date of receipt of such intimation, to, the Commission for review of its decision.

15. Effect of refusal

A person whose application for grant of a certificate of registration has been refused by the Commission shall, on and from the date of the communication of refusal under rule 14, cease to carry on any activities as agent.

16. Renewal of registration

(1) The certificate of registration of an agent shall be valid for one year and shall be renewable on payment of fee as prescribed in the Second Schedule.

(2) Requirement of these rules applicable to an initial registration shall also apply to renewal of the registration.

17. Agent not to deal with clients in his name

(1) No agent shall deal with his clients in his own name. All the transactions shall be in the name of his member or, broker and shall be settled with broker or member only.

Explanation

Dealing with clients includes receiving cash or cheque from the client in the agent's own name and issuing cash memos, receipts, delivery notes or any other document in his name.

(2) Notwithstanding anything in sub-rule (1), a member or broker shall be liable for the acts and dealings of his agent.

18. General obligations and responsibilities

(1) The brokers and the agents shall be responsible to keep and maintain the books of accounts, records and documents as specified in the Securities and Exchange Rules, 1971; and the Stock Exchange Members (Inspection of Books and Record) Rules, 2001.

(2) The provisions of rules 8 to 12 shall be applicable to the agents as they apply to the brokers.

THE FIRST SCHEDULE

FORM A

[See rule 3(1)]

APPLICATION FORM FOR REGISTRATION AS BROKER WITH SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

1. Name of the Stock Exchange of which the applicant is the member (Please furnish the tenure of membership);
2. Name of the member with. Code No;
3. Address of the member;
4. Trade name of member;
5. Form of organization: sole proprietorship / partnership / corporate body / financial institution. (Please give names of proprietor/ partners/directors) (Copy of the memorandum and articles of association or the partnership deed, as the case may be, is enclosed.);
6. Educational qualifications of proprietor/partners /directors;
7. Whether the applicant or its sales personnel or approved user has passed any certification program? If so, please specify the detail;
8. The experience of the applicant or directors or partners in trading at the securities market;
9. Date of admission to membership of Stock Exchange;
10. Whether you are a member of more than one Stock Exchange? If so, please give name (s);
11. Net capital of the applicant (Please furnish details along with an auditor's certificate in support thereof);
12. Whether the applicant, any director or partner, any time has been convicted of any economic offence? If so, please furnish the details;
13. Whether the applicant, any director or partner, has been declared insolvent or bankrupt, or declared defaulter by any Stock Exchange? If so, please furnish details;
14. Whether the applicant, any director or partner has anytime been subjected to any proceedings or penalty, by the Commission under the Securities and Exchange Ordinance, 1969, or the Securities and Exchange Commission of Pakistan Act, 1997, or any of the rules made there under? If so. please furnish the details

15. Indicate fax, telex and phone number(s):
16. Attach affidavit indicating the position with regard to clauses (a) to (j) of rule 4 of the Brokers and Agents Registration Rules, 2001, with documentary evidence you want to be taken into consideration;
17. Name of your clearing member;
18. Application processing fee deposited;

I declare that the information given in this Form is true to the best of my knowledge and belief. I also de Clare that if any change occur in the information given in this application and the accompanying documents - I- shall report the same to the

Commission on the same day on which the change occurs.

Date:

Signature:

Recommendation of the Stock Exchange:

This is to certify that _____ is a member of this Stock Exchange and is recommended for registration with the Securities and Exchange Commission of Pakistan. He satisfies the conditions for registration.

Signature _____

Name: _____

Designation _____

Date: _____

FORM B
[See rule 5(1)]

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
CERTIFICATE OF REGISTRATION AS BROKER

In exercise of the powers conferred by section 5A of the Securities and Exchange Ordinance, 1969 (XV11 of 1969), read with the rule 5 of the Brokers and Agents Registration Rules, 2001, the Securities and Exchange Commission of Pakistan, hereby grants a certificate of registration to

a member of the _____ Stock Exchange(s) as a Broker for carrying on the activities of buying, selling or dealing in securities and carrying on such other activities as are permitted by such Stock Exchange(s) subject to conditions prescribed in the rules aforesaid and such other conditions as may be prescribed from time to time by the Commission.

Registration number allotted is as under:

This certificate of registration shall be valid till it is suspended or cancelled in accordance with the rules.

