



**GENERAL REGULATIONS**

**OF**

**THE ISLAMABAD STOCK EXCHANGE**

(As amended on February 23, 2011 and sent for Gazette Notification)

# **GENERAL REGULATIONS OF THE ISLAMABAD STOCK EXCHANGE**

## **‘Part-I**

### **1. Constitution of the Board:**

The Board of Directors (the “Board”) of the Exchange shall be constituted as follows:-

- (i) Five directors to be elected by the general body of the Exchange, from amongst the members.
- (ii) Four non-member directors to be nominated and appointed by the Commission from professionals including but not limited to non-member securities market experts, lawyers, chartered accountants, cost & management accountants, investment bankers, I.T experts, management experts, in consultation with such professional bodies as the Commission may consider appropriate e.g. Management Association of Pakistan (MAP), Institute of Chartered Accountants of Pakistan (ICAP), Institute of Cost and Management Accountants of Pakistan (ICMAP), Pakistan Bankers Association (PBA), Investment Banks Association of Pakistan, Modaraba Association of Pakistan, Leasing Association of Pakistan and Mutual Fund Association of Pakistan.
- (iii) The Managing Director of the Exchange shall, by virtue of his office, be a director on the Board.
- (iv) The Managing Director shall be appointed, removed and terminated with the prior approval of the Commission and for this purpose the term “removal and/or termination” shall include “non-renewal” of his contract.
- (v) The Chairman of the Board of the Exchange shall be elected by the Board from amongst the non-member directors. The Managing Director shall not participate in the election of the Chairman.
- (vi) No director of the Exchange shall participate in any discussion and/or vote on any matter if he has any interest, pecuniary or otherwise, in such matter which could reasonably be regarded as giving rise to a conflict of interest between his duty to honestly discharge his functions as a director of the Exchange and his other professional and/or business occupation.

### **2. Fit & Proper Criteria for Directors:**

Any person desiring to act as Director on the Board of Directors of the Islamabad Stock Exchange 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) 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 has not been associated with any unauthorized financial activity including illegal brokerage business.
- (ii) He or any company in which he was a director during last three years has not been suspended from its membership or registration by the Commission, any other regulatory authority, any professional body or association; or any stock or commodity exchange, depository company or clearing company (referred individually as “relevant entity” and collectively as “relevant entities”).

Provided that prior clearance may be obtained from any such organization/ relevant entity/ association that suspended such membership or registration.

- (iii) Has not been disqualified/ removed from the post of Chief Executive, Chairman, Director, CFO or from any other key management position of a company by the Commission or any other regulatory body.
- (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 been passed or penalty of Rs.500,000/- or more, has been imposed by the Commission, in respect of any laws administered by the Commission, and a period of at least three years from the date of the expiry of the period specified in the order has not elapsed.
- (vi) Has not provided false or misleading information either to the Commission or to any of the relevant entities.

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

- (i) Should have management/ business experience of at least 5 years at senior level position.
- (ii) Should have at least three years experience in the field of capital markets, banking, mutual fund industry, financial services or any other field ancillary to the capital markets.
- (iii) Holds professional qualification and/ or at least graduation from a university duly recognized by Higher Education Commission of Pakistan or foreign qualification of equivalent level. Provided that 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, business and industrial concerns or other closely related discipline, the minimum qualification limit may be relaxed on case to case basis with prior approval of the Commission.

(c) **Solvency and Financial Integrity**

- (i) Has not been adjudged as insolvent or suspended payment of debts or has compounded with his creditors.
- (ii) 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 Non-Executive Directors Appointed by the Commission**

- (i) He has no relationship with the organization 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.

When assessing a person's relationships and interests, the issue shall not merely be considered from the standpoint of the person, but also from the standpoint of persons or organization with which the person is affiliated or associated.

