



Publisher: S.A. Salam Publications UK, 19 Cheetham Hill Road, Manchester, United Kingdom
Sales Offices in Pakistan: 1st Floor, Salam Chambers, 22-Link Mcleod Road., Lahore.
LAHORE: Ph: 37226953, 37223044, 0307-4695380, 0300-8408932. Email: lsr@sasalam.com.pk
KARACHI: 2nd Fl, Panorama Centre-I, Fatima Jinnah Rd. Tel: 35641410, 35437701, 0343-4870813.
ISLAMABAD: and other regions: through Lahore Tel: 042-37226953, 0300-8408932, 0307-4695380

S. A. SALAM's
**Complete Company Law
and Procedures**
Volume I
66th Update – September 15, 2026

Please find enclosed 12 updated pages so as to complete and update your copy of the Book.
Kindly insert as follows:—

Existing Pages to be removed	Updated Pages to be inserted	Existing Pages to be removed	Updated Pages to be inserted
---	---	---	---

Part III – Regulations

257, 258	257 to 258(1)
345, 346	345 to 346(1)
921, 922	921, 922
925, 926	925, 926
927, 928	927, 928

Yours sincerely,
Manager

Note from the Author

It gives me great pleasure to complete the 66th update of Complete Company Law and Procedures, Volume-I. This update covers:

-SRO's: 1030(I)/2026 & 1031(I)/2026.

These are briefly explained as follows:–

Part III – Regulations

1. On page III-257, Regulation 8(3)(b) of the Central Depositories (Licensing and Operations) Regulations, 2016 has been amended by **SRO 1031(I)/2026** dated June 16, 2026.
2. On page III-346, Regulation 8(3)(b) of the Clearing Houses (Licensing & Operations) Regulations, 2016 has been amended by **SRO 1030(I)/2026** dated June 16, 2026.
3. On page III-922 onwards, Correction has been made in reference to amendments.

Suggestions, comments etc. for improving the book and updating service will be most valuable.

Sheikh Asif Salam
Chartered Accountant

Central Depositories (Licensing and Operations) Regulations, 2016

S.R.O. 120(I)/2016 dated February 15, 2016.- In exercise of powers conferred by sub-section (1) of section 169 read with sections 48, 49, 50, 59, 60, 61 and 151 of the Securities Act, 2015 the Securities and Exchange Commission of Pakistan hereby makes the following Regulations, the same being previously published in the official gazette vide S.R.O. 1196(I)/2015 dated 2nd December 2015 and also placed on its website as required under sub-section (4) of section 169 of the said Act, namely:-

Chapter I Preliminary

1. Short title and commencement.- (1) These Regulations shall be called the Central Depositories (Licensing and Operations) Regulations, 2016.

(2) They shall come into force at once.

2. Definitions.- (1) In these Regulations, unless there is anything repugnant in the subject or context,-

- (a) “act” means the Securities Act, 2015 (III of 2015);
- (b) “Depositories Act” means the Central Depositories Act, 1997 (XIX of 1997);
- (c) “Ordinance” means the Companies Ordinance, 1984 (XLVII of 1984); and
- (d) “senior management officer” for the purposes of these regulations in addition to the persons mentioned in clause (lviii) of section (2) of the Act include the following, by whatever name called:
 - (i) company secretary
 - (ii) chief financial officer
 - (iii) head of internal audit
 - (iv) head of IT, IT security or technology
 - (v) chief risk and compliance officer

(2) Words and expressions used but not defined in these Regulations shall have the same meaning as assigned to them in the Act, the Ordinance, the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) or the Depositories Act or any rules or regulations made thereunder.

Chapter II Licensing of Central Depository

3. Application for grant of license. (1) Subject to compliance with the requirements of section 48 of the Act and these regulations, an application for grant of license as a central depository shall be submitted to the Commission in Form A.

(2) An applicant seeking a license as central depository shall pay an amount of rupees one million as license fee and submit the following documents along-with its application:

- (i) copy of challan evidencing payment of license fee;

- (ii) copies of its memorandum of association and articles of association;
- (iii) proposed regulations under section 51 of the Act; and
- (iv) proposed regulations under section 35 of the Depositories Act,

(3) The Commission, while considering the application for license, may require the applicant to furnish such further information or clarification regarding its activities and businesses as it deems appropriate.

(4) The applicant shall, if so required, appear before the Commission for a representation through an officer duly authorized for this purpose in writing by the board of directors of the applicant.

(5) Any subsequent change in the information provided to the Commission at the time of filing of application under sub-regulation (2) and (3) above shall be intimated to the Commission within five working days from the date of such change.

(6) No application for grant of license made under sub-regulation (1) above shall be refused except after giving the applicant an opportunity of being heard.

4. Grant of license..- (1) The Commission, while considering the application made under regulation 3, shall inter-alia take into account the following matters,-

- (a) that the eligibility requirements of the Act and these regulations have been complied with;
- (b) that the applicant has demonstrated its ability to perform its duties in accordance with the provisions of the Act, the Depositories Act and any rules and regulations made or codes, guidelines, directions and circulars issued thereunder;
- (c) the applicant has share holding and governance structure as provided in these regulations; and
- (d) that the applicant has the necessary infrastructure including but not limited to adequate office space, equipment, experienced human resource and technical capabilities, financial resources, policies, procedures, systems and controls to effectively and efficiently discharge its responsibilities as a central depository.

(2) The Commission may inspect the premises of the applicant to determine whether it fulfills the eligibility criteria and may also require the applicant to submit reports from experts in the manner specified by the Commission to confirm compliance with the Act and these regulations including the existence of adequate infrastructure, technical capacity, financial standing and other requisite benchmarks.

(3) The Commission, after conducting such inquiries and after obtaining such further information as it deems appropriate, and upon being satisfied,-

- (a) that the applicant is eligible for a licence;
- (b) its memorandum of association specifically allows it to act as a central depository;
- (c) the applicant is in compliance with the provisions of the Act and these regulations; and
- (d) it is in the public and capital market interest;

may grant licence to the applicant in Form-B under the sub-section (4) of section 49 of the Act subject to the conditions as provided in regulation 5.

(4) A central depository shall pay an annual renewal fee of rupees one million.

5. Conditions of licensing.- ¹[(1)] A central depository shall, in addition to the requirements of the Act, comply with the following conditions on ²[an] ongoing basis ²[or within such time as the Commission may direct]:-

- (a) ensure availability and maintenance of necessary infrastructure for the establishment and operation of book-entry systems for the transfer of securities;
- ³[(b) make adequate arrangements including insurance cover for indemnifying the beneficial owners of the securities for any loss that may be caused to such beneficial owners by the wrongful act, negligence or default of the depository or any of its employees for a minimum amount as may be annually determined by the central depository based on predetermined criteria as approved by the Commission from time to time;]
- (c) put in place adequate systems, procedures and necessary ⁴[capacity] capability to have a wide network of CDS elements;
- (d) put in place adequate monitoring, inspection and enforcement mechanism for CDS elements ⁵[including any outsourcing arrangements as allowed under these regulations];
- ⁶[(e) establish and maintain connectivity with the clearing house(s) and CDS elements and enter into service level agreement(s) with the securities exchange(s) and clearing house(s);]
- ⁷[(f) have a documented business continuity plan including a disaster recovery site;]
- ⁸[(fa) continuously improve the quality and efficiency of its systems and procedures, and attain relevant internationally recognized certifications;]

¹Renumbered by SRO 82(I)/2017 dated February 07, 2017.

²Word inserted by SRO 82(I)/2017 dated February 07, 2017.

³Clause (b) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

“(b) make adequate arrangements including insurance for indemnifying the beneficial owners for any loss that may be caused to such beneficial owners by the wrongful act, negligence or default of the depository or any of its employees;”

⁴Substituted for “capability” by SRO 82(I)/2017 dated February 07, 2017.

⁵Word inserted by SRO 1304(I)/2019 dated November 01, 2019.

⁶Clause (e) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

“(e) establish and maintain connectivity with the clearing house and CDS elements and have documented business continuity plan;”

⁷Clause (f) substituted by SRO 82(I)/2017 dated February 07, 2017.

“(f) ensure data secrecy and have systems for protection against unauthorized access, alteration, destruction, disclosure or dissemination of records and data;”

⁸Clause (fa) inserted by SRO 82(I)/2017 dated February 07, 2017.

- ¹[(fb) put in place necessary controls and safeguards to ensure cyber security, access to confidential information and alteration, destruction, disclosure or dissemination of records and data;]
- (g) put in place necessary arrangements, for resolving disputes and redressal of grievances of CDS elements, beneficial owners of securities, customers or any other person;
- ²[(h) comply with the code of corporate governance for listed companies to the extent consistent with the provisions of the Act, rules and regulations made thereunder;]
- (i) ensure that its memorandum and articles of association contain no provision inconsistent with the provisions of the Act and these regulations and that no change is made in its memorandum and articles of association except with the prior written approval of the Commission;
- (j) ensure that its directors shall not register ³[or allow] the transfer of any of its shares without prior written approval of the Commission;
- (k) shall facilitate access to its depository function by securities exchange, clearing house or other central depository;
- ⁴[(l) shall not carry on any activity other than that of a central depository unless the activity is incidental to the functions of the central depository:

Provided that a central depository may carry-out such activity which is not incidental to functions of a central depository, ⁵[directly or by forming subsidiary(ies),] as may be allowed by the Commission and subject to such conditions as may be imposed:

⁶[]

¹Clause (fb) inserted by SRO 82(I)/2017 dated February 07, 2017.

²Clause (h) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

“(h) comply with the code of corporate governance for listed companies or other requirements as may be specified by the Commission from time to time;”

³Words inserted by SRO 82(I)/2017 dated February 07, 2017.

⁴Clause (l) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

“(l) shall not carry on any activity other than that of a central depository unless the activity is incidental to the activity of the central depository;

Provided that a central depository may carry-out such activity not incidental to its activities as a central depository, as may be assigned by the Commission and subject to such conditions as may be imposed.

Provided further that a central depository may carry-out such activity not incidental to its activities as a central depository, by forming subsidiary(ies) subject to the approval of the Commission; and”

⁵Words inserted by SRO 994(I)/2018 dated August 10, 2018.

⁶Provisos deleted by SRO 994(I)/2018 dated August 10, 2018. Before omission these read as follows:-

“Provided further that, subject to the approval of the Commission, a central depository may carry-out such activity which is not incidental to functions of a central depository, by forming subsidiary(ies) subject to the approval of the Commission for formation of such subsidiary(ies) and investment in such subsidiary(ies):

Provided further that a central depository registered with the Commission prior to commencement of these regulations shall be required to transfer any such activity which is not incidental to its functions as a central depository to its subsidiary company(ies) within one year from the date of grant of licence under these regulations;”

- ¹[(1a) prescribe a code of conduct for its employees and ensure compliance with the same; and]
- (m) any further condition as may be imposed by the Commission from time to time.

¹Clause (1a) inserted by SRO 82(I)/2017 dated February 07, 2017.

CHAPTER III

Obligations of Central Depository

¹[(6) **Financial resource requirements**, - (1) An applicant seeking license under regulation 4 shall have an initial paid-up capital and net worth of not less than rupees one billion:

Provided that the Commission may require the applicant to achieve and maintain, as a licensing condition, a higher paid-up capital and net-worth in a progressive manner:

²[Provided further that a central depository registered with the Commission prior to commencement of this notification shall be required to maintain such minimum paid-up capital and net-worth and within such timelines as may be notified by the Commission.]

Explanation: For the purpose of these regulations, net worth shall be calculated as total assets less total liabilities ³[].]

⁴[7. **Application of fit and proper criteria**, - (1) The applicant and its promoters, substantial shareholders, directors and senior management officers shall at all times be fit and proper persons as per the criteria specified as Annexure-I:

Provided that while evaluating fit and proper criteria in respect of promoters and substantial shareholders of the central depository, the fit and proper criteria shall also be applied to the extent practical on the directors and majority shareholders of such promoters and substantial shareholders.]

¹Reg. 6 substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

“6. **Application of fit and proper criteria**, - The substantial shareholders, directors and senior management officers of a central depository shall at all times be fit and proper persons as per the criteria specified as Annexure-1.

Provided that in case of substantial shareholders, the requirements of fit and proper criteria shall also be applicable to the directors, sponsors and majority shareholders of such substantial shareholders to the extent as may be practical.

Provided further that, in addition to the relevant/applicable clauses, past track record including the history of regulatory compliance and any disciplinary action taken against such substantial shareholder by the relevant regulatory authority shall also be duly considered.”

²Proviso substituted by SRO 18(I)/2021 dated January 11, 2021. Before substitution it read as follows:-

“Provided further that a central depository registered with the Commission prior to commencement of these regulations shall be required to maintain minimum paid-up capital and net-worth within the timelines as provided below commencing from the date of grant of licence under the Act and these regulations:

Minimum Paid-up Capital	Minimum net-worth	Time period allowed
Rs. 1 billion	Rs.3 billion	Within 2 year
Rs. 2.5 billion	Rs.5 billion	Within 5 years
Rs. 4 billion	Rs.7 billion	Within 8 years”

³Words “less surplus on revaluation, if any, created upon revaluation of fixed assets” deleted by SRO 994(I)/2018 dated August 10, 2018.

⁴Reg. 7 substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

“7. **Financial resource requirements**, - (1) An applicant seeking license under regulation 4 shall have and maintain at all times, a minimum paid-up capital (net of losses) of rupees four billion and net worth of rupees seven billion.

Provided that an existing central depository shall meet these requirements within the time lines given below commencing from the date of publication of these regulations in the official gazette

Minimum Paid-up Capital	Minimum net-worth	Time period allowed
Rs. 1 billion	RS.3 billion	Within one year
Rs. 2.5 billion	Rs.5 billion	Within 3 years
Rs. 4 billion	Rs.7 billion	Within 5 years

¹[8. **Shareholding requirements.**-(1) No person other than the following shall, directly or indirectly, acquire or hold shares of a central depository:

- (a) a securities exchange or a connected company or the majority share holder of such securities exchange, or an associate of the majority shareholder of such securities exchange;
- (b) any of the following institutions subject to compliance with the conditions provided under sub-regulation (2) below:
 - (i) a financial institution operating as a development finance institution, an insurance company, or a non-banking finance company;
 - (ii) a licensed local or a foreign bank operating in Pakistan;
 - (iii) a local or foreign body corporate constituted or recognized for providing trading, custodial, clearing or settlement services in the securities market as may be approved by the Commission;
 - (iv) an institution engaged in providing financial services established outside Pakistan as may be approved by the Commission; or
 - (v) An institution as may be notified by the Commission from time to time:

Provided that any person other than the above holding shares in an existing central depository shall dispose of its shareholding to an eligible person within a time period of three years from the date of commencement of these regulations.

Explanation: For the purpose of these regulations, net worth shall be calculated as total assets less total liabilities less surplus on revaluation, if any, created upon revaluation of fixed assets.”

¹Regulation 8 substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

“8. Shareholding requirements.-(1) No person other than the following shall, directly or indirectly, acquire or hold shares of a central depository:

- a. A public financial institution operating as a development finance institution, an insurance company, and a non-banking finance company;
- b. A licensed local or a foreign bank operating in Pakistan;
- c. A licensed securities exchange;
- d. A local or foreign body corporate constituted or recognized for providing custodial, clearing or settlement services in the securities market as may be approved by the Commission;
- e. An institution engaged in providing financial services established outside Pakistan as may be approved by the Commission; or
- f. An institution as may be notified by the Commission from time to time.

Provided that any person other than the above holding shares in an existing central depository shall dispose of its share holding to an eligible person within a time period of three years from the date of commencement of these regulations.

- (2) Share holding in a central depository shall be subject to the following limits:
 - (a) collective shareholding of securities exchanges, directly or indirectly, shall not exceed forty percent;
 - (b) collective shareholding of persons residing outside Pakistan, directly or indirectly, shall not exceed twenty percent;
 - (c) a single shareholder, other than a securities exchange, directly or indirectly, shall not hold more than fifteen percent shares in a central depository.

Provided that any person holding shares in an existing central depository in excess of the above limits on the date of commencement of these regulations, shall bring its holding in accordance with the above specified limits within a time period of three years from the date of commencement of these regulations.”

(2) Shareholding in a central depository by institutions referred at clause (b) of sub-regulation (1) shall be subject to the following conditions:

- (a) the institution or any of its sponsors or directors are not associated person(s) of a TRE certificate holder or any of its sponsors or directors;
- (b) it complies with the capital requirements specified under the relevant provisions of applicable laws;
- (c) it has a minimum long-term credit rating, where applicable, not below A- or equivalent;
- (d) has the capacity and demonstrated the commitment to meet any capital call by the central depository in accordance with the requirements of the Act or regulations made thereunder;
- (e) its license for providing any financial services has not been suspended or cancelled by any regulatory authority during the last five years;
- (f) no investigation or enquiry conducted under the relevant laws has been concluded against it by the Commission, State Bank of Pakistan, National Accountability Bureau, Federal Investigation Agency or any other regulatory or government body, with any material adverse findings;
- (g) an order restraining, prohibiting or debarring it from providing any financial services has not been passed by any regulatory authority, government body or agency or a court of law; and
- (h) it has not been declared defaulter in payment of taxes.

(3) Shareholding in a central depository shall be subject to the following limits:

- (a) collective shareholding of ¹[all shareholders other than those mentioned at clause (a) of sub-regulation (1) above shall not exceed forty nine percent];
- (b) collective shareholding of persons residing outside Pakistan, directly or indirectly, shall not exceed ²[twenty five percent] ³[.];

⁴[Provided that shareholding of the following shall be excluded from the prescribed limit applicable to foreign investors:

- (i) shareholding of foreign strategic investors or foreign anchor investors in the securities exchange; and
- (ii) shareholding acquired by foreign investors in financial institutions, insurance companies and Development Finance Institutions which are shareholders of the Central Depository and listed at securities exchange, excluding shareholding held or acquired by foreign sponsors, promoters, or majority shareholders of such listed institutions.]
- (c) a single share holder, other than a securities exchange, directly or indirectly, shall not hold more than fifteen percent shares in a central depository.