Date: _____

For and on behalf of
Securities and Exchange Commission of Pakistan.

FORM C
[See rule 13(1)]

**APPLICATION FORM FOR REGISTRATION AS AN AGENT WITH SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN**

1. Name of applicant;
2. Trade name of agent, firm, corporate body;
3. Form of organization - sole proprietorship, partnership, corporate body. Please give names of proprietor, partners, and directors. Copy of memorandum and articles or partnership deed, as the case may be is enclosed;
4. Educational qualifications or proprietor, partners, directors etc;
Name:
Status:
Qualifications:
5. Educational qualification of applicant:
6. Whether the applicant has passed any certification program?
7. Past experience of applicant:
8. Residential address:
9. Telephone No _____ N IC No. _____
10. Name of the member-broker and Stock Exchange to which applicant is affiliated:
11. Date of acquiring agentship:
12. Infrastructural arrangements
Number of Employees:
Office address:
Phone No.:
Telex No.:
Fax No.:
13. Residential phone Nos. of proprietor, partners, directors etc:
Number of branch offices and their location with phone, telex and fax numbers:

I certify that the information given in this application is true to the best of my/our knowledge and belief:

Recommendation letter from the stockbroker to whom I/we am/are affiliated and two references, including one from the banker as required are enclosed.

Signature: _____

Date: _____

Recommendation of the Stuck Exchange:

This is to certify that _____ is an agent affiliated to

_____member broker of this Stock Exchange.

The applicant is recommended/not recommended for registration by the Commission; ;

AUTHORISED SIGNATORY

Signature: _____

_____ Stock Exchange.

ANNEX TO FORM C

[See rule 13(2)]

**RECOMMENDATION LETTER TO BE GIVEN BY THE MEMBER WITH WHOM THE AGENT IS
AFFILIATED**

To _____

The
Stock Exchange.

Dear,

I/We understand that _____ son of _____

aged _____ years, residing at _____ is attached to me
at _____

for carrying on the shares and securities business as my agent.

I/We confirm that the aforesaid person is transacting business through me from
and is a fit and proper person to be registered as an agent.

I/We also confirm that the aforesaid person is known to me/us for well
over _____ years and has got good financial background, moral character and
integrity, and has been transacting business frequently and was meeting the market commitments
as and when they arise.

I/We take full responsibility for the actions and dealings of the aforesaid person as agent.

I/We hereby recommend the application of the aforesaid person for granting registration for
carrying on shares and securities business as agent. I/We also wish to state that whatever the
information that has been submitted is true to the best of my/our knowledge and if at a later date
if any material information comes to my/our knowledge subsequent to the submission of this
application, I/We undertake to keep informed about the same.

I/We member(s) of _____ Stock Exchange hereby agree to
recommend the aforesaid person.

Yours faithfully,

Signature of member(s).

Date:

FORM D

[See rule 14(1)]

**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN BROKERS AND AGENTS
REGISTRATION RULES, 2001**

CERTIFICATE OF REGISTRATION AS AGENT

In exercise of the powers conferred by section 5A of the Securities and Exchange Ordinance, 1969 (XVII of 1969), read with the Brokers and Agents Rules, 2001, the Securities and Exchange Commission of Pakistan hereby grants a certificate of registration to _____ as an Agent of ~~who is a~~ member of _____ Stock Exchange subject to the conditions prescribed in the rules aforesaid and such other conditions as may be prescribed from time to time by the Commission

Registration number allotted is as under:

This certificate of registration shall be valid till it is suspended or cancelled in accordance with the rules.

Date: _____

**For and on behalf of
Securities and Exchange Commission of Pakistan**

THE SECOND SCHEDULE
[See rules 3(2),7(1),13(3) and 16]
TABLE OF FEES FOR REGISTRATION/RENEWAL

S. No.	Type of applicant.	Fee for first registration.	Fee for renewal.
		Rs.	Rs.
1.	Broker.	10,000	5,000
2.	Agent.	4,000	2,000

THE THIRD SCHEDULE
[See rules 8(iv) and 12]
CODE OF CONDUCT

A. GENERAL:

- 1. Integrity.-** A broker shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.
- 2. Exercise of due skill and care.-** A broker shall act with due skill, care and diligence in the conduct of all his business.
- 3. Manipulation.-** A broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumors with a view to distorting market equilibrium or making personal gains.
- 4. Malpractices.-** A broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors' interest or which leads to interference with the fair and smooth functioning of the market. A broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.
- 5. Compliance with statutory requirements.-** A broker shall abide by all the provisions of the Act and the rules, regulations issued by the Commission and the stock exchange from time to time as may^{act} be applicable to him.