- (ii) He has/ shall not during his term have any personal or business interest in the organization or with any business partner of the organization, including that of immediate family members\*.
- (iii) He or his immediate family member\* is not a Member or a director, officer, sponsor, shareholder of any corporate Member of any stock exchange in Pakistan.
- (iv) He has no personal services contract(s) with the Islamabad Stock Exchange or is not currently serving as its employee and has not been employed at any position of the Islamabad Stock Exchange within the past two years.
- (v) He is not simultaneously serving as a Director on the Board of more than ten listed companies.

\* Immediate family member wherever referred in Regulation 2 of Part-1 of these regulations means spouse, children, siblings and parents.

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

All persons subject to Fit and Proper Criteria must submit any change in the submitted information to the Islamabad Stock Exchange and the SECP.

Any person desiring to act as Director on the Board of Directors of the Islamabad Stock Exchange shall submit duly filled Form and undertaking attached as Form-III and Exhibit-1 respectively.”

## **‘Part-II**

### **1. RESIGNATION**

- a) A member may resign from the Exchange by giving one month's notice in writing to the Secretary of the Exchange of his intention so to resign. The Secretary 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 Secretary in writing. On the expiration of these fifteen days, the Secretary shall place the resignation with any objections received before the Board and the Board may accept the resignation at their entire discretion. The Board shall not be bound to give any reasons for their refusal to accept any resignation.
- b) On the acceptance of the resignation of a Member by the Board, such Member shall cease to be a member of the Exchange. His name shall be removed from the Register of Members of the Exchange and his card shall become the property of the Exchange.

### **2. (A) SUSPENSION OR EXPULSION OF MEMBERS AND IMPOSITION OF FINE:**

- (1) The Board may, by a resolution, suspend or expel a Member, or impose any fine on a Member where the Board is of the opinion that a Member:
  - (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 admission to the Membership;
  - (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 Member 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 Member or individual Member from Pakistan or his prolonged illness without making an alternate arrangement with the permission of Exchange, financial precariousness, insolvency of individual member / corporate member 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 Member an opportunity of being heard. Such hearing may be conducted by the Board or the Board may constitute a committee consisting of four of its members, two being member directors, one being a non-member 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 further that the Chairman of the Board Committee shall always be a non-member director. The Board /Board Committee may proceed ex-parte against a Member who fails to appear for hearing in two consecutive hearings.

- (2) The Board may also, by a resolution, suspend or expel a Member, where the Board is of the opinion that a Member:
  - (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 expulsion the Board may allow a period of thirty days to the Member 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 expulsion the Board may allow a period of thirty days to the Member 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 Member for implementation of the award.
- (3) The imposition of fine or suspension of a Member under the Regulations of the Exchange shall be without prejudice to the power of the Board to subsequently expel such Member in case he fails to pay the fine imposed or removes the cause of suspension within stipulated time.

**(B) SWITCHING-OFF OF MEMBERS' 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 Member, 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 Member 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 MEMBERS**

#### **(a) Hearing, imposition of fines and appeal**

i) Hearing of violation/non-compliance by a member 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 thereunder, shall be conducted by any officer authorized for this purpose by the Managing Director of the Exchange [‘Authorized Officer’]. Provided that power of the Managing Director to hear matters of violation/ non-compliance under any Regulations of the Exchange and impose fine thereunder, upto the extent specified above, may be delegated to any officer of the Exchange not below the level of Deputy Manager.

ii) Hearing of violation/non-compliance by a member 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 thereunder, 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 Manager, shall have a quorum of three members and its decisions shall be passed by majority 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 4(a)(ii) above.

iv) Cases of violation/ non-compliance by a member 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 member.
- vi) An appeal against the decision of the Management Committee formed under Sub-clause 4(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 member directors, one being a non-member director and one being the Managing Director of the Exchange and its decisions 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-member director.

The decision of the Board Committee shall be final and binding on the concerned member.

- 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 Member shall be entertained by the Exchange.

**(b) CONSEQUENCES OF NON-PAYMENT OF FINE/PENALTY:**

A Member 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 Member 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/EXPULSION**

- (a) An application of a suspended member 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 expulsion or suspension at any time only if Board concludes that the cause of such suspension or expulsion has been removed.