¹Substituted for "securities exchanges, directly or indirectly, shall not exceed forty percent" by SRO 1417(I)/2021 dated November 03, 2021.

²Substituted for "twenty percent" by SRO 1031(I)/2026 dated June 16, 2026.

³Substituted for semi-colon by SRO 1031(I)/2026 dated June 16, 2026.

⁴Proviso inserted by SRO 1031(I)/2026 dated June 16, 2026.

(4) Any person holding shares in an existing central depository on the date of commencement of these regulations, shall comply with requirements of sub-regulations (2) and (3) above within a time period of three years from the date of commencement of these regulations.]

9. Composition of ¹[board] of directors and related matters.- (1) The board of directors of a central depository shall have following categories of directors:

- (a) Independent directors;
- (b) Shareholder directors; and
- (c) Chief executive officer.

Explanation: For the purposes of this clause the term “independent director” means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the ²[central depository], its associated companies, subsidiaries, holding company or directors. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest:

Provided that without prejudice to the generality of this explanation no director shall be considered independent if one or more of the following circumstances exist:

- (a) he/she has been an employee of the ²[central depository], any of its subsidiaries or holding company within the last three years;
- (b) he/she is or has been the chief executive officer of subsidiaries, associated company, associated undertaking or holding company ³[of a central depository] in the last three years;
- (c) he/she has, or has had within the last three years, a material business relationship with the ⁴[central depository] either directly, or indirectly as a partner, substantial shareholder or director of a body that has such a relationship with the ⁴[central depository] ⁵[;]
- (d) he/she has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from the applicant apart from a director’s fee or has participated in the ⁶[central depository’s] share option or a performance related pay scheme;
- (e) he/she is a close relative ⁷of the ⁵[central depository’s] promoters, directors or ⁷[substantial] shareholders:

Explanation: ⁸“close relative” means spouse(s), lineal ascendants and descendants and siblings;

- (f) he/she holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; or

¹Substituted for “Board” by SRO 82(I)/2017 dated February 07, 2017.

²Substituted for “applicant” by SRO 82(I)/2017 dated February 07, 2017.

³Words inserted by SRO 82(I)/2017 dated February 07, 2017.

⁴Substituted for “applicant” by SRO 82(I)/2017 dated February 07, 2017.

⁵Colon substituted by SRO 82(I)/2017 dated February 07, 2017.

⁶Substituted for “applicant’s” by SRO 82(I)/2017 dated February 07, 2017.

⁷Substituted for “major” by SRO 82(I)/2017 dated February 07, 2017.

⁸Inverted commas inserted by SRO 82(I)/2017 dated February 07, 2017.

¹[(g) he/she has served on the board for more than two terms from the date of his/her first appointment:

Provided that no individual shall serve as an independent director for more than three terms in total across all capital market infrastructure institutions i.e. securities exchanges, clearing houses, central depositories and futures exchanges:

Provided further that any person nominated as a director under sections 182 and 183 of the Ordinance shall not be taken to be an “independent director” for the above-mentioned purposes:

¹Regulation 9(1)(g) substituted by SRO 1064(I)/2023 dated August 10, 2023.

Provided further that in case of any ambiguity in determining independence of a person for the purposes of these regulations, the decision of the Commission shall be final and binding upon the central depository.]

²[(2) The central depository shall not have more than two directors associated with a TRE certificate holder on its board of directors and shall have independent directors not less than one third of its total directors.]

³[(3) An independent director shall be appointed by the board of directors of the central depository with prior written approval of the Commission in the following manner:

- (a) a central depository shall maintain a panel of fit and proper persons suitable for appointment as independent directors ⁴[in accordance with the guidelines issued by the Commission];
- (b) a minimum of two names from the panel maintained under clause (a) above shall be submitted by the central depository to the Commission for each vacancy for its approval;
- (c) the Commission may, if satisfied that a person is suitable for appointment as independent director grant its approval for the appointment of the selected person by the board of directors of the central depository:

Provided that where the Commission is not satisfied about the suitability of the proposed persons for appointment as a director, it may refer the matter back to the central depository for proposing other names after following the due process;

¹Regulation 9(1)(g) substituted by SRO 1064(I)/2023 dated August 10, 2023. Before substitution it read as follows:-
“(g) he/she has served on the board for more than ¹[three] consecutive terms from the date of ²[his/her] first appointment provided that such person shall be deemed “independent director” after a lapse of one term.

Provided that any person nominated as a director under sections 182 and 183 of the Ordinance shall not be taken to be an “independent director” for the abovementioned purposes.

Provided further that in case of any ambiguity in determining independence of a person for the purposes of these regulations, the decision of the Commission shall be final and binding upon the central depository.”

¹Substituted for “two” by SRO 1270(I)/2020 dated November 26, 2020. Earlier it was substituted for “three” by SRO 549(I)/2020 dated June 11, 2020.

²Substituted for “his” by SRO 82(I)/2017 dated February 07, 2017.

²Sub-regulation (2) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-
“(2) The central depository shall have independent directors not less than one third of its total directors.”

³Sub-regulation (3) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-
“(3) An independent director shall be appointed in the following manner:

- (a) A central depository shall forward to the Commission the names of persons to be appointed as independent directors. A minimum of two names shall be submitted to the Commission for each vacancy of independent directors for its approval.
- (b) The central depository shall ensure that independent directors are selected from diverse field of work with appropriate qualification and experience.”

⁴Words inserted by SRO 549(I)/2020 dated June 11, 2020.

¹[]

- (d) unless provided otherwise, the term of the independent directors so appointed shall be the same as that of the shareholder directors;
- (e) an independent director may be removed by the board of directors of the central depository with prior written approval of the Commission if such persons fails to comply with the fit and proper criteria;
- (f) any vacant position of an independent director shall be filled in the similar manner as provided for initial appointment of an independent director.]

(4) At least one independent director shall be present in the meeting of board of directors of ²[the] central depository to constitute the quorum.

³[Provided that this condition shall not be applicable in the case of first meeting of the board of directors after the election of directors in which the names of the independent directors are to be finalized for submission to Commission as per sub-regulation 9(3):

Provided further that in the first meeting of the board of directors after the election of directors in which the names of the independent directors are to be finalized no other matter shall be decided by the board of directors.]

(5) The chairman of the board of directors of a central depository shall be from amongst the independent directors.

(6) Every director and senior management officer of a central depository shall abide by the code of conduct to be formulated by the central depository in accordance with the guidelines specified at Annexure II.

⁴[(7) A central depository registered with the Commission prior to the commencement of these regulations shall ensure compliance with the provisions of this regulation within nine months from the date of commencement of these regulations.]

⁵[(8) The central depository shall obtain clearance from the Commission on the fit and propriety of the directors prior to their appointment or election, as the case may be, on the board of directors of the central depository and shall submit confirmation that it has evaluated the persons against the fit and proper criteria as provided under these regulations and has no adverse findings therein.]

¹Proviso deleted by SRO 1270(I)/2020 dated November 26, 2020. Earlier it was inserted by SRO 549(I)/2020 dated June 11, 2020. Before omission it read as follows:-

“Provided further that where the Commission is not satisfied about the suitability of person(s) proposed again by the central depository, the Commission shall appoint any such person as deemed appropriate as independent director of the central depository.”

²Substituted for “a” by SRO 82(I)/2017 dated February 07, 2017.

³Proviso inserted by SRO 549(I)/2020 dated June 11, 2020.

⁴Sub-regulation 7 substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

“(7) An existing central depository shall ensure compliance with the provisions of this regulation within three months from the date of commencement of these regulations.”

⁵Sub-regulation (8) inserted by SRO 549(I)/2020 dated June 11, 2020.

10. Appointment of chief executive officer.- ¹[(1) The appointment, renewal of appointment and termination of services of the chief executive officer of a central depository shall be made subject to prior approval of the Commission and for this purpose the term “removal and/or termination” shall include non-renewal of his contract.]

(2) The board of directors of a central depository shall determine the manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the chief executive officer.

²[(3) A chief executive officer shall be appointed by the central depository through following process:

- (a) a central depository shall shortlist names of three persons meeting the fit and proper criteria provided in these regulations and shall submit one name with its recommendation for approval of the Commission;
- (b) the Commission may, if satisfied that such person is suitable for appointment by the central depository as chief executive officer of the central depository, grant its approval for the same:

Provided that, if the Commission is not satisfied with the suitability of the proposed person for appointment as chief executive officer, it may refer the matter back to the central depository for proposing another name for consideration of the Commission.]

³[(4) The appointment of the chief executive officer shall be made for a period of three years, which may be renewed for one more term of three years, with the prior approval of the Commission:

Provided that a person may be appointed for third and final term of three years, based on exceptional performance that is substantiated by the board of directors through a rigorous review, subject to following a competitive hiring process and final review and approval by the Commission.]

¹Regulation 10(1) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution read as follows:-

“(1) The appointment, renewal of appointment and termination of service of the chief executive officer of a central depository shall be subject to prior approval of the Commission.

Explanation: For this purpose removal shall include non-renewal of the contract of chief executive officer.”

²Regulation 10(3) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution read as follows:-

“(3) A chief executive officer shall be appointed in the following manner:

- (a) A central depository shall forward to the Commission names of three persons meeting fit and proper criteria provided in these regulations for selection and approval of one of them as chief executive officer.
- (b) The Commission may, if satisfied that the person is suitable for appointment as chief executive officer of the central depository, grant its approval for the appointment of the selected person as chief executive officer of the central depository.”

³Regulation 10(4) substituted by SRO 1064(I)/2023 dated August 10, 2023. Before substitution it read as follows:-

“(4) The appointment of the chief executive officer shall be made for a period of three years subject to renewal with ¹[the] prior approval of the Commission.”

¹Word inserted by SRO 82(I)/2017 dated February 07, 2017.

11. Appointment of compliance officer.- ¹[(1) The appointment and termination of services of the compliance officer of a central depository shall be subject to prior written approval of the Commission.]

¹[(2) A compliance officer shall be appointed by the central depository through the following process:

- (a) a central depository shall shortlist names of three persons meeting the fit and proper criteria provided in these regulations and shall submit one name with its recommendation for approval of the Commission;
- (b) The Commission may, if satisfied that such person is suitable for appointment by the central depository as compliance officer of the central depository, grant its approval for the same:

Provided that, if the Commission is not satisfied with the suitability of the proposed person for appointment as compliance officer, it may refer the matter back to the central depository for proposing another name for consideration of the Commission.]

²[(3) The compliance officer shall be a dedicated position and must not have any other responsibilities except as listed below or any ancillary responsibility;

- (a) manage, lead and control the compliance and regulatory functions of the central depository ³[, unless otherwise outsourced to the extent permitted under these regulations];
- (b) develop, implement and monitor compliance policies, processes and procedures to cover all aspects relating to regulatory, operational and statutory obligations of the central depository;
- (c) handle matters relating to the regulations of the central depository, including regular review of the same to ensure their suitability and finalizing proposals for making new regulations or carrying out amendments in the existing regulations for the approval of the board of directors of the central depository;

¹Regulations 11(1) & (2) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution read as follows:-

(1) A central depository shall appoint a compliance officer, with prior written approval of the Commission, who shall be responsible for monitoring compliance of the central depository with the applicable legal and regulatory framework.”

“(2) A compliance officer shall be appointed in the following manner:

- (a) A central depository shall forward to the Commission names of three persons meeting fit and proper criteria provided in these regulations for selection and approval of one of them as compliance officer.
- (b) The Commission may, if satisfied that the person is suitable for appointment as compliance officer of the central depository, grant its approval for the appointment of the selected person as compliance officer of the central depository.

²Regulation 11(3) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution read as follows:-

“(3) The compliance officer shall independently report to the board of directors of the central depository any non-compliance of the applicable legal and regulatory framework.

Provided that where a compliance officer is convinced that the matter needs immediate attention of the Commission, it may simultaneously report to the Commission stating the reasons for such simultaneous reporting.”

³Words inserted by SRO 1304(I)/2019 dated November 01, 2019.

- (d) monitor compliance of the central depository and CDS elements with applicable legal and regulatory framework, policies and procedures and take enforcement action(s) under ¹[, unless otherwise outsourced to the extent permitted under these regulations] the applicable regulatory framework;
- (e) supervise or conduct any investigation, inspection or enquiry required to be conducted by a central depository ¹[, unless otherwise outsourced to the extent permitted under these regulations];
- (f) monitor the redressal of disputes, complaints or grievances arising out of handling of securities in the central depository system in a timely manner;
- (g) maintain effective liaison with the Commission in respect of the above stated matters ²[through periodic meetings and submission of reports as may be required by the Commission]; and
- (h) perform any other related function as may be assigned by the central depository or the Commission.]

³[(3A) The compliance officer shall functionally report to the board of directors of the central depository.

¹Words inserted by SRO 1304(I)/2019 dated November 01, 2019.

²Words inserted by SRO 549(I)/2020 dated June 11, 2020.

³Sub-regulations (3A) & (3B) inserted by SRO 82(I)/2017 dated February 07, 2017.

¹[(3B) In case of any non-compliance, the compliance officer shall take necessary action under the applicable regulatory framework and where the matter requires attention of the board of directors of the central depository, the same shall be reported immediately:

Provided that where a compliance officer is convinced that the matter also needs immediate attention of the Commission, he shall simultaneously report to the Commission stating the reasons thereof.]

(4) In case no action is taken by the board of directors within a reasonable time period or the compliance officer is of the view that the action taken by the board of directors is insufficient, ²[he] shall forthwith report the matter to the Commission.

(5) The compliance officer shall ³[] submit a comprehensive report on quarterly basis to the board of directors ⁴[and the Commission] regarding matters reported during the respective quarter, the corrective actions taken and their status ⁴[and shall submit such additional reports to the Commission as may be specified].

⁵[(6) The board of directors of the central depository shall put in place necessary mechanism to ensure that the compliance officer performs his functions in a transparent, equitable and timely manner.]

⁶**[11A. Outsourcing of compliance functions.-** (1) A central depository may enter into an arrangement with a securities exchange, with the prior approval of the Commission, for outsourcing its compliance function with respect to its CDS elements which are TRE certificate holders in the following manner:

- (a) the central depository shall enter into a service level agreement with the securities exchange for outsourcing the compliance function after obtaining approval of its board of directors with respect to shifting of employees and defining the role, responsibilities, duties, obligations of securities exchange, scope of services, remuneration of shifting compliance function, indemnification to the central depository and any other important matter;
- (b) upon signing the service level agreement and from the effective date provided in the agreement, the securities exchange shall, on the behalf of central depository, supervise or conduct any investigation, inspection or enquiry, in accordance with the service level agreement and the regulations of the securities exchange and central depository, required to be conducted by a central depository in respect of CDS elements which are TRE certificate holders;
- (c) the central depository shall maintain liaison with the chief regulatory officer of the securities exchange and jointly develop procedures for enabling the securities exchange in performing functions relating to monitoring compliance through inspections, investigation or enquiry in respect of CDS elements which are TRE certificate holders and for regular updating with respect to changes in the regulations.

¹Sub-regulations (3A) & (3B) inserted by SRO 82(I)/2017 dated February 07, 2017.

²Substituted for "it" by SRO 82(I)/2017 dated February 07, 2017.

³Comma deleted by SRO 82(I)/2017 dated February 07, 2017.

⁴Words inserted by SRO 549(I)/2020 dated June 11, 2020.

⁵Sub-regulation (6) inserted by SRO 82(I)/2017 dated February 07, 2017.

⁶Words inserted by SRO 1304(I)/2019 dated November 01, 2019.

(2) The central depository shall be fully liable and accountable for the compliance functions that are being outsourced to the same extent as if the functions were performed in-house.]

12. Manner of outsourcing of important functions.- (1) A central depository shall not outsource any of its functions without prior written approval of the Commission.

(2) The board of directors of a central depository shall be responsible for formulation and approval of outsourcing policy describing activities or the nature of activities that can be outsourced, the authorities who can approve outsourcing of such activities, and the selection of third party to whom it can be outsourced.

(3) The records relating to all activities outsourced shall be preserved centrally by the central depository so that the same is readily accessible for review by the board of directors, the Commission or any other authorized person.

(4) The central depository shall be fully liable and accountable for the activities that are being outsourced to the same extent as if the service were provided In-house. The facilities, premises or data involved in carrying out the outsourced activity by the service provider shall be deemed to be those of the central depository.

(5) The central depository shall take appropriate steps to ensure that third parties protect confidential information of both the central depository, its customers and other parties involved from intentional or inadvertent disclosure to unauthorized persons.

(6) The central depository desirous of outsourcing their activities shall not, however, outsource their core business activities ¹ [].

²[(7) The central depository may outsource its compliance function subject to compliance with the conditions specified in regulation 11A.]

CHAPTER IV

Audit and Accounts

13. General.- These obligations and duties of central depository under these regulations with respect to audit and accounts are in addition to the requirements of the Ordinance, the rules and regulations made thereunder and any directives issued thereunder.

14. Maintenance of accounting records.- (1) A central depository shall keep accounting and other records which shall sufficiently explain its business and transactions entered into (whether effected on its own behalf or on behalf of participants) and shall be such as to,-

- (a) disclose with accuracy the financial position at that time;
- (b) enable the central depository to prepare financial statements at any time and which comply with requirements of the law;
- (c) demonstrate whether the central depository is maintaining adequate financial resources to meet its business commitments;
- (d) demonstrate capacity of the central depository with respect to its duties, functions and operations under the Act and these regulation; and

¹Words “and compliance functions” deleted by SRO 1304(I)/2019 dated November 01, 2019.

²Sub-regulation (7) inserted by SRO 1304(I)/2019 dated November 01, 2019.