B. DUTY TO THE INVESTOR:

- 1. Execution of orders.-** A broker, in his dealings with the clients and the general investing public, shall faithfully execute the orders for buying and selling of securities at the best available market prices and not refuse to do with a small investor merely on the ground of the volume of business involved. A broker shall promptly inform his client about the execution or non-execution of an order, and make prompt payment in respect of securities sold and arrange for prompt delivery of securities purchased by clients.
- 2. Issue of contract note.-** (1) A broker shall not refuse to promptly issue to his clients purchase or sale notes for all the transactions entered into by him with his clients. (2).A broker shall not refuse to promptly issue to his clients scrip wise split purchase or sale notes:

Provided that:

- (i) an agent shall only split the contract notes client-wise and scrip-wise originally issued to him by the affiliated broker into different denominations; and
- (ii) an agent shall not match the purchase and sale orders of his clients and each order must invariably be routed through a broker of the stock exchange with whom he is affiliated.

3. Breach of trust:- A Broker shall not disclose or discuss with any other person or make improper use of the details of personal investments and other information of confidential nature of a client which he comes to know in his business relationship

4. Business and commission:- (1) A broker shall not encourage sales or purchases or securities with the sole object of generating brokerage or commission. (2) A Broker shall not furnish false or misleading quotations or give any other false or misleading advice or information to a client with a view of inducing him to do business in particular securities and enabling himself to earn brokerage or commission thereby.

5. Business of defaulting clients:- A Broker shall not deal or transact business knowingly directly or indirectly or execute an order for a client who has failed to carry out his commitments in relation to securities with another broker.

6. Fairness to clients:- A Broker, when dealing with a client, shall disclose whether he is acting as a principal or as an agent and shall ensure at the same time that no conflict of interest arises between him and the client. In the event of a conflict of interest, he shall inform the client accordingly and shall not seek to gain a direct or indirect personal advantage from the situation and shall not consider clients' interest inferior to his own.

7. Investment advice: A Broker shall not make a recommendation to any client who might be expected to rely thereon to acquire, dispose of, retain any securities unless he has reasonable grounds for believing that the recommendation is suitable for such a client upon the basis of the facts, if disclosed by such a client as to his own security holdings, financial situation and objectives of such investment. The broker should seek such information from clients, wherever he feels it is appropriate to do so.

8. Competence of dealings:-A broker should have adequately trained staff and arrangements to render fair, prompt and competent services to his clients.

C. BROKER VIS-À-VIS OTHER BROKERS:-

1. Conduct of dealings:- A broker shall co-operate with the other contracting party in comparing unmatched transactions. A broker shall not knowingly and willfully deliver documents which constitute bad delivery and shall co-operate with other contracting party for prompt replacement of documents which are declared as bad delivery.

2. protection of clients' interest:- A broker shall extend fullest co-operation to other brokers in protecting the interests of his clients regarding their rights to dividends, bonus shares, right shares and any other right related to such securities.

3. Transactions with brokers:- A broker shall carry out his transactions with other brokers and shall comply with his obligations in completing the settlement of transactions with them.

4. Advertisement and publicity:- A broker shall not advertise his business publicly unless permitted by the stock exchange.

5. Inducement of clients: A broker shall not resort to unfair means of inducing clients from other brokers.

D. BROKERS VIS-À-VIS COMMISSION AND STOCK EXCHANGE:

1.General conduct:- (1) A broker shall not indulge in dishonorable, disgraceful, disorderly or improper conduct on the stock exchange nor shall he willfully obstruct the business of the stock exchange. He shall comply with the rules, by-laws and regulations of the stock exchange.

(2) A broker shall faithfully comply with the general or specific directives issued by the Commission.

2. Failure to give information: A broker shall not neglect, fail or effuse to submit to the Commission or the stock exchange with which he is registered, such books, special returns, correspondence, documents and papers or any part thereof as may be required.

[No.2(65)/SE/2001]

(ABDUL HALEEM JADRAN)
Joint Director