Provided that such reconsideration will be made only if:

- (i) In case of expulsion, membership right of such expelled member has not yet been disposed off.
  - (ii) All the investor complaints, lodged with Exchange and the Commission against such member, 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 (ii) above.
- (c) The Board shall not restore membership of a member who was expelled on violation/non-compliance of regulation 2(A) (1) (a), (b), (e) and (g) above.”

#### **5. CONSEQUENCES OF MEMBER'S SUSPENSION/ EXPULSION:**

- a) A suspended member, during the terms of his suspension, will not exercise or enjoy any of the rights or privileges of Membership.
- b) The suspension or expulsion of a member shall not affect the right of his creditors.
- c) The Exchange shall as soon as possible notify together with cause of such suspension/expulsion to the Members of the Exchange and the public through placement on website any decision of suspending or expelling a Member of the Exchange.

Further, in case of expulsion, Exchange shall publish such notice in at least two widely circulated newspapers.

- d) A member shall not, without the special permission of the Board as specified in the procedures, carry on business for or with an individual member or in case of Corporate Brokerage House, its Nominee Director/ Chief Executive and other directors (holding 20% or more of its shares) who is suspended or expelled from the Exchange.
- e) When a member of the Exchange is expelled, his Card or right of Membership and all his rights and privileges as member of the Exchange including any right to

the use of or any claim upon or any interest in any property or funds of the Exchange shall be forfeited to and become the property of the Exchange but any liability of any such members to the Exchange or to any member of the Exchange shall continue and remain unaffected by his expulsion.”

#### **6. DISPOSAL OF FORFEITED CARD AND PROCEEDS THEREOF**

A Card or right of membership which under any Regulation for the time being in force is forfeited to or vests in the Exchange, shall belong absolutely to the Exchange free of all rights, claims or interest of such member and the Board shall be entitled to deal with or dispose of the Card as the said Board may think fit. If the said Board sell such card, the sale proceeds thereof shall in the first place be applied to satisfying of the liabilities of the Member, whose card is sold, to other members in respect of any contract made subject to the Regulations of the Exchange and the balance thereof shall be paid into the funds of the Exchange provided always that the Exchange may in their absolute discretion by Resolution passed at a general meeting of the Members direct such a balance to be disposed of or applied in such other manner as they may think fit.

Provided in case where the admitted claims of investors against a Member are more than the amount of balance sale proceeds available 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 Investors’ Protection Fund (IPF) by utilizing up to aggregate amount of Rs. 2.5 million in the following order of priority:

- (a) Up to Rs. 100,000/- equally among all claimants by utilizing 50% of maximum allowable contribution i.e. Rs. 1.25 million.
- (b) Remaining amount by utilizing balance 50% of maximum allowable contribution i.e. Rs. 1.25 million plus any unutilized portion of IPF as stated at (a) above. In case, such amount of IPF is insufficient to satisfy all such claims in full, then pro-rata distribution will be made.

#### **7. AUTHORIZED CLERKS NON-MEMBERS AS AUTHORIZED CLERK**

- (a) The Board shall from time to time fix the number of Authorized Clerks a member may be allowed to employ. The Authorized Clerks shall be allowed to be appointed upto 30th June each year and thereafter fresh applications will have to be made by the Members for the continuation of such Authorized clerk.

- (b) **Members as Authorized Clerk:**

Members of the Exchange may be employed as Authorized Clerks in excess of the number permitted by this rule. A Member so employed shall not himself be entitled to employ authorized clerks.

- (c) The approval of appointment of agents will be done by the office of the Exchange

on having given due notice to the members of the Exchange.

- (d) Annual fees for the appointment of the accredited Agents shall be as under:
  - i) For first 6 Agents Rs. 120/- each
  - ii) For 7<sup>th</sup> to 10<sup>th</sup> Agents Rs. 240/- each.