- (e) demonstrate its preparedness to manage any risk arising out of its duties, functions and operations

(2) The central depository shall ensure that all requirements with respect to accounting and audit under these regulations are updated in a timely manner.

(3) The central depository shall ensure that information which is required to be recorded under the Act and these regulations shall be recorded in such a way as to enable a particular transaction to be identified at any time and traced from initiation of the order to final settlement.

(4) All records required to be maintained under the Act and these regulations shall be arranged, filed, indexed and cross-referenced so as to permit prompt access to any particular record.

(5) The central depository shall preserve the records required under these regulations for a period of ten years from the date on which they are made and should seek clearance from the Commission before destruction of any of its records.

15. Appointment of auditor and related matters.- (1) A central depository shall ensure that it has appointed an auditor ²[from the list of approved auditors to conduct audit of central depository as notified by the Commission,] who has inter-alia the powers and duties specified under sub-regulation 3 and,-

- (a) those powers and duties are set out in an engagement letter;
- (b) the engagement letter is signed by the central depository and the auditor; and
- (c) the central depository retains a copy of the engagement letter.

(2) A central depository shall, within seven days, give written notice to the Commission of the appointment, removal or resignation of an auditor.

- (b) require from it such information and explanations as the auditor considers necessary for the performance of duties.

(3) The auditor appointed by a central depository shall have a right to, -

- (a) access to its accounting and other records and all other documents relating to its business including the documents required to be maintained under the Act and these regulations; and

(4) In preparing an ¹[auditor's] report of a central depository, the auditor shall carry out such relevant audit procedures as will enable him to form an opinion as to the matters required to be stated in the audit report.

³[]

¹Substituted for "auditor" by SRO 82(I)/2017 dated February 07, 2017.

²Words inserted by SRO 412(I)/2023 dated March 29, 2023.

³Regulation 15(5) deleted by SRO 962(I)/2022 dated June 23, 2022. Before omission it read as follows:-

"(5) The auditor's report shall state all the matters as are required to be stated in accordance with the requirements of the Ordinance and additionally must state whether in the opinion of the auditor.

- (a) an adequate internal control system commensurate with the size and nature of services performed by the central depository was implemented during the period; and
- (b) the compliance function had appropriate resources including the human resource and implemented effective compliance procedures and reporting mechanism which can be reasonably expected to ensure compliance with the applicable laws and detect and report any non-compliance in a timely manner."

(6) Where an auditor resigns or is removed by the central depository, a notice to that effect shall be sent to the Commission containing a statement signed by the auditor to the effect that there are no circumstances connected with his resignation or removal which the auditor considers should be brought to the attention of the Commission.

¹[(7) A central depository shall undergo a mandatory annual audit of its operations, regulatory functions and IT systems and any other systems or functions as specified by the Commission from time to time.]

²[(7A) For the purposes of the audit specified in sub-regulation (7) above, the central depository shall, ³[], appoint an independent auditor ⁴[from the list of approved auditors for a central depository as notified by the Commission, other than the auditor appointed under sub-regulation (1) above,] with relevant expertise who shall conduct such audit in accordance with the terms of reference specified in Annexure III.]

⁵[(7B) For the purposes of audit specified in sub-regulation (7) above, a central depository shall, at the minimum, rotate the auditor after every five years.]

(8) The ³[Commission] may appoint an auditor to carry out a special audit of the central depository, including ⁴[] regulatory compliance audit, at the expense of the central depository, in accordance with the terms of reference as specified in Annexure IV. The audit shall be carried out for such period as the Commission may direct at the time of appointing the auditor.

16. Submission of annual report.- (1) A central depository shall submit an annual report to the Commission within ⁵[four] months of the close of financial year, inter alia, containing the following information in addition to the requirements of section 61 of the Act;

- (a) audited financial statements containing information as required under the Act and these regulations;
- ⁶[(aa) audit report in respect of audit of operation s, regulatory functions and IT systems conducted under regulation 15 to demonstrate regulatory compliance of the central depository during the financial year;]
- (b) report of directors to shareholders;
- (c) statement of compliance with the code of corporate governance;
- (d) month-wise transaction volume and value;

¹Sub-regulation (7) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-
(7) The central depository shall appoint an auditor with the prior approval of the commission to carry out an audit of its systems every alternate year in accordance with the terms of reference specified in Annexure III.”

²Sub-regulation (7A) inserted by SRO 82(I)/2017 dated February 07, 2017.

³Words “with the prior approval of the Commission” deleted by SRO 412(I)/2023 dated March 29, 2023.

⁴Words inserted by SRO 412(I)/2023 dated March 29, 2023.

⁵Sub-regulation (7B) inserted by SRO 412(I)/2023 dated March 29, 2023.

³Substituted for “commission” by SRO 82(I)/2017 dated February 07, 2017.

⁴Word “a” deleted by SRO 82(I)/2017 dated February 07, 2017.

⁵Substituted for “three” by SRO 82(I)/2017 dated February 07, 2017.

⁶Inserted by SRO 82(I)/2017 dated February 07, 2017.

- (e) total number of participants, eligible securities and other elements along-with information with respect to addition or ¹[reduction] during the period;
- (f) summary of assets held under custody by the participants with the central depository;
- (g) names and brief profiles of members of ²[the] board of directors and senior management officers;
- (h) details of disciplinary actions taken, fines and penalties imposed and recovered;
- ³[(i) pattern of shareholding with name of each shareholder; and]
- (j) any other information that may be deemed material by the central depository for disclosure in the annual report.

⁴[(2) In addition to the submission of annual report to the Commission, the central depository shall place the annual report on its official website no later than one week from the date of its publication.]

17. Submission of information and returns.-(1) The central depository, with approval of its board of directors, shall submit to the Commission, within ⁵[two months] of the close of its financial year, a yearly performance report of the central depository against the approved targets and plans, highlighting in particular performance of the board of directors, chief executive officer and compliance officer of the central depository.

(2) The Commission may by written notice require a central depository to submit to it such periodic returns as it may direct.

(3) In addition to any periodic returns required under ⁶[sub-regulation (1) and (2)], the Commission may by written notice require a central depository, either generally or in a particular case or class of ⁷[cases], to submit to it such ⁸[other information or] exceptional returns as it may direct.

¹Substituted for "deletion" by SRO 82(I)/2017 dated February 07, 2017.

²Word inserted by SRO 82(I)/2017 dated February 07, 2017.

³Clause (i) substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

"(i) pattern of shareholding, giving names of persons holding more than 10% shares and all changes in the shareholding above 10%; and"

⁴Inserted by SRO 82(I)/2017 dated February 07, 2017.

⁵Substituted for "one month" by SRO 82(I)/2017 dated February 07, 2017.

⁶Substituted for "sub-regulation (1)" by SRO 82(I)/2017 dated February 07, 2017.

⁷Substituted for "case" by SRO 82(I)/2017 dated February 07, 2017.

⁸Inserted by SRO 82(I)/2017 dated February 07, 2017.

FORM A

**APPLICATION FOR GRANT OF LICENSE AS A CENTRAL DEPOSITORY
UNDER REGULATION 4**

The Securities and Exchange Commission of Pakistan
Islamabad

**Subject: Application for grant of license under regulation 4 of the Central Depositories
(Licensing and Operations) Regulations, 2016**

Dear Sir,

We/I on behalf of (name and address of applicant) hereby apply for grant of license as central depository for the purposes of the Securities Act, 2015 and the central Depositories (licensing and Operations) Regulations, 2016.

All the necessary information required under the laws is enclosed. Any additional information will be furnished as and when called for by the Commission.

We/I, on behalf of the applicant, hereby undertake to comply with the requirements of the laws and such other conditions and terms as may be communicated while granting the license or imposed subsequently.

Bank Challan No dated evidencing payment of license fee of rupees one million and collection charges into the designated bank account of the Securities and Exchange Commission of Pakistan is also enclosed

Yours sincerely,

Authorised signatory

FORM B

THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

License of a Central Depository under section 49 of the Securities Act, 2015

The Securities and Exchange Commission of Pakistan, having considered the application for grant of license under regulation 4 of the Central depositories (Licensing and Operations) Regulations, 2016 by (name and address of central depository) and being satisfied that it would be in the interest of the securities market and also in the public interest so to do, hereby grants license, in exercise of the powers conferred by section 49 of the Securities Act, 2015, to the said central depository on the day of 20 subject to the such conditions as stated in the attached letter or as may be imposed hereafter.

Seal of the Commission

Islamabad Signature of Officer

**Fit and Proper Criteria for the Central Depository and its Promoters, Substantial Shareholders,
Directors and Senior Management Officers**

Application and Scope

This Fit and Proper Criteria is perpetual in nature and its compliance is mandatory.

All persons subject to Fit and Proper Criteria must submit any change in the submitted information, including the financial soundness to the company secretary of the central depository within three business days and the central depository shall within a period of seven business days report the same to the Commission.

In addition to the applicant and its promoters and substantial shareholders eligibility of any person desiring to act as director on the board of directors or senior management officers of a central depository shall be judged on the basis of following criteria, which in the case of directors, shall be in addition to meeting requirements of the Ordinance relating to eligibility of a director:

(a) Financial Soundness and Integrity

- (i) The person should not have been adjudged as an insolvent or he should not have suspended payment of debts or compounded liabilities with its/his creditors.
- (ii) The person should not have 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 Company.
- (iii) The person and companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc., have no overdue payment to any investor, financial institution, securities exchange, commodity exchange, clearing company, central depository and/or defaulted in payment of any taxes in the individual capacity or as a proprietary concern or any partnership firm or as director in any unlisted and listed company.

Explanation: For the purposes of clause (iii) above, the central depository shall obtain Credit Information Bureau (CIB) reports from State Bank of Pakistan to determine any overdue/past due payment of the person to a financial institution. In case of any amount appearing in the overdue column of the latest CIB report, such person shall not be considered fit and proper person except:

- (a) where such overdue amount is under litigation and the same is also appearing as amount under litigation in CIB report; or
- (b) No overdue payment is appearing in the overdue column in the subsequent latest CIB report.

In case of overdue in CIB report, no rejection shall be made unless the person has been provided with an opportunity of making a representation before the Commission.

- (iv) The person should not have been a director and/or chief executive of any company or body corporate which has defaulted in payment of Government duties/taxes/cess or has misused customer/investor assets.
- (v) The person should be a tax payer and its/his name should be borne on the Active Tax Payers List regularly published by FBR.

¹Annexure I substituted by SRO 82(I)/2017 dated February 07, 2017.

Provided that this requirement shall not be applicable in the case of non-resident foreign nationals.

(b) Educational Qualification and Experience

(i) In case of director, the person should:

- a) be a member of a recognized body of professional accountants or possess a graduate degree in finance, accountancy, law, business management, commerce, economics, capital market, information technology and financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
- b) have a management or business experience including directorships, of at least seven years at a senior level preferably in the regulated financial services sector and other fields such as law, information technology etc.

Provided that where a person possesses more than 15 years of experience and knowledge of the capital markets, clearing houses, central depositories, commodities market, or in the areas relating to finance, corporate governance, audit, information technology etc. the minimum qualification requirement may be relaxed on case to case basis by the central depository, with prior approval of the Commission.

(ii) In case of chief executive officer, the person should:

- a) be a member of a recognized body of professional accountants or possess a postgraduate degree in finance, accountancy, business management, commerce, economics, capital market and financial services or other related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
- b) have a minimum experience of seven years in a senior management position at the central depository or has served at a senior management position preferably as chief executive officer for a period of five years in any other company of substantial size in the regulated financial services sector; and
- c) have demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position.

¹[(iii) Any other senior management officer must be a qualified professional possessing relevant experience and degree relating to the job/assignment and must have demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position.]

¹Clauses (iii) to (viii) deleted and clause (iii) inserted by SRO 549(I)/2020 dated June 11, 2020. Before omission, these read as follows:-

“(iii) In case of chief operating officer, the person should:

- a) be a member of a recognized body of professional accountants or possess a postgraduate degree in finance, accountancy, business management, commerce, economics, capital market and financial services or other related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
- b) have a minimum experience of seven years in a senior management position at the central depository or has served at a senior management position preferably as chief operating officer for a period of five years, in any other company of substantial size in the regulated financial services sector; and
- c) have demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position.

-
- (iv) In case of chief financial officer, the person should:
 - a) be a member of a recognized body of professional accountants or possess a postgraduate degree in finance, accountancy, business management, commerce, economics, capital market and financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - b) have preferably served as chief financial officer for a period of three years in any other company; or have:
 - i) a minimum experience of five years in related functions at the central depository; or
 - ii) served as head of finance, audit, compliance or other corporate functions for a period of four years in any other company.
 - (v) In case of compliance officer, the person should:
 - a) be a member of a recognized body of professional accountants or a recognized body of corporate or chartered secretaries or be a law graduate, or possess a postgraduate degree in finance, accountancy, business management, commerce, economics, capital market and financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent or a Certified Internal Auditor, or a Certified Fraud Examiner; and
 - b) have preferably served as chief compliance officer and/or head of internal audit for a period of three years in any other company; or have:
 - i) a minimum experience of five years in related functions at the central depository; or
 - ii) served as head of finance, audit, compliance or other corporate functions for a period of four years in any other company.
 - (vi) In case of head of internal audit, the person should:
 - (a) be a member of a recognized body of professional accountants or a Certified Internal Auditor or a Certified Fraud Examiner; and
 - (b) have preferably served as head of internal audit for a period of three years in any other company; or have:
 - (i) a minimum experience of five years in related functions at the central depository; or
 - (ii) served as head of finance, audit, compliance or other corporate functions for a period of four years in any other company.
 - (vii) In case of company secretary, the person should:
 - a) be a member of a recognized body of professional accountants or a recognized body of corporate or chartered secretaries; or be a law graduate or possess a post-graduate degree in finance, accountancy, business management, commerce, economics, capital market and financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - b) have preferably served as company secretary and/or compliance officer for a period of three years in any other company; or have:
 - i) a minimum experience of five years in related functions at the central depository; or
 - ii) served as head of finance, audit, compliance or other corporate functions for a period of four years in any other company.
 - (viii) In case of promoters and substantial shareholders of the central depository, such person should have on established and proven track record of successfully running a business enterprise for 3 to 5 years.”

- (viii) In case of head of information technology (IT) or head of IT security, the person should:
- a) possess a post-graduate degree in information technology or computer sciences or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - b) have a minimum relevant experience of five years in IT related functions at the central depository or has served as head of IT related services for a period of three years in any other company:
¹[Provided that if a central depository appoints or retains any person as senior management officer who was in the service of a TRE certificate holder or an associated company of such TRE certificate holder during the last six months, reasons for such appointment shall be recorded in writing by the central depository.]
- (ix) The person must be fully conversant with the duties of director or senior management officer, as the case may be, as specified under the statutes, rules and regulations, memorandum and articles of association and the code of corporate governance.
- (c) **Competency**
- (i) Membership, license or registration of the person or any company in which he was a director during the last five years has not been suspended/ cancelled on disciplinary grounds by the Commission, any other regulatory authority, any professional body, association or relevant entity.
 Provided that eligibility of a person may be considered on the basis of prior clearance obtained from any such organization that suspended/ cancelled the membership, license or registration.
 - (ii) No proceedings are pending with respect to the applicant's winding up, insolvency or analogous relief
 - (iii) The person has not been disqualified/ removed from the post of a key executive position of a company by the Commission or any other regulatory authority.

¹Proviso substituted inserted by SRO 549(I)/2020 dated June 11, 2020. Before substitution provisos read as follows:-

“Provided that a central depository shall not appoint or retain any person as senior management officer who was in service of a TRE certificate holder or an associated company of such TRE certificate holder during the last three years or who is above sixty years of age.

Provided further that in exceptional circumstances and reasons to be recorded in writing a central depository may extend the age limit of sixty years to sixty two years

Provided further that upon request of a central depository supported by cogent reasons, the Commission may consider allowing continuation of service of an existing senior management officer who does not fulfil the requirements prescribed above, on a case to case basis.”

(d) Integrity, Honesty and Reputation

- (i) The person should not have 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 moral turpitude, investments, financial/business misconduct, fraud/ forgery, breach of trust, financial crime etc. and/ or it has not been concluded by any regulatory authority that he has been associated with any unauthorized financial activity including illegal brokerage business.
- (ii) The person is not a party in litigation against the Commission in respect of any criminal offence or a matter relating to non-payment of customer claims or in any other manner prejudicial to the interest of customers and general public.
- (iii) No investigation/ enquiry, conducted under Section 139 of the Securities Act, 2015, 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 Ordinance, has been concluded against him by the Commission with adverse findings.
- (iv) The person has not defaulted on settlement of a customer complaint where such complaint has been adjudicated by the Commission or the securities exchange.
- (v) An order restraining, prohibiting or debaring him from dealing in the securities market or from accessing the capital market has not been passed; or penalty of rupees five hundred thousand or more has not been imposed on him by the Commission in the last three years, in respect of any laws administered by the Commission.

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

- (vi) The person should not have provided false or misleading information either to the Commission or to any of the regulatory body, securities exchange, central depository or a clearing house.
- (vii) The person should not have been actively involved in the management of a company whose registration or license has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to financial irregularities or malpractices;
- (viii) The person must not be ineligible, under the Ordinance or any other legislation from acting as a director or senior management officer; or
- (ix) The person should not have entered into a plea bargain arrangement with the National

Accountability Bureau.

- (x) In case of promoters and substantial shareholders, their majority shareholders and directors have proven track record of regulatory compliance with no major disciplinary action taken and any adverse comment provided by the relevant regulatory authority.

(e) Additional Criteria for Independent Directors

- (i) The person has no relationship with the central depository that would interfere with 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.

