## SECP Amendments to Futures Brokers (Licensing and Operations) Regulations, 2018 Notified vide S.R.O. 1912 (I)/2022 dated October 14, 2022

SECP Amendments	Rationale
CHAPTER I - PRELIMINARY	
2. Definitions	
1(e) "customer bank account" means the bank account opened by the futures broker with a scheduled bank in Pakistan for deposit of money recevied by the broker from the customer for the purposes of trading in futures contracts;	Deletion consequent to Direct Funds
1(k) "scheduled bank" has the same meaning as defined in clause (m) of Section 2 of the State Bank of Pakistan Act, 1956 (XXXII of 1956);	Model.
CHAPTER II - LICENSING REQUIREMENTS FOR FUTURES BRO	OKER
4. Eligibility criteria for licensing of a futures broker	
1(a) has obtained prior permission of the Commission under regulation 5 of these Regulations;:  "Provided that a person holding a valid license to act as a Securities/Future Broker under Securities Brokers  (Licensing and Operations) Regulations, 2016 may apply for license as a futures broker for commodities and financial instruments without prior permission of the Commission under these regulations.";	Insertion to exempt prior approval for PSX brokers.
1(e) the applicant identifies names and details of its sponsors which shall be required to collectively hold and retain not less than fifty one per cent of the share capital of the applicant, and in the case of a listed company, not less than twenty five per cent of the share capital of applicant provided that any change in sponsors shall not be affected without prior written approval of the Commission:  "Provided that no prior approval of the Commission shall be required in case of reduction of number of sponsors through transfer/sale of shares among existing identified sponsors under clause (e) of Regulation 4.";	Insertion to remove SECP's prior approval for change in sponsors.
1(h) the chief executive of the company does not hold any such office in any other company;	Substitution to remove bar on CEO to hold any office.
1(k) In case of a company other than a company deemed licensed under regulation 3 above, its sponsors have submitted verifiable documents such as wealth statement submitted with the tax authorities or a certificate issued by an auditor enlisted within category "A" of the State Bank of Pakistan's panel of auditors to demonstrate that its net worth is not less than twice the amount to be subscribed by him personally.  7. Financial Resources Requirement	Deletion to remove demonstration of twice net worth by sponsors.
(1) An applicant for a licence as a futures broker shall comply with and ensure ongoing compliance with minimum paid-up capital and net worth of Rupees twenty (20) ten (10) million.	Deletion of paid up capital and substitution of net worth to 10 million.
(2) In case a futures broker fails to meet the minimum paid-up capital and/or-net-worth requirements as specified in sub-regulation (1), the futures exchange shall allow a period of 30 calendar days to the futures broker to comply with the minimum capital requirement, failing which the futures exchange shall restrict the trading facility of such futures broker and its licence shall be suspended by the Commission without prejudice to any other disciplinary action under the Act and these regulations.	Deletion in line with sub-clause (1) above.

8. Grant of licence	
(4) Within fifteen days three months of the grant of licence, the futures exchange, prior to allowing	Substitution to extend time for premises
commencement of business to a futures broker, shall confirm through a visit of such futures broker's premises that	visit.
the futures broker has put in place-	VISIC.
9. Renewal of licence	
(1) Subject to the provisions of the Act and these regulations, a futures broker having a valid license shall, forty	
five (45) thirty (30) days prior to the date of expiry of its licence, apply to the Commission through futures	Substitution to align with Futures Market
exchange in Form C along with an undertaking stating that it is in compliance with all regulatory requirements and	Act.
receipt evidencing payment of renewal fee of such amount as specified in Schedule I, for renewal of its licence.	
CHAPTER III - CONDUCT OF A FUTURES BROKER	
16. Duties and obligations of a futures broker	
1(q) intimate futures exchange prior to opening of any branch subject to the requirements as prescribed by the	
futures exchange/Commission from time to time. Provided that the futures exchange shall conduct periodic	Deletion of annual visit of brokers'
visit/inspection of the branches on an annual basis periodic inspection of the branches of brokers on the	branches.
basis of a risk based inspection plan to ensure its compliance with the regulatory framework.	
10(e) testing of the contingency plan on quarterly bi-annual basis or any other interval as may be specified by	Substitution to extend time for testing of
the Commission.	contingency plan.
(12) A futures broker licensed under these regulations shall ensure:	
(a) compliance with customers' assets segregation requirements as specified by the futures exchange or the	Deletion consequent to Direct Funds Model
Commission from time to time;	
22. Electronic contract notes	
(6) Wherever the electronic contract notes have not been delivered to the customer or have been rejected (bouncing	
of mails), the futures broker shall send a physical contract note to the customer within the timeline specified under	Substitution to align numbering.
regulation 20 regulation 21.	
23. Segregation of customer moneyReceipt of customer money	
A future broker shall not receive customer money in its own name or hold customer assets for whatsoever	Substitution & deletion consequent to Direct
purpose.;	Funds Model.
(1) Customer money shall not form part of the assets of the	
futures broker for any purpose and shall not be available in any circumstances for payment of any debt or	
liability of the futures broker.	
(2) A futures broker shall not use customer money for any purpose other than as allowed under the Act or	
any rules or regulations made thereunder.	
(3) A futures broker who receives or holds customer money shall open one or more designated bank	
accounts with a scheduled bank in Pakistan for such purpose and the title of the account shall reflect the	
same.	
(4) A designated customer bank account shall be kept segregated from any account holding money belonging	
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lisclose a true, accurate and up-to-date position of business, including but not limited to:-	(5) A futures broker shall prepare and maintain books of accounts and other documents in a manner that will	Deletion consequent to Direct Funds Model	
	disclose a true, accurate and up-to-date position of business, including but not limited to:-	Defection consequent to Direct I unus Woder.	