#### 8. **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 member to employ an authorized clerk who previously had been acting as clerk to another member 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 member of the Exchange.

#### 9. **POWER OF AUTHORIZED CLERK**

- a) An authorized clerk or a member acting as authorized clerk can transact business only on behalf of his employer. He shall not bargain 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 of his employer.
- (b) The Board shall expel immediately an authorized clerk or a member acting as an authorized clerk who contravenes this rule.
- (c) **Member Liable for Bargain of Authorized Clerk:**

A member shall be liable for all bargains made with other members in the market by any authorized clerk employed by him and he shall fulfill such bargains according to the Rules of the Exchange in the manner as if such bargains had been made personally by himself.

#### 10. **REGISTER OF AUTHORIZED CLERKS**

The Secretary of the Exchange shall keep a register of authorized clerks and shall enter in such register the name of the clerk and the member who employs him the date of the beginning and termination of his employment or the withdrawal of his authorization.

#### 11. **NOTICE OF AUTHORIZATION - TERMINATION & WITHDRAWAL**

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

## 12. **LIABILITY OF THE EMPLOYER TO CONTINUE UNTIL NOTICE**

The responsibility of a Member 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 said Secretary.

A member may, on giving notice in writing to the Secretary 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**

Members 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 member 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 member should continue until one day after the notice of termination of his employment.

- 1) In view of the fact that a member giving No objection Certificate remained liable for the transactions entered into by his Agent, 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 member 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 member marking the appointment, whether appointment was provisional or

permanent, shall be responsible for the bargains of his Agent. If and when any member send a notice to the Office of the Exchange canceling agentship, the agentship 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.

### **UNDERTAKING FROM THE ACCREDITED AGENTS**

The members wishing to appoint or renew Accredited Agents on the Exchange must furnish an Undertaking on non- judicial stamp paper of Rs.5/- 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 member only. I shall not do any business on behalf of other members of the Exchange directly as their constituent or on account of his constituents;
- 3) I shall at all times abide by the Rules and 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 member or the member".

### **13. 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 member 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 Members who have been suspended or expelled shall be excluded from the market.

### **14. BADGES**

A Member 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. Appropriate badges in three different designs should be issued to the members, their agents as well as runners. While entering the Trading Hall the Members needs 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 all times during which they are inside the Trading Hall.

### **15. 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.

**16. LOSS OF BADGE**

A member shall notify the loss of badge to the Secretary 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.

**17. RETURN OF BADGE**

A member who terminates or withdraws the authorization of clerk(s) shall return the badge to the Secretary of the Exchange on the date of such termination or withdrawal.

**18. MEMBERS CEASING TO DO BUSINESS**

A member 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.

**19. EXPELLED MEMBERS**

No Member 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 Member who has been suspended or expelled. No member of the Exchange is allowed to give to the Press for publication any report on Stock and Shares, Members 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.

**20. REPORT OF VIOLATION OF REGULATIONS**

Every member of the Exchange shall immediately report to the Board any violation by any Members of any rule of the Exchange which may come under his notice. Any report so made to the said Board or to the Secretary of the Exchange shall be deemed privileged and confidential.

**21. SUB-COMMITTEES**

The Board shall every year in January elect from among the Members of the Exchange the following Sub-committees:-

1. Arbitration Committee

2. Defaulter's Committee

The Board from time to time may increase or reduce the number of Members of either Sub-committee and may amalgamate or merge any of the above Sub-committee with any other Committee or Sub-committee.

22. **CHAIRMAN AND HONORARY SECRETARY**

A Sub-committee shall immediately after its appointment elect from its own body its Chairman. It may also elect from its own body an Honorary Secretary.

23. **REMOVAL OF MEMBER**

(a) The Board may for reason to be recorded remove Member of a Subcommittee 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 appointment of a member of the exchange by the Board and a 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 a Sub-committee who is likely to be absent from Islamabad for a period exceeding three months shall give intimation to the Secretary of the Subcommittee 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 appoint a member of the Exchange to act on the Sub-committee in place of the absent member. The member so appointed shall vacate office on the return to Islamabad of the absent member. A member absenting himself from Islamabad 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.