III - 268G

Pt. III, Rules & Regulations

Central Depository Regulations, 2016

- (ii) The person should not be a director, officer, sponsor or shareholder of a company holding TRE certificate or any holding or subsidiary company of such company.
- (iii) The person's family member is a/so not a director, officer or sponsor of a company holding TRE certificate and/ or the combined shareholding of the family members in such company(ies) does not exceed twenty percent.
- (iv) It shall be mandatory to disclose any shareholding in a listed company in such person's name or in the name of his family member or in the name of an entity being managed or controlled by him or his family member to the central depository and the Commission;
 - a. at the time of submission of initial information; and
 - b. on quarterly basis for the respective period,

Further, the central depository shall, during the tenure of independent director, disseminate the information relating to the trading in securities by such independent director to the securities exchange for public disclosure.
- (v) The person shall have no personal services contract(s) and shall not be currently serving as an employee and has not been employed at any position of the central depository within the past three years.
- (vi) The person shall not simultaneously be serving as a director on the board of more than seven listed companies.

Note:

- All directors must inform the central depository of any change in the submitted information that may potentially affect their status of directorship, within 48 hours of know/edge of such change.
- In case of any ambiguity in determination of fitness and propriety of a person in terms of this criteria, the decision of the Commission shall be final and binding upon the central depository.
- Along-with the application for licence as a central depository and on subsequent appointment;
 - (i) the applicant's directors and senior management officers shall submit duly filled form and affidavit given below:
 - (ii) the authorized person on behalf of the applicant and authorized person on behalf of the promoters and substantial shareholders shall submit the following duly filled Affidavit:

Farm for Information to be provided by Persons Desiring Prospective Directorship on the Board or a senior management officer of a central depository

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:

III - 268H

Annexure I

Company Law & Procedures

(g)	Contact details:												
	i) Residential address:												
	ii) Business address:												
	iii) Tel:												
	iv) Mobile:												
	v) Fax:												
	vi) E-mail:												
(h)	National Tax Number:												
(i)	Present occupation:												
(j)	Qualification {s}:												
	i) Academic:												
	ii) Professional:												
(k)	Experience: (Positions held during the last 10 years along with name and address of company/ institution) Information to be provided on the following sample format*:												
	<table border="1"> <thead> <tr> <th>Sr#</th> <th>Name of Organization</th> <th>Designation</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Company A</td> <td></td> <td>dd/mm/yy - dd/mm/yy</td> </tr> <tr> <td>2</td> <td>Company B</td> <td></td> <td>dd/mm/yy - dd/mm/yy</td> </tr> </tbody> </table>	Sr#	Name of Organization	Designation	Period	1	Company A		dd/mm/yy - dd/mm/yy	2	Company B		dd/mm/yy - dd/mm/yy
Sr#	Name of Organization	Designation	Period										
1	Company A		dd/mm/yy - dd/mm/yy										
2	Company B		dd/mm/yy - dd/mm/yy										
2.	In case of proposed director: 1. Nature of directorship: Executive Non-executive 2. Status of directorship: Independent director Shareholder director *Number of shares subscribed or held _____ Nominated by (name of shareholder) _____												
3.	In case of proposed director: Names of companies, firms and other organizations 0/ which the proposed person is presently a director, partner, office holder or major shareholder (Information to be provided on the following sample format*) <table border="1"> <thead> <tr> <th>Sr#</th> <th>Name of Organization</th> <th>Designation</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Company A</td> <td></td> <td>dd/mm/yy - dd/mm/yy</td> </tr> <tr> <td>2</td> <td>Company B</td> <td></td> <td>dd/mm/yy - dd/mm/yy</td> </tr> </tbody> </table>	Sr#	Name of Organization	Designation	Period	1	Company A		dd/mm/yy - dd/mm/yy	2	Company B		dd/mm/yy - dd/mm/yy
Sr#	Name of Organization	Designation	Period										
1	Company A		dd/mm/yy - dd/mm/yy										
2	Company B		dd/mm/yy - dd/mm/yy										
4.	In the case of nomination of director by a shareholder the date of board of directors' meeting in which the nomination of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors.)												
5.	Names of any persons on the board of the central depository who are related to he applicant.												

Signature _____

*use additional sheets if required

E2 2/15-07-2020

III - 268I

Pt. III, Rules & Regulations

Central Depository Regulations, 2016

Affidavit to be provided by persons subject to Fit and Proper Criteria (On Stamp Paper of Appropriate Value)

AFFIDAVIT

(name of central depository)

A. In case of an individual in his/her own capacity:

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/senior management officer of the ... (name of central depository) ... according to the fit and proper criteria specified for the position of directors/senior management officers of a central depository, 05 per the Central Depositories (Licensing and Operations) Regulations, 2016.
2. That I and the companies, firms, sole proprietorship etc. where I am a chief executive officer, director (other than nominee director), owner or partner etc. has no overdue payment of any financial institution.
3. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.
4. That I have no objection if ... (name of central depository) or the Commission requests or obtains information about me from any third party.
5. That I undertake to bring to the attention of the ... (name of central depository) any matter which may potentially affect my status for the position of director/senior management officer as per the fit and proper criteria specified in the Central Depositories (Licensing and Operations) Regulations, 2016.
6. That all the documents provided to ... (name of central depository) , are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.
7. That I will comply with any other condition as may be specified by the Commission.

B. In case of an individual as authorized person on behalf of promoter and substantial shareholder:

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/Passport No. _____, on behalf of (name of institution)..... being promoter/substantial shareholder of the ... (name of central depository) do hereby state on solemn affirmation as under:-

1. That (name of the institution) is eligible for being promoter/substantial shareholder of the (name of central depository) according to the fit and proper criteria specified as per the Central Depositories (Licensing and Operations) Regulations, 2016.
2. That (name of the institution) , and the companies, firms, sole proprietorship etc. associated with (name of the institution) , have no overdue payment to any financial institution.
3. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.
4. That {name of the institution} has no objection if the .. (name of central depository) .. or the Commission requests or obtains information about (name of the institution) from any third party .

5. That I undertake, on behalf of (name of the institution) that (name of the institution) will bring to the attention of the ... (name of central depository) ... any matter which may potentially affect its status as promoter/substantial shareholders of the ... (name of central depository) ... as per the fit and proper criteria specified in the Central Depositories (Licensing and Operations) Regulations, 2016.
6. That all the documents provided to (name of central depository) are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof

C. In case of an individual as authorized person on behalf of applicant:

I, _____ son/daughter/wife of _____ adult, resident of and holding CNIC/ Passport No. _____, an behalf of (name of the applicant) do hereby state on solemn affirmation as under:-

1. That (name of the applicant) is eligible for applying for licence as a central depository as per the Central Depositories (Licensing and Operations) Regulations, 2016.
2. That (name of the applicant) , and the companies, firms, sale proprietorship etc. associated with (name of the applicant) , have no overdue payment to any financial institution.
3. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.
4. That (name of the applicant) has no objection if the Commission requests or obtains information about (name of the applicant) from any third party.
5. That I undertake, an behalf of (name of the applicant) that (name of the applicant) will bring to the attention of the Commission any matter which may potentially affect its status as a central depository as per the licencing conditions and fit and proper criteria specified in the Central Depositories (Licensing and Operations) Regulations, 2016.
6. That all the documents provided by (name of applicant) are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof
7. That the (name of the applicant) will comply with any other condition as may be specified by the Commission.

DEPONENT

The Deponent is identified by me

Signature _____

ADVOCATE

(Name and Seal)

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

Signature _____

OATH COMMISSIONER FOR TAKING AFFIDAVIT]

¹Annexure I substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

“Annexure I

**FIT AND PROPER CRITERIA FOR SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND SENIOR
MANAGEMENT OFFICERS OF A CENTRAL DEPOSITORY**

APPLICATION AND SCOPE

This Fit and Proper Criteria is perpetual in nature and its compliance is mandatory.

All persons subject to Fit and Proper Criteria must submit any change in the submitted information through the company secretary of the central depository to the Commission.

In addition to the substantial shareholders of the applicant, eligibility of any person desiring to act as director on the board of directors or senior management officers of a central depository shall be judged on the basis of following criteria, which in the case of directors, shall be in addition to meeting requirements of the Ordinance relating to eligibility of a director:

(a) The Financial Status or Solvency

- (i) The person should not have been adjudged as an insolvent or he should not have suspended payment of debts or compounded liabilities with his creditors.
- (ii) The person should not have 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 an Non- Banking Financial Company.
- (iii) The person, in his Individual capacity or as director of a company, has not been in default of payment of dues owed to any investor, financial institution, or securities exchange, commodity exchange, clearing house, central depository and / or defaulted in payment of any taxes In the individual capacity or as a proprietary concern or any partnership firm or as director in any private unlisted and listed company.
- (iv) The person should not have been a director and/or chief executive of any company or body corporate which has defaulted in payment of Government duties/taxes/cess or has misused customer/investor assets.
- (v) The person should be a tax payer and his name should be borne on the Active Tax Payers List regularly published by FBR.

(b) Educational Qualification and Experience

- (i) In case of director, the person should:
 - a) be a member of a recognized body of professional accountants or possess a graduate degree in finance, accountancy, law, business management, commerce, economics, capital market, information technology and financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - b) have a management or business experience including directorships, of at least seven years at a senior level preferably in the regulated financial services sector and other fields such as law, information technology etc.

Provided that where a person possesses more than 15 years of experience and knowledge of the capital markets, central depositories, commodities market, or in the areas relating to finance, corporate governance, audit, information technology etc. the minimum qualification requirement may be relaxed on case to case basis by the central depository, with prior approval of the Commission.

Provided further that in case of independent director, such relaxation may be granted only by the Commission.

- (ii) In case of chief executive officer, the person should:
 - a) be a member of a recognized body of professional accountants or possess a postgraduate degree in finance, accountancy, business management, commerce, economics, capital market and financial services or other related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - b) have a minimum experience of seven years in a senior management position at the central depository or has served at a position equivalent to chief executive officer for a period of five years in any other company preferably in the regulated financial services sector; and

-
- c) have demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position.
 - (iii) In case of chief operating officer, the person should:
 - a) be a member of a recognized body of professional accountants or possess a postgraduate degree in finance, accountancy, business management, commerce, economics, capital market and financial services or other related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - b) have a minimum experience of seven years in a senior management position at the central depository or has served at a position equivalent to chief operating officer for a period of five years, in any other company preferably in the regulated financial services sector; and
 - c) have demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position.
 - (iv) In case of chief financial officer, the person should:
 - a) be a member of a recognized body of professional accountants or possess a postgraduate degree in finance, accountancy, business management, commerce, economics, capital market and financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - b) have preferably served as chief financial officer for a period of three years in any other company; or have:
 - i) a minimum experience of five years in related functions at the central depository; or
 - ii) served as head of finance, audit, compliance or other corporate functions for a period of four years in any other company.
 - (v) In case of chief risk officer and head of internal audit, the person should:
 - a) be a member of a recognized body of professional accountants, or a Certified Internal Auditor, or a Certified Fraud Examiner; and
 - b) have preferably served as chief risk officer and/or head of internal audit for a period of three years in any other company; or have:
 - i) a minimum experience of five years in related functions at the central depository; or
 - ii) served as head of finance, audit, compliance or other corporate functions for a period of four years in any other company.
 - (vi) In case of company secretary and compliance officer, the person should:
 - a) be a member of a recognized body of professional accountants or a recognized body of corporate or chartered secretaries; or be a law graduate or possess a post-graduate degree in finance, accountancy, business management, commerce, economics, capital market and financial services or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - b) have preferably served as company secretary and/or compliance officer for a period of three years in any other company; or have:
 - i) a minimum experience of five years in related functions at the central depository; or
 - ii) served as head of finance, audit, compliance or other corporate functions for a period of four years in any other company.
 - (vii) In case of head of IT, IT security or technology, the person should:
 - a) possess a post-graduate degree in information technology or computer sciences or related disciplines from a university recognized by the Higher Education Commission of Pakistan, or equivalent; and
 - b) have a minimum relevant experience of five years in IT related functions at the central depository or has served as head of IT related services for a period of three years in any other company.

Provided that upon request of a central depository supported by cogent reasons, the Commission may consider allowing continuation of service of an existing senior management officer who does not fulfil the requirements prescribed above, on a case to case basis.

- (viii) In case of substantial shareholders of the central depository, such person should have an established and proven track record of successfully running a business enterprise for 3 to 5 years.
- (ix) The person must be fully conversant with the duties of director or senior management officer, as the case may be, as specified under the statutes, rules and regulations, memorandum and articles of association and the code of corporate governance.

(c) Competency

- (i) Membership, license or registration of the person or any company in which he was a director during the last five years has not been suspended/ cancelled by the Commission, any other regulatory authority, any professional body, association or relevant entity.

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

- (ii) The person should not been disqualified/ removed from the post of a key executive position of a company by the Commission or any other regulatory authority.

(d) Integrity, Honesty and Reputation

- (i) The person should not have 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 moral turpitude, investments, financial/business misconduct, fraud/ forgery, breach of trust, financial crime etc. and/ or it has not been concluded by any regulatory authority that he has been associated with any unauthorized financial activity including illegal brokerage business.
- (ii) No investigation/ enquiry, conducted under Section 139 of the Securities Act, 2015, 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 Ordinance, has been concluded against him by the Commission with adverse findings.
- (iii) An order restraining, prohibiting or debarring him from dealing in the securities market or from accessing the capital market has not been passed; or penalty of Rs.500,000/- or more has not been imposed on him by the Commission in the last three years, in respect of any laws administered by the Commission.

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

- (iv) The person should not have provided false or misleading information either to the Commission or to any of the regulatory body, securities exchange, central depository or a clearing house.
- (v) The person should not have been actively involved in the management of a company whose registration or license has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to financial irregularities or malpractices;
- (vi) The person must not be ineligible, under the Ordinance or any other legislation from acting as a director; or
- (vii) The person should not have entered into a plea bargain arrangement with the National Accountability Bureau.

(e) Additional Criteria for Independent Directors

- (i) He has no relationship with the central depository that would interfere with him exercising independent professional judgment as a director and he can be reasonably perceived as being able to exercise independent business judgment without being subservient to any apparent form of interference.
- (ii) The person should not be a TRE certificate holder of any securities exchange in Pakistan or a director, officer, sponsor or direct shareholder of any TRE certificate holder of a securities exchange or any of holding or subsidiary company of such TRE certificate holder.

- (iii) The person's immediate family member is also not a TRE certificate holder or director, officer or sponsor of any TRE certificate holder of any securities exchange in Pakistan and/ or the combined shareholding of the immediate family members in any brokerage house does not exceed twenty percent.
- (iv) It shall be mandatory to disclose any holding in a listed security in such person's name or in the name of his immediate family member or in the name of an entity being managed or controlled by him or his immediate family member, or any change in such holding, to the central depository and the Commission;
- a. at the time of submission of initial information; and
- b. On quarterly basis for the respective period,
- for placement of the same on the website of central depository for public disclosure.
- (v) The person shall have no personal services contract(s) and shall not be currently serving as an employee and has not been employed at any position of the central depository within the past two years.
- (vi) The person shall not simultaneously be serving as a director on the board of more than seven listed companies.

Explanation: Immediate family member wherever referred in these criteria means spouse, children and parents.

Note:

- All directors must inform the central depository of any change in the submitted information that may potentially affect their status of directorship, within 48 hours of knowledge of such change.
- In case of any ambiguity in determination of fitness and propriety of a person in terms of this criteria, the decision of the Commission shall be final and binding upon the central depository.
- Any person desiring to act as director on the board of directors or appointed as senior management officer of the central depository shall submit duly filled attached form and undertaking given below:

Form for Information to be provided by Persons Desiring Prospective Directorship on the Board or a senior management office of a central depository

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) Information to be provided on the following sample format*:		
	Sr#	Name of Organization	Designation
	1	Company A	dd/mm/yy - dd/mm/yy
	2	Company B	dd/mm/yy - dd/mm/yy

E2 94-28-02-2017

III - 2680

Pt. III, Rules & Regulations

Central Depository Regulations, 2016

2.	In case of proposed director, 1. Nature of directorship: Executive Non-executive 2. Status of directorship: Independent director Shareholder director * Number of shares subscribed or held _____ Nominated by (name of shareholder) _____												
3.	In case of proposed director, Names of companies, firms and other organizations of which the proposed person is presently a director, partner, office holder or major shareholder (Information to be provided on the following sample format*) <table border="1"> <thead> <tr> <th>Sr#</th> <th>Name of Organization</th> <th>Designation</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Company A</td> <td></td> <td>dd/mm/yy - dd/mm/yy</td> </tr> <tr> <td>2</td> <td>Company B</td> <td></td> <td>dd/mm/yy - dd/mm/yy</td> </tr> </tbody> </table>	Sr#	Name of Organization	Designation	Period	1	Company A		dd/mm/yy - dd/mm/yy	2	Company B		dd/mm/yy - dd/mm/yy
Sr#	Name of Organization	Designation	Period										
1	Company A		dd/mm/yy - dd/mm/yy										
2	Company B		dd/mm/yy - dd/mm/yy										
4.	In the case of nomination of director by a corporate member the date of board of directors' meeting in which the nomination of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors.)												
5.	Names of any persons on the board of the central depository who are related to the applicant.												