(j) record of individual customers balances stating the name of each customer and the amount held or received for that customer:	
(7) A futures broker shall maintain separate books of accounts for:	
(i) money received from or on account of and money paid to or on account of each of its customer; and	Deletion consequent to Direct Funds Mod
(ii) the money received and the money paid on a futures broker or an associated person's own account.	Detection consequent to Direct Funds Wod
31. Appointment of auditor and related matters.	<u> </u>
(5) The audit report shall state all the matters as are required to be stated in accordance with the requirements of	
the Companies Act and where applicable, must state additionally an opinion as to whether the futures broker	
was in compliance with the requirements of section 62 of the Act and the relevant requirement of these	Deletion consequent to Direct Funds Mod
regulations as at the date on which the balance sheet was prepared.	
(6) The auditor shall also make out a limited assurance report of the futures broker stating whether, during the	
period, the futures broker has, in all material respects:	
(a) maintained systems and control adequate to identify with reasonable accuracy the assets held on behalf	Deletion consequent to Direct Funds Mo
of customer and distinguish such assets from the proprietary assets of the futures broker;	
ANNEXURE - A	
INFORMATION TO BE SUPPLIED TO UNDERTAKE FUTURES BROKE	R ACTIVITY
8. Affidavit from each person mentioned in paragraph 1 above, stating that-	Deletion to remove CIB report.
g) Latest CIB report of the above person.	Defetion to remove CIB report.
Form – A-I	
FORM OF APPLICATION FOR LICENCE AS A FUTURES BROKER	Substitution to align numbering.
	buoblitution to ungil numbering.
[see Regulation 5(1)] [see Regulation 6(1)]	Substitution to unign numbering.
ANNEXURE – B	Substitution to ungli municering.
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ANNEXURE – B FIT AND PROPER CRITERIA FIT AND PROPER CRITERIA FOR APPLICANT, SPONSORS, DIRECTORS AND SENIOR MA BROKERS First Paragraph: This Fit and Proper Criteria is perpetual in nature and its compliance is mandatory. The futures exchange shall ensure that the applicant, its sponsors, directors and senior management officers are fulfilling the fit and proper criteria before submitting application for approval to the Commission with the exception of scrutiny of the CIB report (which shall be obtained by the Commission).	NAGEMENT OFFICERS OF FUTUR  Insertion for clarity & exception for C
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ANNEXURE – B FIT AND PROPER CRITERIA FIT AND PROPER CRITERIA FOR APPLICANT, SPONSORS, DIRECTORS AND SENIOR MABROKERS First Paragraph: This Fit and Proper Criteria is perpetual in nature and its compliance is mandatory. The futures exchange shall ensure that the applicant, its sponsors, directors and senior management officers are fulfilling the fit and proper criteria before submitting application for approval to the Commission with the exception of scrutiny of the CIB report (which shall be obtained by the Commission).  (3) In case of chief executive officer, the person should: c) have attained necessary certification as specified by the Commission from time to time.	NAGEMENT OFFICERS OF FUTUR  Insertion for clarity & exception for Creport.

(4) In case of compliance officer, the person shall b) have a minimum experience of three years in audit, finance or compliance functions or any other managerial position in a company in the financial sector. Proviso inserted to provide relaxation for all persons. Provided that for all of the above persons, where a person possesses seven years of relevant experience of the financial services sector/capital markets/commodity business, the minimum qualification requirement shall be relaxed. ANNEXURE - C CORPORATE GOVERNANCE CODE FOR FUTURES BROKER 2. Responsibilities, powers and functions of board of directors a) The board should set the strategic objectives and ensure that necessary financial and human resources are in place for meeting those objectives. The board shall further ensure that significant policies have been formulated Deletion consequent to Direct Funds Model. on the following issues, among others: iii) segregation of customer assets from futures brokers' assets. 3. Meetings of the board a) The board shall may meet at least once in every six months and be provided with appropriate and timely Substitution & insertion to remove information on a voluntary basis. mandatory requirement. 7. Auditors A futures broker shall have its statutory audit conducted from an auditor enlisted within Category "A" "B" of Insertion to substitute SBP A/B Panel the State Bank of Pakistan's Panel of Auditors from a list maintained by ICAP of practicing firms having auditor with ICAP QCR rating auditor. satisfactory QCR rating. 9. Corporate and financial reporting framework b) The quarterly and annual financial statements shall be approved by the board and the CEO. Proviso inserted to remove mandatory Provided that a licensed futures broker may comply with the above requirement in respect of quarterly requirement. financial statements on a voluntary basis.