24. **ADVISORY AND ARBITRATION COMMITTEE**

The Arbitration Committee (“Committee”) shall consist of a minimum number of 10 and maximum number of 15 members. The membership of the Committee shall include Members and management staff of the Exchange. The ISE official dealing with complaints/disputes shall be the secretary of the Committee.

25. **DISPUTE TO BE REFERRED TO ARBITRATION**

Whenever any dispute arises between Members inter se, or between any of the Members and their constituents/clients or between any of the Members and their authorized agents or between authorized agents 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.

26. **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) Investors Claim Form duly filled and signed alongwith all supporting documents and annexure as mentioned in the Form.
- (ii) In case applicant is not a member 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.
- (iii) Payment of the following must be made through Cheque in favour of the Exchange:
  - one thousand rupees as institution fee, and
  - one hundred rupees as cost of the stamp paper for drawing the award

27. **CONSTITUTION OF PANEL OF EXPERTS**

A panel of ten non- member arbitrators shall be constituted, comprising of advocates, chartered 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.



## 28. CONSTITUTION OF PANEL 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-members.

## 29. ARBITRATION PROCEDURE

### a) Scrutiny of application.

An application received for arbitration shall be scrutinized by a member of the Committee, nominated 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.

### 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 Manager.

### d) Claims of over five hundred thousand rupees.

Claims of over five hundred thousand rupees shall be forwarded to the Committee for its action. Such claims/disputes shall be referred to the Panel of Arbitrators appointed under Regulation 33 for arbitration proceedings.

e) **Lots to be drawn.**

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.

f) **Presence of parties at the time of drawing.**

The parties to the dispute shall be given a notice of a minimum three working days to remain present personally or through an authorized representative at the time of drawing lots. 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.

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 Committee. 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 fifteen days of referral of the dispute to him/her/them.

i) **Notice.**

The Secretary of the Committee shall give both parties to the dispute not less than three working days notice of 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 is not present at the appointed date,

time and place, the Sole Arbitrator/Panel of Arbitrators may hear and decide the dispute ex-parte, and if the party making the complaint is not present, 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 31 and found acceptable after scrutiny under clause (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 of 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 Securities and Exchange Commission of Pakistan ("Commission"). The time extension granted by the Committee shall be indicated in the communication, which shall not exceed thirty

working days from the expiry date of the prescribed ninety days.

**30. LATE CLAIMS BARRED.**

The Sole Arbitrator/Panel of Arbitrators shall not take cognizance of any claim or dispute which is not referred to him/the m within three months from the date when it arose.

**31. 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 Committee.

Provided, however, that the Appellate Bench so constituted shall necessarily comprise two non-member 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 one thousand rupees being institution fee and a fee of one thousand rupees for each hearing, through Cheque in favor of the Exchange in its designated bank account.

Further, if the Appellant is a member 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. The Appellate Bench shall not entertain an appeal, 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 Committee, by indicating specific reasons for its inability to announce the award and 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.

### **32. 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.

### **33. 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 inquiry 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.

### **34. 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.

### **35. SETTING ASIDE EX-PARTE AWARD.**

The Committee may, on sufficient cause being shown by a party within seven 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 heard.

**36. 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.

**37. PLACEMENT OF NAME OF DELINQUENT CLIENT/CONSTITUENT OF A MEMBER ON DATABASE DEVELOPED AND MAINTAINED BY THE EXCHANGE**

The name and other relevant particulars of a client/constituent of a Member 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 Member files an appeal in accordance with these Regulations and the Appellate Bench has also decided against such client/constituent of a Member; and
- (c) In both cases the client/constituent of a Member fails or refuses to abide by or carry out such award/decision;

his name shall be placed on the Exchange's database accessible by members of the Exchange by following a procedure. Placement of name of such client/constituent of a Member shall be without prejudice to the right of the concerned Member 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.