Signature _____

*use additional sheets if required

Affidavit to be provided by Persons Desiring Prospective Directorship on the Board of the central depository or a senior management office of a central depository (On Stamp Paper of Appropriate Value)

AFFIDAVIT

(name of central depository)

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/senior management officer according to the Fit and proper Criteria specified for the position of directors/senior management officers of a central depository, as per the Central Depositories (Licensing and Operations) Regulations 2016.
2. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.
3. That I have no objection if the central depository or the Commission requests or obtains information about me from any third party.
4. That I undertake to bring to the attention of the central depository any matter which may potentially affect my status for the position of director/senior management officer as per the fit and proper criteria specified in the Central Depositories (Licensing and Operations) Regulations 2016.
5. That all the documents provided to the central depository, are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

DEPONENT

The Deponent is identified by me
Signature _____

ADVOCATE

(Name and Seal)

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

Signature _____

OATH COMMISSIONER FOR TAKING AFFIDAVIT"

Annexure II

**Guidelines for formulation of code of conduct for directors and senior management officers of a
Central Depository**

While formulating the code of conduct as required under the code of corporate governance, the board of directors of the central depository shall ensure that at-least the following areas are covered and duties and responsibilities of directors and senior management officers are accordingly defined in the said code of conduct:

1. Duties and Responsibilities of Directors and Senior Management Officers:

Every director and senior management officer shall:

- a) participate in the formulation and execution of strategies in the best interest of the central depository and contribute towards pro-active decision making;
- b) give benefit of their experience and expertise to the central depository and provide assistance in strategic planning and execution of decisions;
- c) endeavor to ensure that the central depository abides by all the provisions of the Act, the Ordinance, the Depositories Act, these regulations and other applicable rules, regulations, codes, guidelines, circulars and directions issued by the Commission from time to time;
- d) endeavor to ensure that the central depository takes steps commensurate to honor the time limit stipulated by the Commission for corrective action;
- e) not support any decision in the meeting of the board which may adversely affect the interest of investors and shall report forthwith any such decision to the Commission;
- f) place priority for redressing investor grievances and encouraging fair business practice so that the central depository becomes an engine for the growth of the securities market;
- g) endeavor to analyze and administer the central depository issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- h) submit the necessary disclosures/statement of holdings/ dealings in securities as required by the central depository or the Commission from time to time as per their regulations or Articles of Association or any directive of the Commission;
- i) unless otherwise required by law, maintain confidentiality and shall not divulge / disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains;
- j) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;
- k) perform their duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, their independence or objectivity or official duties;
- l) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of the central depository
- m) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the board of directors or required by law;

2. Meetings of the Board

Every Director of the central depository shall-

- a) endeavor to ensure that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within reasonable timeframe as the board of directors may determine for considering the remaining items; and
- b) endeavor to have the date of next meeting fixed at each board meeting in consultation with other members of the board.

3. Guidelines for conduct of independent directors

- a) In addition to the conditions stated above, independent directors shall endeavor to attend all the board meetings and they shall be liable to vacate office if they do not attend fifty percent of the total meetings of the board of directors in a calendar year.

¹[]

Further, the independent directors shall:

- ²[b)] participate constructively and actively in the committees of the board in which they are chairpersons or members;
- ²[c)] strive to attend the general meetings of the central depository;
- ²[d)] where they have concerns about the running of the central depository or a proposed action, ensure that these are addressed by the board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the board meeting;
- ²[e)] keep themselves well informed about the affairs and matters of the central depository and the external environment in which it operates;
- ²[f)] pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the central depository;
- ²[g)] ascertain and ensure that the central depository has an adequate and functional grievance resolution mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- ²[h)] report concerns about unethical behavior, actual or suspected fraud or violation of the code of conduct of the central depository; and
- ²[i)] acting within ³[their] authority, assist in protecting the legitimate interests of the central depository, shareholders and its employees.

¹Clause (b) deleted by SRO 82(I)/2017 dated February 07, 2017. Before omission it read as follows:-

“b) Independent directors shall endeavor to meet separately, at least once in six months to review the critical issues of the central depository.”

²Clauses (c) to (j) renumbered as (b) to (i) by SRO 82(I)/2017 dated February 07, 2017.

³Substituted for “its” by SRO 82(I)/2017 dated February 07, 2017.

¹[Annexure III**TERMS OF REFERENCE OF OPERATIONAL, REGULATORY AND SYSTEM AUDIT OF
CENTRAL DEPOSITORY UNDER REGULATION 15(7A)**

- (1) A central depository shall require an independent auditor to conduct operational and system audit in accordance with any or all of the following:
- (i) reviewing appropriateness of controls and safeguards mentioned at regulation 5(fb);
 - (ii) reviewing the information processing facilities of the central depository and the integrity of its central depository systems including:
 - (a) maintenance of security and confidentiality over the data of the CDS Elements;
 - (b) security over the physical operation of the central depository systems;
 - (c) backup and disaster control and recovery procedures for central depository systems; and
 - (d) access controls for central depository systems; and
 - (iii) assessing the integrity and accuracy of information generated by the central depository systems including, without limitation:
 - (a) internal controls over data input by the central depository; and
 - (b) processing and reporting of transaction data.
 - (iv) performing any other function or conducting audit of any other area as may be assigned by the Commission or central depository at the time of appointment of such auditor.
- (2) The TORs for regulatory compliance audit of a central depository may include off or any of the following procedures as may be specified by the Commission at the time of appointment of special auditor and any additional procedures that Commission may direct:
- (i) ensure compliance with the relevant regulatory framework, including but not limited to:
 - (a) The Securities Act, 2015;
 - (b) The Central Depositories Act, 1997;
 - (c) The Companies Ordinance, 1984;
 - (d) The Central Depositories (Licensing and Operations) Regulations, 2016;
 - (e) The regulations of the central depository as approved by the Commission under the Central Depositories Act, 1997 and/or the Securities Act, 2015;
 - (f) The policies, procedures, directives, guidelines, circulars issued/approved by the Commission or the board of directors of a central depository.
 - (ii) ensure compliance with the Memorandum of Association and Articles of Association of the central depository;
 - (iii) ensure existence of and compliance with Standard Operating Procedures relating to all major operational processes;
 - (iv) ensure that policies and procedures are formulated to identify and prevent conflict of interest of directors with the interest of capital market, investors and central depository and the same are complied with;
 - (v) ensure that central depository system and related functionalities operate in compliance with the requirements / approved regulations and procedures of the central depository;

¹Annexure III substituted by SRO 82(I)/2017 dated February 07, 2017.

- (vi) identify the roles and responsibilities of the Commission, the securities exchange(s), clearing house and central depository as per applicable regulatory framework and also evaluate the extent to which the respective roles and responsibilities overlap and require clear demarcation. Based on this, also prepare matrix outlining roles and responsibilities where two or more institutions are involved; and
- (vii) evaluate any other aspect of central depository functions that may be required by the Commission.]
- ¹[(viii) Assess that the scope, resources including human resource, procedures and reporting mechanism of the regulatory function including entity level compliance were adequate and effective to ensure compliance with relevant legal requirements and detect and report any non-compliance in a timely manner.]

¹Inserted by SRO 962(I)/2022 dated June 23, 2022.

Annexure III substituted by SRO 82(I)/2017 dated February 07, 2017. Before substitution it read as follows:-

“Annexure III

**TERMS OF REFERENCE OF SYSTEM AUDIT OF CENTRAL DEPOSITORY UNDER REGULATION
15(7)**

A central depository shall require an independent auditor to conduct audit of its system on every alternate year in accordance with any or all of the following:

- (1) reviewing the information processing facilities of the central depository and the integrity of its central depository systems including:
 - (a) maintenance of security and confidentiality over the data of the CDS Elements;
 - (b) security over the physical operation of the central depository systems;
 - (c) backup and disaster control and recovery procedures for central depository systems; and
 - (d) access controls for central depository systems; and
- (2) assessing the integrity and accuracy of information generated by the central depository systems including, without limitation:
 - (a) internal controls over data input by the central depository; and
 - (b) processing and reporting of transaction data.
- (3) performing any other function or conducting audit of any other area as may be assigned by the Commission or central depository at the time of appointment of such auditor.

Annexure -IV

TERMS OF REFERENCE (TORs) FOR THE SPECIAL AUDIT OR REGULATORY COMPLIANCE AUDIT OF A CENTRAL DEPOSITORY

The TORs for the special audit or regulatory compliance audit of a central depository may include all or any of the following procedures as may be specified by the Commission at the time of appointment of special auditor and any additional procedures that Commission may direct:

1. ensure compliance with the relevant regulatory framework, including but not limited to:
 - (a) Securities Act, 2015;
 - (b) Central Depositories Act, 1997;
 - (c) The Companies Ordinance, 1984;
 - (d) Central Depository (Licensing and Operations) Regulations, 2016;
 - (e) The regulations of the central depository as approved by the Commission under the Central Depositories Act, 2015 and/or the Securities Act, 2015;
 - (f) The policies, procedures, directives, guidelines, circulars issued/approved by the Commission or the board of directors of a central depository.
 2. ensure compliance with the Memorandum of Association and Articles of Association of the central depository;
 3. ensure existence of and compliance with Standard Operating Procedures relating to all major operational processes;
 4. ensure that policies and procedures are formulated to identify and prevent conflict of interest of directors with the interest of capital market, investors and central depository and are complied with;
 5. ensure that central depository system and related functionalities operate in compliance with the requirements of approved regulations and procedures of the central depository;
 6. identify the roles and responsibilities of the commission, the securities exchange(s), clearing house and central depository as per applicable regulatory framework and also evaluate the extent to which the respective roles and responsibilities overlap and require clear demarcation. Based on this, also prepare matrix outlining roles and responsibilities where two or more institutions are involved; and
 7. evaluate any other aspect of central depository functions that may be required by the Commission.
-

S.R.O. 19(I)/2021 dated Islamabad, the 11th January, 2021. - In exercise of the powers conferred under section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), read with clause (c) of section 48 of the Securities Act, 2015 (III of 2015) and regulation 6 of Central Depository (Licensing and Operations) Regulations, 2016, the Securities and Exchange Commission of Pakistan is please to notify that the “Central Depository” licensed under the said Securities Act, 2015 (III of 2015), shall be required to maintain-

- (i) Paid up capital of Rs. 4.00 billion by February 15, 2026; and
 - (ii) Net worth of Rs. 7.00 billion by February 15, 2026.”
-

Clearing Houses (Licensing & Operations) Regulations, 2016

S.R.O. 733(I)/2016 dated August 09, 2016.- In exercise of powers conferred by sub-section (1) of section 169 read with sections 22, 23, 24, 35, 36, 37 and 151 of the Securities Act, 2015, ¹[and sub-section (1) of Section 114 read with Sections 23, 24, 35, 37 and 95 of the Futures Market Act, 2016, (XIV of 2016)] the Securities and Exchange Commission of Pakistan hereby makes the following Regulations, the same have been previously published in the official Gazette vide S.R.O. 338(I)/2016 dated 15th April 2016 and also placed on its website as required under sub-section (4) of section 169 of the said Act, namely:-

Chapter I

Preliminary

1. Short title and commencement.- (1) These regulations shall be called the Clearing Houses (Licensing & Operations) Regulations, 2016.

(2) They shall come into force at once.

2. Definitions.- (1) In these regulations, unless there is anything repugnant in the subject or context:

- (a) “Act” means the Securities Act, 2015 (III of 2015);
- ²[(ab) “Companies Act” means the Companies Act, 2017 (XIX of 2017);]
- (b) “funds” means settlement guarantee fund established by the clearing house under section 26 of the Act;
- ²[(ba) “Future Act” means the Future Market Act, 2016 (XIV of 2016);]
- (c) “senior management officer” for the purposes of these regulations, in addition to the persons mentioned in clause (lviii) of section (2) ³[of the Act and clause (47) of Section (2) of Futures Act,] include the following, by whatever name called:
 - (i) company secretary;
 - (ii) chief financial officer;
 - (iii) head of internal audit;
 - (iv) head of information technology (IT);
 - (v) head of IT security; and
 - (vi) chief risk officer;
- (d) “trust” means the trust constituted by the trust deed under the Trust Act, 1882 (II of 1882); and

⁴[]

¹Words inserted by SRO 519(I)/2018 dated April 24, 2018. *SRO stated it as substitution

²Clause inserted by SRO 519(I)/2018 dated April 24, 2018.

³Substituted for “of the Act” by SRO 519(I)/2018 dated April 24, 2018.

⁴Clause (e) deleted by SRO 519(I)/2018 dated April 24, 2018. Before omission it read as follows:-

“(e) “Ordinance” means the Companies Ordinance, 1984 (XLVII of 1984);”

(2) Words and expressions used but not defined in these Regulations shall have the same meaning as assigned to them in the Act, ¹[the Future Act, the Companies Act], the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) or Central Depositories Act, 1997 (XIX of 1997) or any rules or regulations made thereunder.

Chapter II

Licensing of Clearing House

3. Application for grant of license.- ²[(1) Subject to compliance with the requirements of Sections 22 and 23 of the Act or Futures Act, as the case may be, and these regulations, an application for grant of license as a clearing house under the Act shall be submitted to the Commission on the format as provided in Form A and an application for license as a clearing house under Futures Act shall be submitted to the Commission on the format as provided in Form C.]

(2) An applicant seeking a license as clearing house ³[under the Act or the Futures Act] shall pay an amount of rupees one million as license fee ³[for each license] and submit the following documents along-with its application:

- (i) copy of challan evidencing payment of license fee;
- (ii) copies of memorandum of association and articles of association;
- (iii) proposed regulations under section 26 of the Act ⁴[or Futures Act, as applicable;]
- ⁵[(iiia) in case of application of license as a clearing house under the Act, the copies of agreements entered into by the applicant with securities exchange and central depository for performing functions allowed under the Act and these regulations; and]
- ⁶[(iv) in case of application of license as a clearing house under the Futures Act, copies of agreements with futures exchange for performing functions allowed under the Futures Act and these regulations:

Provided that an existing clearing house holding a valid license under the Act, may not be required to submit any documents or information unless otherwise required by the Commission, to obtain a license under the Futures Act, to act as a clearing house.]

(3) The Commission, while considering the application for license, may require the applicant to furnish such further information or clarification as it may deem appropriate.

¹Substituted for "the Ordinance" by SRO 519(I)/2018 dated April 24, 2018.

²Regulation 3(1) substituted by SRO 519(I)/2018 dated April 24, 2018. Before substitution it read as follows:-

"(1) Subject to compliance with the requirements of sections 22 and 23 of the Act and these regulations, an application for grant of license as a clearing house shall be submitted to the Commission in Form A."

³Words inserted by SRO 519(I)/2018 dated April 24, 2018.

⁴Substituted for "; and" by SRO 519(I)/2018 dated April 24, 2018.

⁵Clause (iiia) inserted by SRO 519(I)/2018 dated April 24, 2018.

⁶Clause (iv) substituted by SRO 519(I)/2018 dated April 24, 2018. Before substituted it read as follows:-

"(iv) copies of agreements entered into by the applicant with securities exchange(s) and central depository(ies) for performing functions allowed under the Act and these regulations."

(4) The applicant shall, if so required, appear before the Commission for a representation through a person duly authorized for this purpose in writing by the board of directors of the applicant.

(5) Any subsequent change in the information provided to the Commission at the time of filing of application under sub-regulation (2) and (3) above or any new agreement entered into by the clearing house in respect of matter(s) referred in clause ¹[(iiia) or (iv) of sub-regulation (2), as the case may be,] shall immediately be intimated to the Commission but not later than five working days from the date of such change or agreement, as the case may be.

(6) No application for grant of license made under sub-regulation (1) above shall be refused except after giving the applicant an opportunity of being heard.

4. Grant of license. (1) The Commission, while considering the application made under regulation 3, shall inter-alia take into account the following matters,-

- (a) the eligibility requirements of the Act ²[or Futures Act, as the case may be,] and these regulations have been complied with;
- (b) the applicant has demonstrated its ability to perform its duties in accordance with the provisions of the Act ²[or Futures Act, as the case may be,] and any rules and regulations made or codes, guidelines, directions and circulars issued thereunder;
- (c) the applicant has shareholding and governance structure as provided in these regulations; and
- (d) the applicant has the necessary infrastructure including but not limited to adequate office space, equipment, experienced human resources and technical capabilities, financial resources, policies, procedures, systems and controls to effectively and efficiently discharge its responsibilities as a clearing house.

(2) The Commission may inspect the premises of the applicant to determine whether it fulfills the eligibility criteria and may also require the applicant to submit reports from experts at the expense of the applicant in the manner specified by the Commission to confirm compliance with the Act ²[or Futures Act, as the case may be,] and these regulations including the existence of adequate infrastructure, technical capacity, financial standing and other requisite benchmarks.

(3) The Commission after conducting such inquiries and after obtaining such further information as it deems appropriate, and upon being satisfied,-

- (a) that the applicant is eligible for a licence;
- (b) the applicant is in compliance with the provisions of the Act ²[or Futures Act, as the case may be,] and these regulations;
- (c) Its memorandum of association specifically allows it to act as a clearing house; and
- (d) it is in the public and capital market interest;

³[may grant a license to the applicant on the format as provided in **Form-B or Form-D**, as under the sub-section (4) of Section 24 of the Act or Futures Act, as the case may be, subject to the conditions as provided in regulation 5].

¹Substituted for "(iv) of sub-regulation (2)," by SRO 519(I)/2018 dated April 24, 2018.

²Words inserted by SRO 519(I)/2018 dated April 24, 2018.

³Substituted for "may grant a license to the applicant in Form-B under the sub-section (4) of section 24 of the Act subject to the conditions as provided in regulation 5" by SRO 519(I)/2018 dated April 24, 2018.

(4) A clearing house shall pay an annual renewal fee of rupees one million.

5. Conditions of licensing.- A clearing house shall, in addition to the requirements of the Act ¹[or Futures Act, as the case may be,] comply with the following conditions on ongoing basis or within such period(s) as the Commission may direct while granting license under these regulations:-

- (a) ensure availability and maintenance of necessary infrastructure for timely clearing and settlement of trades and risk management;
- (b) ensure establishment, maintenance and operations of settlement guarantee fund in accordance with the provisions of the Act and any rules and regulations made thereunder, for guaranteeing to its clearing members the performance of market contracts;
- (c) put in place robust risk management system, efficient settlement procedures and necessary capabilities to have a network of clearing members;
- (d) obtain a central counter party (CCP) rating as and when required by the Commission from a rating agency as may be specified for the purpose;
- (e) put in place adequate monitoring, inspection and enforcement mechanism for clearing members ¹[, including any outsourcing arrangement as allowed under these regulations];
- (f) establish and maintain connectivity with the central depository(ies), clearing banks, securities exchanges ¹[or futures exchanges] and clearing members and enter into service level agreements with the securities exchanges and the central depository(ies);
- (g) have documented business continuity plan including a disaster recovery site;
- (h) continuously improve the quality and efficiency of its systems and procedures, including the attainment of relevant internationally recognized certifications;
- (i) put in place necessary controls and safeguards to ensure cyber security, access to confidential information and alteration, destruction, disclosure or dissemination of records and data;
- (j) put in place necessary arrangements for resolving disputes and redressal of grievances arising out of clearing and settlement of trades;
- (k) comply with the code of corporate governance for listed companies to the extent consistent with the provisions of the Act ¹[or Futures Act, as the case may be,] or these regulations;
- (l) ensure that its memorandum and articles of association contain no provision inconsistent with the provisions of the Act ¹[or Futures Act, as the case may be,] and these regulations and that no change is made in its memorandum and articles of association except with the prior written approval of the Commission;
- (m) ensure that its directors shall not register or allow the transfer of any of its shares without prior written approval of the Commission;
- (n) shall facilitate access to its clearing functions by securities exchange ²[or futures exchanges], central depository or other clearing house;

E2 16-10-12-19

¹Words inserted by SRO 1305(I)/2019 dated November 01, 2019.

²Words inserted by SRO 519(I)/2018 dated April 24, 2018.

- (o) shall not carry on any activity other than that of a clearing house unless the activity is incidental to the functions of the clearing house;

Provided that a clearing house may carry-out such activity which is not incidental to functions of a clearing house, its may be allowed by the Commission and subject to such conditions as may be imposed;

Provided further that, subject to the approval of the Commission, a clearing house may carry-out such activity which is not incidental to functions of a clearing house, by forming subsidiary(ies). A clearing house registered with the Commission on the date of commencement of these regulations shall be required to transfer any such activity which is not incidental to its functions as a clearing house to its subsidiary company(ies) within one year from the date of grant of license under these regulations;

- (p) prescribe a code of conduct for all its employees and ensure compliance with the same; and
- (q) any other conditions as may be specified by the Commission.

6. Financial resource requirements,- (1) An applicant seeking license under regulation 4 shall have an initial paid-up capital and net-worth of not less than rupees one billion.

Provided that the Commission may require the clearing house to maintain a higher paid-up capital and net-worth in a progressive manner:

Provided further that an existing clearing house shall, within a period of three months, or such extended period as may be allowed by the Commission, from the date of commencement of these regulations, submit a report by an independent expert appointed by the clearing house with approval of the Commission to evaluate current and projected risks associated with clearing house operations and recommend optimal levels of capital for the clearing house. The Commission will determine paid-up capital and net-worth requirements for the clearing house to be complied with in a progressive manner after review of the report of the expert.

Explanation: For the purpose of these regulations, net worth shall be calculated as total assets less total liabilities less surplus on revaluation, if any, created upon revaluation of fixed assets.

Chapter III

Obligations of Clearing House

7. Application of fit and proper criteria,- The applicant and its promoters, substantial shareholders, directors and senior management officers shall be fit and proper persons as per the criteria specified as Annexure-I:

Provided that while evaluating fit and proper criteria in respect of promoters and substantial shareholders of the clearing house, the fit and proper criteria shall also be applied to the extent practical on the majority shareholders and directors of such promoters and substantial shareholders.

8. Shareholding requirements,- (1) No person other than the following shall, directly or indirectly, acquire or hold shares of a clearing house:

- (a) a securities exchange or a connected company or the majority shareholder of such securities exchange, or an associate of the majority shareholder of such securities exchange;

- (b) a futures exchange or any connected company or the majority shareholder of such futures exchange or an associate of the majority shareholder of such futures exchange; or
- (c) any of the following institution subject to compliance with the conditions provided under sub-regulation (2) below:
 - (i) a financial institution operating as a development finance institution, an insurance company or a non-banking finance company;
 - (ii) a licensed local or a foreign bank operating in Pakistan;
 - (iii) a local or foreign body corporate constituted or recognized for providing trading, custodial, clearing or settlement services in the securities market ¹[or future market] as may approved by the Commission;
 - (iv) an institution engaged in providing financial services established outside Pakistan as may approved by the Commission; or
 - (v) any other institution as may be notified by the Commission from time to time.
- (2) Share holding in a clearing house by institutions referred at clause (c) of sub-regulation (1) shall be subject to the following conditions:
 - (a) the institution or any of its sponsors or directors are not associated person(s) of a TRE certificate holder or any of its sponsors or directors;
 - (b) it complies with the capital requirements specified under the relevant provisions of applicable laws;
 - (c) it has a minimum long-term credit rating as may be determined by the Commission from time to time;
 - (d) it shall give an undertaking that it shall meet any capital calls made by the clearing house in accordance with the requirements of the Act ¹[or Future Act] and the regulations made thereunder in proportion to its shareholding;
 - (e) its license for providing any financial services has not been suspended or cancelled by any regulatory authority during the last five years;
 - (f) no investigation or enquiry conducted under the relevant laws has been concluded against it by the Commission, State Bank of Pakistan, National Accountability Bureau, Federal Investigation Agency or any other regulatory or government body, with any adverse findings;
 - (g) an order restraining, prohibiting or debarring it from providing any financial services has not been passed by any regulatory authority, government body or agency or a court of law; and
 - (h) it has not been declared defaulter in payment of taxes.
- (3) Shareholding in a clearing house shall be subject to the following limits;
 - (a) collective shareholding of all shareholders other than those mentioned at clause (a) and (b) of sub-regulation (1) above shall not exceed forty nine percent;

¹Words inserted by SRO 519(I)/2018 dated April 24, 2018.

- (b) collective shareholding of persons residing outside Pakistan, directly or indirectly, shall not exceed ²[twenty five percent] ³[:]

⁴[Provided that shareholding of the following shall be excluded from the prescribed limit applicable to foreign investors:

- (i) shareholding of foreign strategic investors or foreign anchor investors in the securities exchange; and
- (ii) shareholding acquired by foreign investors in financial institutions, insurance companies and Development Finance Institutions which are shareholders of the Clearing House and listed at securities exchange, excluding shareholding held or acquired by foreign sponsors, promoters, or majority shareholders of such listed institutions.]

²Substituted for "twenty percent" by SRO 1030(I)/2026 dated June 16, 2026.

³Substituted for semi-colon by SRO 1030(I)/2026 dated June 16, 2026.

⁴Proviso inserted by SRO 1030(I)/2026 dated June 16, 2026.

- (e) a single shareholder, other than a securities exchange or a futures exchange, directly or indirectly, shall not hold more than fifteen percent shares in a clearing house:

(4) Any person holding shares in an existing clearing house on the date of commencement of these regulations shall comply with requirements of sub-regulation (2) and (3) above within a time period of three years from the date of commencement of these regulations.

9. Composition of board of directors and related matters. - (1) The board of directors of a clearing house shall have following categories of directors:

- (a) Independent directors;
- (b) Shareholder directors; and
- (c) Chief executive officer.

Explanation:- for the purpose of this clause the term “independent director” means a director who is not connected or does not have any other relations hip, whether pecuniary or otherwise, with the clearing house, its associated companies, subsidiaries, holding company or directors. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest:

Provided that without prejudice to the generality of this explanation, no director shall be considered independent if one or more of the following circumstances exist:

- (a) he/she has been an employee of the clearing house, any of its subsidiaries or holding company within the last three years;
- (b) he/she is or has been the chief executive officer of subsidiaries, associated company, associated undertaking or holding company of the clearing house in the last three years;
- (c) he/she has, or has had within the last three years, a material business relationship with the clearing house either directly, or indirectly as a partner, substantial shareholder or director of a body that has such a relationship with the clearing house:
- (d) he/she has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from the applicant apart from a director’s fee or has participated in the clearing house’s share option or a performance-related pay scheme;
- (e) he/she is a close relative of the clearing house’s promoters, directors or substantial shareholders:

Explanation: dose relative means spouse(s), lineal ascendants and descendants and siblings;

- (f) he/she holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; or

- ¹[(g) he/she has served on the board for more than two terms from the date of his/her first appointment:

¹Regulation 9(1)(g) substituted by SRO 1065(I)/2023 dated August 10, 2023.

Provided that no individual shall serve as an independent director for more than three terms in total across all capital market infrastructure institutions i.e. securities exchanges, clearing houses, central depositories and futures exchanges:

Provided further that any person nominated as a director under sections 182 and 183 of the Ordinance shall not be taken to be an “independent director” for the above-mentioned purposes:

Provided further that in case of any ambiguity in determining independence of a person for the purposes of these regulations, the decision of the Commission shall be final and binding upon the clearing house.]

(2) The clearing house shall not have more than one director associated with a TRE certificate holder on its board of directors and shall have independent directors not less than one third of its total directors.

(3) An independent director shall be appointed by the board of directors of the clearing house with prior written approval of the Commission in the following manner:

- (a) a clearing house shall maintain a panel of fit and proper persons sui table for appointment as independent directors ²[in accordance with the guidelines issued by the Commission];
- (b) a minimum of two names from the panel maintained under clause (a) above shall be submitted by the clearing house to the Commission for each vacancy, for its approval. The clearing house shall ensure that such persons are selected from diverse but relevant fields of work with appropriate qualification and experience;
- (c) the Commission may, if satisfied that a person is suitable for appointment as independent director grant its approval for the appointment of the selected person by the board of directors of clearing house.

Provided that where the Commission is not satisfied about the suitability of the proposed persons for appointment as a director, it may refer the matter back to the clearing house for proposing other names after following the due process.

³[]

¹Regulation 9(1)(g) substituted by SRO 1065(I)/2023 dated August 10, 2023. Before substitution it read as follows:-

“(g) he/she has served on the board for more than '[three] consecutive terms from the date of his first appointment provided that such person shall be deemed “independent director” after a lapse of one term. Provided that any person nominated as a director under sections 182 and 183 of the Ordinance shall not be taken to be an “independent director” for the abovementioned purposes.

Provided further that in case of any ambiguity in determining independence of a person for the purposes of these regulations, the decision of the Commission shall be final and binding upon the clearing house.”

¹Substituted for “two” by SRO 1271(I)/2020 dated November 26, 2020. Earlier it was substituted for “three” by SRO 546(I)/2020 dated June 11, 2020.

²Words inserted by SRO 546(I)/2020 dated June 11, 2020.

³Proviso deleted by SRO 1271(I)/2020 dated November 26, 2020. Earlier it was inserted by SRO 546(I)/2020 dated June 11, 2020. Before omission it read as follows:-

“Provided further that where the Commission is not satisfied about the suitability of person(s) proposed again by the clearing house, the Commission shall appoint any such person as deemed appropriate as independent director of the clearing house;”

- (d) unless provided otherwise, the term of the independent directors so appointed shall be the same as that of the shareholder directors;
 - (e) an independent director may be removed by the board of directors of the clearing house with prior written approval of the Commission if such persons fail to meet fit and proper criteria;
 - (f) any vacant position of an independent director shall be filled in the similar manner as provided for initial appointment of an independent director.
- (4) At least one independent director shall be present in the meeting of board of directors of the clearing house to constitute the quorum.

¹[Provided that this condition shall not be applicable in the case of first meeting of the board of directors after the election of directors in which the names of the independent directors are to be finalized for submission to Commission as per sub-regulation 9(3):

Provided further that in the first meeting of the board of directors after the election of directors in which the names of the independent directors are to be finalized no other matter shall be decided by the board of directors.]

(5) The chairman of the board of directors of a clearing house shall be from amongst the independent directors.

(6) Every director and senior management officer of a clearing house shall abide by the code of conduct to be formulated by the clearing house in accordance with the guidelines specified at Annexure-II.

(7) An existing clearing house shall ensure compliance with the provisions of this regulation within six months from the commencement of these regulations.

²[(8) The clearing house shall obtain clearance from the Commission on the fit and propriety of the directors prior to their appointment or election, as the case may be, on the board of directors of the clearing house and shall submit confirmation that it has evaluated the persons against the fit and proper criteria as provided under these regulations and has no adverse findings therein.]

10. Appointment of chief executive officer.- (1) The appointment, renewal of appointment and termination of services of the chief executive officer shall be made with the prior approval of the Commission and for this purpose the term "removal and/or termination" shall include non-renewal of his/ her contract.

(2) The board of directors of a clearing house shall determine the manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/appointment of the chief executive officer.

(3) A chief executive officer shall be appointed by the clearing house through following process:

¹Provisos inserted by SRO 546(I)/2020 dated June 11, 2020.

²Inserted by SRO 546(I)/2020 dated June 11, 2020.

- ¹[(a) a clearing house shall shortlist names of three suitable persons meeting fit and proper criteria provided in these regulations and shall submit one name with its recommendation for approval of the Commission.
- (b) the Commission may, if satisfied that such person is suitable for appointment by the clearing house as chief executive officer of the clearing house, grant its approval for the same:

Provided that, if the Commission is not satisfied with the suitability of the proposed person for appointment as chief executive officer, it may refer the matter back to the clearing house for proposing another name for consideration of the Commission.]

²[(4) The appointment of the chief executive officer shall be made for a period of three years, which may be renewed for one more term of three years, with the prior approval of the Commission:

Provided that a person may be appointed for third and final term of three years, based on exceptional performance that is substantiated by the board of directors through a rigorous review, subject to following a competitive hiring process and final review and approval by the Commission.]

11. Appointment and functions of chief regulatory officer,- ³[(1) The appointment and termination of services of the chief regulatory officer of a clearing house shall be subject to prior written approval of the Commission.]

(2) A chief regulatory officer shall be appointed by the clearing house through the following process:

¹Regulation 10(3)(a)&(b) substituted by SRO 160(I)/2017 dated March 14, 2017. Before substitution these read as follows:-

- “(a) a clearing house shall forward to the Commission names of three suitable persons meeting fit and proper criteria provided in these regulations for selection and approval for appointment of one of them as chief executive officer. The clearing house may recommend name of one of the candidates for consideration of the Commission.”
- “(b) the Commission may, if satisfied that the person is suitable for appointment by the clearing house as chief executive officer of the clearing house, grant its approval for appointment of a person from the three candidates as chief executive officer of the clearing house.

Provided that, if the Commission is not satisfied with the suitability of the proposed persons for appointment as chief executive officer, it may refer the matter back to the clearing house for proposing other names after following the due process.”

²Regulation 10(4) substituted by SRO 1065(I)/2023 dated August 10, 2023. Before substitution these read as follows:-

“(4) The appointment of the chief executive officer shall be made for a period of three years subject to renewal with the prior approval of the Commission.”

³Regulation 11(1) substituted by SRO 160(I)/2017 dated March 14, 2017. Before substitution it read as follows:-

“(1) A clearing house shall appoint a chief regulatory officer with prior written approval of the Commission.”

- ¹[(a) a clearing house shall shortlist names of three suitable persons meeting the fit and proper criteria provided in these regulations and shall submit one name with its recommendation for approval of the Commission.
- (b) The Commission may, if satisfied that such person is suitable for appointment by the clearing house as chief regulatory officer of the clearing house, grant its approval for the same:

Provided that, if the Commission is not satisfied with the suitability of the proposed person as chief regulatory officer, it may refer the matter back to the clearing house for proposing another name for consideration of the Commission.]

- (3) The chief regulatory officer shall be a dedicated position and must not have ²[any] other responsibilities except as listed below or any ancillary responsibility;
- (a) manage, lead and control the compliance and regulatory functions of the clearing house ³[, unless otherwise outsourced to the extent permitted under these regulations];

¹Regulation 11(2)(a)&(b) substituted by SRO 160(I)/2017 dated March 14, 2017. Before substitution these read as follows:-

- “(a) A clearing house shall forward to the Commission names of three suitable persons meeting fit and proper criteria provided in these regulations for selection and approval of one of them as chief regulatory officer. The clearing house may recommend name of one of the candidates for consideration of the Commission.
- (b) The Commission may, if satisfied that the person is suitable for appointment by the clearing house as chief regulatory officer of the clearing house, grant its approval for the appointment of a person from the three candidates as chief regulatory officer of the clearing house.

Provided that, if the Commission is not satisfied with the suitability of the proposed persons as chief regulatory officer, it may refer the matter back to the clearing house for proposing other names after following the due process.”

²Word inserted by SRO 160(I)/2017 dated March 14, 2017.

³Words inserted by SRO 1305(I)/2019 dated November 01, 2019.

- ¹[(b) develop, implement and monitor compliance policies, processes and procedures to cover all aspects relating to the regulatory, operational and statutory obligations of the clearing house;
- (c) handle matters relating to the regulations of the clearing house, including regular review of the same to ensure their suitability and finalizing proposals for making new regulations or carrying out amendments in the existing regulations for approval of the board of directors of the clearing house;]
- (d) monitor compliance of the clearing house and clearing members with a applicable legal and regulatory framework, policies and procedures and take enforcement actions under ²[, unless otherwise outsourced to the extent permitted under these regulations] the applicable regulatory framework;
- (e) supervise or conduct any investigation, inspection or enquiry required to be conducted by it clearing house ²[, unless otherwise outsourced to the extent permitted under these regulations];
- (f) monitor the redressal of disputes, complaints or grievances arising out of clearing and settlement of trades in a timely manner;
- (g) monitor appropriate utilization of settlement guarantee fund in accordance with the applicable legal framework;
- (h) monitor on regular basis the adequacy and efficiency of risk management system and its adherence with the risk management policies and procedures
- (i) maintain effective liaison with the Commission in respect above stated matters ³[through periodic meetings and submission of reports as may be required by the Commission]; and
- (j) perform any other related function as may be assigned by the clearing house or the Commission.
- (4) The chief regulatory Officer shall functionally report to the board of directors of the clearing house.
- (5) In case of any non-compliance, the chief regulatory officer shall take necessary action under the applicable regulatory framework and where the matter requires attention of the board of directors of the clearing house, the same shall be reported immediately.