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

The Brokers shall adopt the Standardized Account Opening Form, attached as Form-I to these Regulations, as amended from time to time, for their all Account Holders.

Provided that any amendments in the Form shall be incorporated by the Brokers for their new Account Holders immediately and brought 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 broker shall not allow any

Account Holder to purchase further without complying with the above requirement.

Provided further that any amendments in the Form pertaining to roles and responsibilities of Brokers shall be binding on all Brokers after 7 days notice to market participants by the Exchange whether or not such amendments have been incorporated in the manner specified above.

### **39. 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 Central Depository Company (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.-

#### **40. CONFIRMATION OF CLIENTS' ORDERS BY MEMBERS/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 and also whether bought or sold);
- d) Price;
- e) Commission rate;
- f) Whether the order is executed for the members' 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 Managing Director shall impose a fine amounting to not less than Rs. 10,000/- per default but not exceeding Rs. 25,000/- per default.”

#### **40A. GENERAL OBLIGATIONS OF MEMBERS/BROKERS RELATING TO LEVERAGED MARKETS**

In addition to any obligation of a broker/member 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 thereunder 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.

#### **41. TRADING BY EMPLOYEES OF BROKERAGE HOUSES**

- (a) The Members may allow securities trading to their employees only through their own Brokerage houses.
- (b) The Members 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 Members shall ensure that while trading, the concerned employee strictly observes Code of Conduct prescribed by the Exchange, which is annexed in Form II to these Regulations.
- (d) The Exchange will monitor compliance of this Regulation including code of conduct. Any breach/violation by the Member or its employees will attract penalties on the concerned Member as may be prescribed by the Exchange from time to time.
- (e) A Member shall not allow trading on behalf of another Member's employees. Members shall use the facility mentioned in Regulation 77(b) above for this purpose.

Provided that nothing contained in this Regulation shall be applicable on employees of Members 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 members and the Exchange.

#### **Penalty:**

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

#### **42. DISSEMINATION OF INFORMATION TO OTHER MARKET ENTITIES**

The Exchange shall disseminate as soon as possible the information relating to actions taken by the Exchange in relation to switching-off of complete trading terminals, suspension, expulsion, declaration of default or any similar penal action against a Member under its Regulations or any further information relating thereto to the Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited for taking required actions, if any, as per agreed procedure. The Exchange shall

also disseminate simultaneously all such information to all other stock Exchanges, the National Commodity Exchange Limited and the Commission for taking required action, if any, at their end. All such information shall also be made available to general public through ISE website.

**FORM-1**

[NAME OF THE BROKER]

Member, \_\_\_\_\_ 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

**NATURE OF ACCOUNT:**

SINGLE:       JOINT:   
COMPANY:       FIRM:

CLIENT ID/ACCOUNT NO.   
CDC ACCOUNT NO.

**ACCOUNT HOLDER**

ACCOUNT TITLE/NAME: \_\_\_\_\_  
ADDRESS: \_\_\_\_\_  
TEL: \_\_\_\_\_  
E-MAIL: \_\_\_\_\_  
FAX No: \_\_\_\_\_  
PERMANENT/REGISTERED ADDRESS: \_\_\_\_\_

**For individuals only:**

DATE OF BIRTH: \_\_\_\_\_  
NATIONALITY: \_\_\_\_\_  
STATUS: \_\_\_\_\_ RESIDENT \_\_\_\_\_ NON RESIDENT  
GENDER: \_\_\_\_\_ MALE \_\_\_\_\_ FEMALE  
FATHER'S/HUSBAND NAME \_\_\_\_\_  
NATIONAL IDENTITY CARD NO. (IN CASE OF NON RESIDENT  
PASSPORT NO.) \_\_\_\_\_  
OCCUPATION: \_\_\_\_\_

**For Companies or Firms only:**

Company Registration No. \_\_\_\_\_  
STATUS \_\_\_\_\_ RESIDENT \_\_\_\_\_ NON-RESIDENT