Provided that where a chief regulatory officer is convinced that the matter also needs immediate attention of the Commission, it may simultaneously report to the Commission stating the reasons thereof.

¹Regulation 11(2)(b)&(c) substituted by SRO 160(I)/2017 dated March 14, 2017. Before substitution these read as follows:-

- “(b) develop, implement and monitor compliance policies, processes and procedures to cover all aspects of the clearing house regulatory, operational and statutory obligations;
- (c) handle matters relating to the regulations of the clearing house, including regular review of the same to ensure their suitability and finalizing proposals for amendments in the regulations for the approval of board of directors of the clearing house;”

²Words inserted by SRO 1305(I)/2019 dated November 01, 2019.

³Words inserted by SRO 546(I)/2020 dated June 11, 2020.

(6) In case no action is taken by the board of directors within a reasonable time period or the chief regulatory officer is of the view that the action taken by the board of directors is insufficient, he/she shall forthwith report the matter to the Commission.

(7) The chief regulatory officer shall, submit a comprehensive report on quarterly basis to the board of directors ¹[and the Commission] regarding matters reported during the respective quarter, corrective actions taken and their status ¹[and shall submit such additional reports to the Commission as may be specified].

(8) The board of directors of the clearing house shall put in place necessary mechanism to ensure that the chief regulatory officer performs his/her functions in a transparent, equitable and timely manner.

²**[11A. Outsourcing of compliance functions.-** (1) A clearing house may enter into an arrangement with a securities exchange, with the prior approval of the Commission, for outsourcing its compliance function with respect to its clearing members which are TRE certificate holders in the following manner:

- a) the clearing house shall enter into a service level agreement with the securities exchange for outsourcing the compliance function after obtaining approval of its board of directors with respect to shifting of employees and defining the role, responsibilities, duties, obligations of securities exchange, scope of services, remuneration of shifting compliance function, indemnification to the clearing house and any other important matter;
- b) upon signing the service level agreement and from the effective date provided in the agreement, the securities exchange shall, on the behalf of clearing house, supervise or conduct any investigation, inspection or enquiry, in accordance with the service level agreement and the regulations of the securities exchange and clearing house, required to be conducted by a clearing house in respect of clearing members which are TRE certificate holders;
- c) the clearing house shall maintain liaison with the chief regulatory officer of the securities exchange and jointly develop procedures for enabling the securities exchange in performing functions relating to monitoring compliance through inspections and investigation in respect of clearing members which are TRE certificate holders and for regular updating with respect to changes in the regulations.

(2) The clearing house shall be fully liable and accountable for the compliance functions that are being outsourced to the same extent as if the functions were performed in-house.]

¹Words inserted by SRO 546(I)/2020 dated June 11, 2020.

²Regulation 11A inserted by SRO 1305(I)/2019 dated November 01, 2019.

12. Constitution of risk committee- (1) A clearing house shall, with approval of its board of directors, constitute a risk committee for assisting it to develop risk management system policies and procedures.

(2) The risk committee shall comprise of independent directors, chief executive officer, chief regulatory officer, and industry experts. The chairman of risk committee shall be an independent director

(3) The board of directors of a clearing house shall determine the manner of appointment of members of risk committee including the selection criteria with the prior approval the Commission.

- (4) The risk committee shall be responsible for the following;
- (a) framing of risk management policies and procedures for the clearing house operations in line with in international standards and best practices;
 - (b) ensuring that the risk management system has the tools to identify and manage all relevant risks including the legal, credit, liquidity, general business, and operational risk including control measures and safeguards with respect to large exposures by clearing members and matters connected thereto;
 - (c) ensuring that margin requirements are commensurate with the risk of each product and portfolio, address procyclicality, avoid concentration and provide adequate coverage in conformity to international bench marks
 - (d) ensuring that risk management function has the capacity to obtain timely information necessary to apply risk-management policies and procedures which allow for the accurate and timely measurement and aggregation of risk exposures
 - (e) conducting or arranging to conduct studies, researches or analysis with respect to any or all of the components of risk management system of the clearing house;
 - (f) formulating policies and procedures to ensure continuous adequacy of the risk management model and its adherence to international standards including the policies for regular back testing, stress testing, reverse back testing and sensitivity analysis
 - (g) formulating policies for ensuring that a full validation of risk management model is performed at least annually;
 - (h) to meet at least once in each quarter to review adequacy of risk management system, policies and procedures and matter connected thereto; and
 - (i) to submit its recommendation(s) to the board of directors together with explanation of their purposes and likely effect, including their effect on the clearing house, clearing members and investors in sufficient details.

13. Chief Risk Officer,- (1) The clearing house shall appoint a chief risk officer to perform the following functions:

- (a) to lead risk management department of the clearing house;
- (b) to ensure implementation of risk management policies and procedures in an effective manner;
- (c) to assist risk committee in performing its functions including submission of periodic reports and information;
- (d) to timely bring to the information of risk committee any exceptional or urgent matter concerning or affecting the risk management system; and
- (e) perform any other related function as may be assigned by the clearing house or the Commission.

(2) The appointment and termination of services of the chief risk officer shall be made by the board of directors of the clearing house in consultation with the risk committee.

(3) The chief risk officer shall have a reporting line directly to the chief executive officer of the clearing house and shall have an additional reporting line to the chairman of the risk committee.

14. Manner of outsourcing of important functions,- (1) A clearing house shall not outsource any of its functions without prior written approval of the Commission.

(2) The board of directors of a clearing house shall be responsible for formulation and approval of outsourcing policy describing activities or the nature of activities that can be outsourced, the authority for approving outsourcing of such activities, and the selection of third party to whom it can be outsourced.

(3) The records relating to all activities outsourced shall be preserved centrally by the clearing house so that the same is readily accessible for review by the board of directors, the Commission or any other authorized person.

(4) The clearing house shall be fully liable and accountable for the activities that are being outsourced to the same extent as if the service were provided in-house.

(5) The clearing house shall take appropriate steps to ensure that third parties protect confidential information of both the clearing house, its customers and other parties involved from intentional or inadvertent disclosure to unauthorized persons.

(6) The clearing house desirous of outsourcing its activities shall not, however, outsource its core business activities ¹[].

²[(7) The clearing house may outsource its compliance function subject to compliance with the conditions specified in section regulation 11A.]

¹Words “and compliance functions” deleted by SRO 1305(I)/2019 dated November 01, 2019.

²Sub-regulation (7) inserted by SRO 1305(I)/2019 dated November 01, 2019.

15. Setting up of Fund,- ¹[(a) A clearing house licensed under the Act or Futures Act, as the case may be, shall establish and maintain a fund under irrevocable trust by constituting a trust deed not inconsistent with the provisions of the Act or Futures Act and rules or regulations made thereunder, for guaranteeing to its clearing members the performance of market contracts.]

(2) The clearing house while managing the fund shall provide requisite resources for efficient management of the fund. The clearing house may recover from the fund any actual expenditure incurred by it for this purpose.

(3) The clearing house shall, inter alia, make adequate provisions in its regulation in respect of size of the fund, contribution in to the fund, utilization of the fund, mode of replenishment of the fund, mode and manner of periodic review of the fund, mode and manner of appointment of trustees and their duties and obligations.

Chapter V*

Audit and Accounts

16. General,- The obligations and duties of clearing house under these regulations with respect to audit and accounts are in addition to the requirements of the ²[Companies Act], the rules and regulations made thereunder and any directives issued thereunder.

17. Maintenance of accounting records,- (1) A clearing house shall keep accounting and other records which shall sufficiently explain its business and transaction entered into and shall be such as to,-

- (a) disclose with accuracy the financial position at that time;
- (b) enable the clearing house to prepare financial statements at any time and which comply with requirements of the law;
- (c) demonstrate whether the clearing house is maintaining adequate financial resources to meet its business commitments;
- (d) demonstrate capacity of the clearing house with respect to its duties, functions and operations under the Act ¹[or Future Act] and these regulations; and
- (e) demonstrate its preparedness to manage any risk arising out of its duties, functions and operations.

(2) The clearing house shall ensure that all requirements with respect to accounting and audit under these regulations are updated in timely manner.

¹Regulation 15(1) substituted by SRO 519(I)/2018 dated April 24, 2018. Before substitution it read as follows:-

“(1) A clearing house licensed under the Act shall establish and maintain a fund under irrevocable trust by constituting a trust deed not inconsistent with the provisions of the Act and rules or regulations made thereunder, for guaranteeing to its clearing members the performance of market contracts.”

²Substituted for “Ordinance” by SRO 519(I)/2018 dated April 24, 2018.

*should be chapter IV

(3) The clearing house shall ensure that information which is required to be recorded under the Act ¹[or Future Act] and these regulations shall be recorded in such a way as to enable a particular transaction to be identified at any time and traced from initiation of the order to final settlement.

(4) All records required to be maintained under the Act ¹[or Future Act] and these regulations shall be arranged, filed, indexed and cross- referenced so as to permit prompt access to any particular record.

(5) The clearing house shall preserve the records required under these regulations for a period of ten years from the date on which they are made and should seek clearance from the Commission before destruction of any of its records.

18. Appointment of auditor and related matters,- (1) A clearing house shall ensure that it has appointed an auditor ¹[from the list of approved auditors to conduct audit of a clearing house as notified by the Commission,] who inter-alia has the powers and duties prescribed under sub-regulation 3 and,-

- (a) those powers and duties are set out in an engagement letter;
- (b) the engagement letter is signed by the clearing house and the auditor; and
- (c) the clearing house retains a copy of the engagement letter.

(2) A clearing house shall, within seven days, give written notice to the Commission of the appointment, removal or resignation of an auditor.

(3) The auditor appointed by a clearing house shall have a right to,-

- (a) access to its accounting and other records and all other documents relating to its business including the documents required to be maintained under the Act ²[or Future Act] and these regulations; and
- (b) require from it such information and explanations as the auditor considers necessary for the performance of duties.

(4) In preparing an auditor report of a clearing house, the auditor shall carry out such relevant audit procedures as will enable him to form an opinion as to the matters required to be stated in the audit report.

³[]

(6) Where an auditor resigns or is removed by the clearing house, a notice to that effect shall be sent to the Commission containing a statement signed by the auditor to the effect that there are no circumstances connected with his resignation or removal which the auditor considers should be brought to the attention of the Commission.

¹Words inserted by SRO 415(I)/2023 dated March 29, 2023.

²Words inserted by SRO 519(I)/2018 dated April 24, 2018.

³Regulation 18(5) deleted by SRO 959(I)/2022 dated June 23, 2022. Before omission it read as follows:-

“(5) The auditor’s report shall state all the matters as are required to be stated in accordance with the requirements of the ¹[Companies Act] and additionally must state whether in the opinion of the auditor;

- (a) an adequate internal control system commensurate with the size and nature of services performed by the clearing house was implemented during the period; and
- (b) the regulatory function had appropriate resources including the human resource and had implemented effective procedures and reporting mechanism which can be reasonably expected to detect and report any non-compliance in a timely manner.”

¹Substituted for “Ordinance” by SRO 519(I)/2018 dated April 24, 2018.

(7) A clearing house shall undergo a mandatory annual audit of its operations, regulatory functions and IT systems and any other systems or functions as specified by the Commission from time to time.

(8) For the purposes of the audit specified in sub-regulation (7) above, the clearing house shall, ¹[], appoint an independent auditor ²[from the list of approved auditors for a clearing house as notified by the Commission, other than the auditor appointed under sub-regulation (1) above] with relevant expertise who shall conduct such audit in accordance with the terms of reference specified in Annexure III.

³[(8A) For the purposes of audit specified in sub-regulation (7) above, a clearing house shall, at the minimum, rotate the auditor after every five years.]

(9) The Commission may appoint an auditor to carry out a special audit of the clearing house at the expense of the clearing house, in respect of all or any specific matter as specified in Annexure III or any matter specified by the Commission at the time of appointment of the auditor. The audit shall be carried out for such period as Commission may direct at the time of appointing the auditor.

19. Submission of annual report,- (1) A clearing house shall submit an annual report to the Commission within four months of the close of financial year, inter alia, containing the following information in addition to the requirements of section 37 of the Act ⁴[or Future Act];

- (a) audited financial statements containing information as required under the Act ⁴[or Future Act] and these regulations;
- (b) audit report in respect of audit of operations, regulatory functions and IT systems conducted under regulation 18 to demonstrate regulatory compliance of the clearing house during the financial year;
- (c) report of directors to shareholders;
- (d) statement of compliance with the code of corporate governance;
- (e) month-wise settlement volume and value in each market segment;
- (f) total number of clearing members, eligible securities ¹[or futures contracts] and other elements along-with information with respect to addition or deletion during the period;
- (g) summary of properties deposited as market collateral by the clearing members with the clearing house;
- (h) names and brief profiles of members of board of directors and senior management officers;
- (i) action taken to combat any emergency in settlement of securities ¹[or futures contracts];
- (j) names of clearing member defaulted during the year along with nature and amount of default and subsequent action(s) taken by the clearing house;
- (k) details of disciplinary actions taken, fines and penalties imposed and recovered,

E2 46-10/05-2023

¹Words “with the prior approval of the Commission” deleted by SRO 415(I)/2023 dated March 29, 2023.

²Words inserted by SRO 415(I)/2023 dated March 29, 2023.

³Sub-regulation (8A) inserted by SRO 415(I)/2023 dated March 29, 2023.

⁴Words inserted by SRO 519(I)/2018 dated April 24, 2018.

- (l) pattern of shareholding, and all changes in shareholding during the review period;
- (m) Opening balance, amounts contributed, amounts utilized and closing balance of each of the fund being maintained by the clearing house; and
- (n) any other information that may be deemed material by the clearing house for disclosure in the annual report.

(2) In addition to the submission of annual report to the Commission, the clearing house shall place the annual report on its official website no later than one week from the date of its publication.

20. Submission of information and returns,-(1) The clearing house, with approval of its board of directors, shall submit to the Commission, within one month of the close of its financial year, a yearly performance report of the clearing house against the approved targets and plans, highlighting in particular performance of the board of directors, chief executive officer and chief regulatory officer of the clearing house.

(2) The Commission may by written notice require a clearing house to submit to it such periodic returns as it may direct.

(3) In addition to any periodic returns required under sub-regulation (1), the Commission may by written notice require a clearing house, either generally or in a particular case or class of case, to submit to it such other information or exceptional returns as it may direct.

(Forms & Annexure not reproduced here due to sake of brevity)

**Companies
(Further Issue of Shares)
Regulations, 2020**

S.R.O. 231(I)/2020 dated March 16, 2020.- In exercise of the powers conferred under section 512 read with sections 58, ¹[82, 83 and 83A] of the Companies Act 2017 (XIX of 2017), the Securities and Exchange Commission of Pakistan is pleased to notify the following regulations, the same having been previously published in the official Gazette vide Notification No. S.R.O. 33(I)/2020 dated January 15, 2020, as required under proviso to sub-section (1) of the said section 512, namely:-

Chapter I

Preliminary

1. Short Title and Commencement.- (1) These regulations shall be called the Companies (Further Issue of Shares) Regulations, 2020.

(2) They shall come into force at once except in the case of issues announced on or before the date of these regulations.

(3) These regulations shall apply to the ²[listed] companies issuing further capital by way of:

- (i) right shares;
- (ii) other than right shares;
- (iii) bonus shares;
- (iv) employee stock option schemes; and
- (v) shares with differential rights including preference shares.

2. Definitions.- (1) In these regulations, unless there is anything repugnant in the subject or context,-

- (i) "Act" means the Companies Act, 2017 (XIX of 2017);
- ³[(ia) "Application Supported by Blocked Amount "(ASBA)" means an application for subscribing to shares, where money is blocked in the subscriber's respective bank account;]
- (ii) "issue of share at discount" means issue of share at a price below face value of such share;
- (iii) "further issue of shares" means issue of shares under section 83 of the Act and does not include Initial Public Offer or offer for sale of shares by any person holding shares in listed company or further issue of shares pursuant to any scheme of arrangement including merger, demerger, amalgamation etc.;

¹Substituted for "82 and 83" by SRO 1754(I)/2022 dated September 16, 2022.

²Word inserted by SRO 361(I)/2024 dated March 04, 2024.

³Clause (ia) inserted by SRO 1754(I)/2022 dated September 16, 2022.

- (iv) "exercise" means making of an application by an employee to a company for issue of shares against option vested in him in pursuance of a Scheme;
- (v) "exercise period" means the time period after vesting within which an employee may exercise his right to apply for shares against an option vested in him in pursuance of the Scheme;
- (vi) "exercise price" means the price payable by an employee for exercising an option granted to him in pursuance of the Scheme;
- (vii) "initial public offer or IPO" means first time offer of securities to the general public;
- (viii) "issue" for the purpose of these regulations, means further issue of shares;
- (ix) "issue size" means the total number of shares issued or proposed to be issued by a company;
- (x) "issue price" means the price per share at which shares are offered or issued;
- (xi) "issue of shares by way of other than right" means issue of shares out of the share capital of a company or body corporate to any person without right offer, either for cash or for consideration otherwise than in cash;
- (xii) "market price" for the purpose of a scheme means latest available closing price of the share on a securities exchange on which the shares of the company are listed and where share price is not traded on a given date, then the share price on the last trading day shall be considered;
- (xiii) "option" means a right but not an obligation granted to an employee in pursuance of a Scheme to apply for shares of a company at a pre- determined price;
- (xiv) "preference shares" mean the shares which carry or would carry such preferential rights or privileges as provided for in the articles of association of the company including but not limited to the following:
 - (a) carry preferential right over the rights of ordinary shareholders to receive dividend; preference dividend may be cumulative or non-cumulative;
 - (b) carry preferential right over the rights of ordinary shareholders to participate in profits of company;
 - (c) carry preferential rights over the rights of ordinary shareholders to be paid in the event of winding up of the issuer; and
 - (d) voting and non-voting rights
- (xv) "right issue" means the shares offered by a company to its members strictly in proportion to the shares already held in respective kinds and classes ;
- (xvi) "scheme" means an Employees Stock Option Scheme (ESOS) approved by the ¹[shareholders of the company through special resolution] in accordance with procedure and on conditions specified through these regulations;

¹Substituted for "Commission" by SRO 1754(I)/2022 dated September 16, 2022.