**JOINT ACCOUNT HOLDER**

ACCOUNT TITLE/NAME: \_\_\_\_\_  
ADDRESS: \_\_\_\_\_  
TEL: \_\_\_\_\_  
E-MAIL: \_\_\_\_\_  
FAX No: \_\_\_\_\_  
PERMANENT/REGISTERED ADDRESS: \_\_\_\_\_

DATE OF BIRTH: \_\_\_\_\_  
NATIONALITY: \_\_\_\_\_  
STATUS: \_\_\_\_\_ RESIDENT \_\_\_\_\_ NON RESIDENT  
GENDER: \_\_\_\_\_ MALE \_\_\_\_\_ FEMALE  
FATHER'S/HUSBAND NAME \_\_\_\_\_  
NATIONAL IDENTITY CARD NO. (IN CASE OF NON RESIDENT  
PASSPORT NO.) \_\_\_\_\_  
OCCUPATION: \_\_\_\_\_

**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:**

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

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

SAVING/CURRENT A/C No. \_\_\_\_\_

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

NAME OF THE BROKER(S)	MEMBER 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 and Exchange Ordinance 1969. Moreover, all applicable provisions of the Securities and Exchange Ordinance 1969 read with the Securities and 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 provision 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 members 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 dealings 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 hid 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 and 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/they, 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 and 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/they, 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 acknowledgement 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. The Broker shall be responsible to ensure delivery of the 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).

7(a). 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 encourage the Account Holder(s) to make payments to the Broker by "A/c Payee only" cross cheque (in case of amounts in excess of Rs. 50,000/-) and "A/c Payee only" cheque or cash (for amounts below Rs. 50,000). 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 the 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.

9. The members 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 Holders Only:**

We, the Account Holder 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 his individual membership rights to corporate membership 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 / acknowledgement. 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 Computerized trading System 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 annexure 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.

V

**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-----X-----X

**FORM -II**

**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 Member or authorized officer of the Brokerage house.
2. Employee must submit to the Member or the authorized officer of the Brokerage house, or written undertaking of his understanding and willingness to strictly abide by all the relevant rules, regulations, codes & 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 record 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 Regulation 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 employee 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 for proposed trades, trades by the Brokerage house or forthcoming research report regarding such securities.
8. Members shall monitor their employees' trades regularly and the Internal Audit Department will ensure compliance of the 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 Members as well as their employees, in letter or spirit, to this Code of Conduct is mandatory.

**‘Form-III**

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

1.	Curriculum Vitae/ Resume containing
(a)	Name:
(b)	Father’s or Husband Name:
(c)	C.N.I.C # (attach 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)
2.	1. Nature of directorship: <input type="checkbox"/> Executive <input type="checkbox"/> Non-Executive 2. Status of Directorship: <input type="checkbox"/> Nominee director <input type="checkbox"/> Elected Director * Number of shares subscribed or held _____ Nominated by _____ (name of shareholder/ nominating entity)
3.	Names of companies, firms and other organizations of which the proposed person is a director, partner, office holder or major shareholder (Please specify the position held in each company)

4.	In the case of nomination of director the date of board of director's 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 persons on the board of the Islamabad Stock Exchange who are related to the applicant.

Signature \_\_\_\_\_  
\*use additional sheets if required

**AFFIDAVIT**

**(on stamp paper of appropriate value)**

**Before the Securities & Exchange Commission of Pakistan/Islamabad Stock Exchange**

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 Islamabad Stock Exchange. \_\_\_\_\_
2. That I hereby confirm that the statements made and the information given by me is correct and that there are no facts which have been concealed.
3. That I have no objection if the Islamabad Stock Exchange requests or obtains information about me from any third party.
4. That I undertake to bring to the attention of the Islamabad 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 Islamabad Stock Exchange in its General Regulations.
5. That all the documents provided to Islamabad 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 & 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)"