- (xvii) "schedule" means the schedule appended with these regulations.
- ¹[(xviii) "Sponsor" shall have the same meaning as assigned to it in clause (liv) of sub-regulation (1) of regulation 2 of Public Offering Regulations, 2017;]
- (xviii) "vesting" means to give or earn a right to apply for conversion of the options, granted under a scheme, into shares of the company; and
- (xix) "vesting period" means the period during which the vesting of an option granted to an employee in pursuance of a scheme takes place.
- (2) All terms and expression used but not defined in these regulations shall have the same meaning as assigned to them in the Act, the Securities Act, 2015 (III of 2015) and the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

Chapter II

Right Issue**3. Conditions for right issue.-****²[General Conditions]**

(1) Subject to requirements of section 83 of the Act, a ³[] company issuing right shares shall, comply with the following general conditions, namely.-

- (i) board shall approve the decision to increase share capital and the said decision shall be communicated on the same day to the Commission and to the securities exchange for public dissemination;
- (ii) Fractional shares, if any, shall not be offered and all fractions less than a share shall be consolidated and disposed of by the company and the proceeds from such disposition shall be paid to such of the entitled shareholders as may have accepted such offer;
- (iii) the decision of board shall clearly state the following-
 - (a) quantum of the issue i.e. as percentage of existing paid up capital;
 - (b) issue size;
 - (c) issue price;
 - (d) purpose of the issue;
 - (e) utilization of the proceeds of the issue;
 - (f) benefits of the issue to the company and its shareholders;
 - (g) risks, if any, associated with the issue to which the company and/or its members are exposed to;
 - (h) justification for issue of shares at, premium or at discount to face value (if applicable);
 - ⁴(i) minimum subscription amount; and
 - (j) provision of ASBA facility (optional).]
 - ⁵[(k) Justification for issuing different kind and class of shares, if applicable;]

¹Inserted by SRO 361(I)/2024 dated March 04, 2024.

²Inserted by SRO 1754(I)/2022 dated September 16, 2022.

³Word "listed" deleted by SRO 361(I)/2024 dated March 04, 2024.

⁴Sub-clauses inserted by SRO 1754(I)/2022 dated September 16, 2022.

⁵Sub-clause inserted by SRO 1665(I)/2025 dated August 29, 2025.

- (iv) where announcement of the issue of bonus and right shares is made simultaneously, the resolution of the board shall specify whether such bonus shares qualify for right entitlement or not;
- ¹[(v) The letter of offer, accompanied with a circular as required under sub-section (3) of section 83 of the Act, on a format as provided in schedule 1 to these regulations, shall be sent to all members along with copy of the extract of the resolution of the board's meeting approving the right issue;]
- (vi) A ²[] company may issue right shares at face value or at premium to face value provided the directors and substantial shareholders of the company undertake in writing that:
 - (a) they will subscribe the right shares to be offered to them as per their right entitlement or arrange subscription for the same through other persons; and
 - ³[(b) the balance of the right issue is underwritten through an underwriter or consortium of underwriters, licensed by the Commission to undertake underwriting of securities, not being associated companies or associated undertakings of the issuer:

Provided that if any of the directors and substantial shareholders of the company do not provide an undertaking to subscribe to the right shares offered to them as per clause (a) above, then such portion, along with the portion in sub-clause (b), shall be underwritten as mentioned in sub-clause (b);]
- ⁴[(vii) ⁵[] the letter of offer of right shall be dispatched or credited within the time period as specified by the listing's regulations of the securities exchange;
- (viii) ⁶[an] issuer shall not be eligible to make a right issue if the issuer at the time of right issuance is placed on Pakistan Stock Exchange (PSX) ⁷[non-compliant segment or winding-up segment.]

¹Clause (v) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution it read as follows:-

“(v) the letter of offer under section 83 of the Act and information specified in Schedule I to these regulations, shall be sent to all the members along with copy of the extract of the resolution of the board's meeting approving the right issue; and”

²Word “listed” deleted by SRO 361(I)/2024 dated March 04, 2024.

³Sub-clause (b) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution it read as follows:-

“(b) the balance of the right issue is underwritten through at least two underwriters, not being associated companies or associated undertakings of the issuer;

Explanation: An underwriter may enter into sub-underwriting arrangement through sub-underwriting agreement in writing provided such sub-underwriter is licensed by the Commission to undertake underwriting of securities.”

⁴Clauses (vii) to (xvii) inserted by SRO 1754(I)/2022 dated September 16, 2022.

⁵Words “in case of a listed company,” deleted by SRO 361(I)/2024 dated March 04, 2024.

⁶Substituted for “a listed” by SRO 361(I)/2024 dated March 04, 2024.

⁷Substituted for “defaulter counter” by SRO 2458(I)/2025 dated December 16, 2025.

Provided that this condition will not be applicable on the companies wherein the purpose of the right issue is repayment of the respective overdues or removing defaults ¹[that resulted in placement of the company on the PSX's non-compliant segment or winding-up segment];

- (ix) ²[an] issuer shall not be eligible to make right issue if it is not cooperating in an investigation or inspection ordered by the Commission;
- (x) if the whole or any part of the shares offered by the issuer is declined or is not subscribed, the directors may allot such shares in such manner as they may deem fit within a period of thirty days from the close of the offer or within such extended time not exceeding thirty days with the approval of the Commission;
- (xi) right shares shall only be offered for consideration only in cash;
- (xii) right shares shall not be subscribed for consideration of already injected funds in the issuing company by the subscriber either in the form of loan or any other consideration;
- (xiii) if the board of directors fail, within extended time, to allot shares or underwriters fail to take up the unsubscribed portion, the unsubscribed right issue will be extinguished. In such cases, in addition to any other action specified under the Act against the board, the underwriter will be barred for three years from underwriting any issue of any listed issuer;
- (xiv) subject to compliance with the requirement of section 82 of the Act, a company may issue right shares at a discount to face value: provided that-
 - (a) the issue is underwritten in the form and manner as stated in clause (vi) of this sub-regulation; and
 - ³(b) appropriate disclosures are made in line with the requirements of these Regulations;]
- (xv) the ⁴[] Issuer shall not, at any time changes or deviate from the purpose of utilization of proceeds of right issue earlier disclosed to the members through Schedule 1;
- (xvi) in exceptional circumstances, the issuer may change the purpose of proceeds utilization subject to passing of special resolution and offering an exit opportunity to dissenting shareholders who have not agreed to the change in purpose of proceeds utilization;
- (xvii) the mechanism for an exit offer opportunity shall be as under-
 - (a) EOGM notice in respect of any change in the purpose of proceeds utilization of the issue as disclosed in the offer document shall be given along with draft special resolution as required under the provisions of the Act;

¹Words inserted by SRO 2458(I)/2025 dated December 16, 2025.

²Substituted for "a listed" by SRO 361(I)/2024 dated March 04, 2024.

³Sub-clause (b) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution it read as follows:-
 "(b) appropriate disclosures in line with the size of the issue are made;"

⁴Word "listed" deleted by SRO 361(I)/2024 dated March 04, 2024.

- (b) subject to approval of special resolution as defined in the Act, the shareholders who have dissented against the special resolution and conveyed their dissent to the company secretary under intimation to PSX, shall be provided an opportunity to exit;
- (c) during the exit opportunity, shares shall be purchased by sponsors of the issuer;
- (d) purchase price per share shall be average market price of the period between last date of payment against right issuance and the date of passing of special resolution;
- (e) the exit offer shall be executed by the sponsors with in a period of thirty (30) days from the date of passing of special resolution.]

¹[(2) In addition to compliance with the general conditions, provided in sub-regulation (1), a company issuing right shares shall comply with the following additional requirements,-

- (i) The board of directors of the issuing company shall, prior to announcement of the right issue, ensure that the issuing company, its sponsor(s), promoter(s), substantial shareholder(s) and directors shall not have overdues or defaults irrespective of the amount appearing in the report obtained from Credit Information Bureau:

Provided that clause (i) shall not apply to independent director(s) and the nominee director(s) of the government and financial institution(s)/ creditor(s);

²[Provided further that clause (i) shall not apply if the aforesaid persons obtain No Objection Certificate from the respective financial institution(s), in relation to right issue.]

- (ii) the company shall prepare and its board shall approve the draft offer document ³[];
- (iii) the Offer document shall contain all disclosures, as referred to in Schedule I of these regulations, and such disclosure should be true and complete and enable the applicants to take an informed investment decision;

¹Sub-regulation (2) substituted by SRO 361(I)/2024 dated March 04, 2024. Earlier regulations (2) & (3) substituted by SRO 1754(I)/2022 dated September 16, 2022. Before substitution by SRO 361(I)/2024, it read as follows:-

“(2) In case the right issue size cumulatively during a financial or a calendar year is less than or equal to Rs.750 million or 50% of the paid-up capital of the listed company issuing right shares, whichever is lower, the listed company, in addition to compliance of the general conditions, provided in sub-regulation (1), shall-

- (i) simultaneously place Schedule 1 on the website of Securities Exchange along with sending it to all the members with copy of the extract of the resolution of the board's meeting approving the right issue;
- (ii) Offer letter dispatched to all shareholders should include the copy of Schedule 1;
- (iii) the book closure for the issue shall be made within thirty (30) days from the date of board resolution or within such time period as approved by the Commission;”

Before substitution by SRO 1754(I)/2022, it read as follows:-

“(2) Subject to compliance with the requirements of section 82 of the Act, a company may issue right shares at discount to face value provided the issue is underwritten in the form and manner as stated in sub-regulation (1).”

²Proviso inserted by SRO 64(I)/2026 dated January 13, 2026.

³Words “in English and Urdu language” omitted by SRO 1665(I)/2025 dated August 29, 2025.

- (iv) the draft offer document shall be submitted to PSX and the Commission within ¹[3 working days] of the date of announcement and it shall be the discretion of the company to seek public comments on the offering document and in such case, the company shall simultaneously place the draft offer document on the PSX and company's website. The public can submit its comments within ¹[5 days] of placement;
- ²[(iv)(a) The draft offer document shall be submitted to the Commission along with the following information:
- i. complete list of associated companies;
 - ii. father's name and CNIC number of sponsors, promoters, substantial shareholders, and directors; and
 - iii. CUIIN of the associated companies to the Commission ³[/].]
- (v) PSX and the Commission shall, within ⁴[5 working days] of the filing of draft offer document ⁵[along with submission of complete information], share their observations and changes with the company, if any;
- (vi) the board shall ensure that draft offer document is updated in light of the public comments, (if opted for), and PSX and the Commission comments/ observations, and shall submit final offer document to PSX and the Commission within ⁶[5 days] from the date of comments/ observations. Simultaneously, the Board shall also disclose in tabular form on PSX and company website as per the Schedule II, all the comments received along with the explanations as to how they are addressed;
- ⁷[(vi)(a) company shall ensure that book closure must be started for determination of right shares entitlement within 7 working days of the date on which the final offer document is placed on PSX website.
- Provided that 7 working days shall also include notice period for book closure and book closure period shall not be more than one (1) day.]
- (vii) the final offer document shall be placed on PSX website along with book closure dates, and relevant right issuance timelines in accordance with Section 83 of the Act; and
- (viii) the sponsors shall retain their entire shareholding for one year or project completion ⁸[,] whichever is later.]

¹Substituted for "45 days" & "7 days" by SRO 1665(I)/2025 dated August 29, 2025.

²Clause (iv)(a) inserted by SRO 1665(I)/2025 dated August 29, 2025.

³Words "along with the application" omitted by SRO 64(I)/2026 dated January 13, 2026.

⁴Substituted for "15 days" by SRO 1665(I)/2025 dated August 29, 2025.

⁵Words inserted by SRO 1665(I)/2025 dated August 29, 2025.

⁶Substituted for "20 days" by SRO 1665(I)/2025 dated August 29, 2025.

⁷Clause (vi)(a) inserted by SRO 1665(I)/2025 dated August 29, 2025.

⁸Comma inserted by SRO 1665(I)/2025 dated August 29, 2025.

¹[]²[]

¹Sub-regulation (3) deleted by SRO 361(I)/2024 dated March 04, 2024. Earlier regulation (3) substituted by SRO 1754(I)/2022 dated September 16, 2022. Before omission by SRO 361(I)/2024, it read as follows:-

“(3) In case the right issue size cumulatively during a financial or a calendar year exceeds Rs.750 million or 50% of the paid up capital of the listed company issuing right shares, whichever is higher, the listed company, in addition to compliance of the general conditions, provided in sub-regulation (1), shall comply with the following conditions, namely:-

- (i) no company shall issue right exceeding the above referred threshold if the issuing company, its sponsor, promoter, substantial shareholder and directors have overdue or defaults irrespective of the amount appearing in the report obtained from Credit Information Bureau;
- (ii) the company shall prepare and its board shall approve the draft offer document in easily understandable English and Urdu language;
- (iii) the Offer document shall contain all disclosures, as referred to in Schedule I of these regulations. and such disclosure should be true and adequate and enable the applicants to take an informed investment decision;
- (iv) the draft offer document shall be submitted to PSX and the Commission within 45 days of the date of announcement and it shall simultaneously be placed by the listed company on the PSX and company's website. It shall be the discretion of the company and its board to seek public comments on the offering document and in such case, the public can submit its comments within 7 days of placement;
- (v) PSX and the Commission shall, within 15 days of the filing of draft offer document, share their observations and changes with the company, if any;
- (vi) the board shall ensure that draft offer document is updated in light of the public comments, (if opted for), PSX and the Commission comments/observations, and shall submit final offer letter to PSX within 20 days from the date of comments/ observations, whichever is later. Simultaneously, the Board shall also disclose in tabular form on PSX and company website as per the Schedule II, all the comments received along with the explanations as to how they are addressed;
- (vii) the final offer document shall be placed on PSX website along with book closure dates, and relevant right issuance timelines in accordance with Section 83 of the Act;
- (viii) the sponsors shall retain their entire shareholding for one year or project completion whichever is later;
- (ix) the statutory auditor shall monitor the proceed utilization till 95% of the proceeds are utilized in the manner referred to in the final offer letter, and shall submit half yearly report to the issuer. The issuer will include the report, along with its comments, if any, in its half yearly and annual financial statements.”

Before substitution by SRO 1754(I)/2022, it read as follows:-

“(3) The book closure for the issue shall be made within thirty days from the date of the board's resolution or within such time period as approved by the Commission.”

²Sub-regulation (4) deleted by SRO 1754(I)/2022 dated September 16, 2022. Before substitution it read as follows:-

“(4) In case of a listed company, the letter of offer of right shall be dispatched or credited within the time period as specified by the listings regulations of the securities exchange.”

III - 926(1)

Pt. III, Rules & Regulations

Co's (Further Issue of Shares) Reg., 2020

(5) Right issue once announced by the board of a ¹[] company shall not be varied, postponed, withdrawn or cancelled ²[except that it will stand extinguished in case it is not completed within the timeline ³[] and manner specified with in these regulations.]

⁴[(6) The company can opt for announcing minimum subscription amount being less than the total amount of right announced. In instant scenario, the company in addition to complying with the requirements ⁵[] as mentioned in Regulation 3, shall comply with the following conditions,-

- (i) minimum subscription amount should not be less than 90% of size of right issue;
- (ii) directors/substantial shareholders undertake in writing that they will subscribe the right shares to be offered to them as per their right entitlement to the extent of their proportion of minimum subscription;
- ⁶[(iii) public portion of minimum subscription shall be underwritten through an underwriter or consortium of underwriters, licensed by the Commission to undertake underwriting of securities, not being associated companies or associated undertakings of the issuer;]
- (iv) right entitlement letter will be traded on PSX ⁷[].

(7) The company can opt for ASBA facility for receiving of right proceeds and in case the company announces the option of ASBA facility it, in addition to complying with the requirements ⁸[] as provided in regulation 3, shall also comply with the following conditions,-

- (i) the company or banker to the issue, upon receipt of instructions from the subscriber, immediately block the subscription money in respective account of the subscriber;
- (ii) in case of subscribers other than ASBA, if the company fails to refund the subscription amount within 15 days, it shall be liable to pay penalty of 15% per annum to the subscriber along with the subscription amount.]

¹Word "listed" deleted by SRO 361(I)/2024 dated March 04, 2024.

²Full stop substituted and words inserted by SRO 1754(I)/2022 dated September 16, 2022.

³Word "line" deleted by SRO 361(I)/2024 dated March 04, 2024.

⁴Sub-regulations (6) & (7) inserted by SRO 1754(I)/2022 dated September 16, 2022.

⁵Words "(as applicable depending upon the size of the right issue)" deleted by SRO 361(I)/2024 dated March 04, 2024.

⁶Clause (iii) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution it read as follows:-

"(iii) public portion of minimum subscription shall be underwritten by the underwriter, not being associated company or associated undertakings of the issuer;"

⁷Words " , risk and rewards shall be sole liability of the investors" deleted by SRO 361(I)/2024 dated March 04, 2024.

⁸Words "(as applicable depending upon the size of the right issue)" deleted by SRO 361(I)/2024 dated March 04, 2024.

Chapter III**Bonus Issue**

4. Conditions for bonus issue.- (1) A company, in accordance with the provisions of its articles of association, may issue bonus shares subject to the following conditions, namely:-

- (i) the issue of bonus shares is approved by the board;
- (ii) ¹[] the resolution of board approving to issue bonus shares is communicated to the Commission and the securities exchange on the same day i.e. on the day of the decision;

(2) The decision of the board to issue bonus shares, once announced, shall not be varied, postponed, withdrawn or cancelled.

²[(3) A company shall commence book closure for determining entitlement to bonus issue within 7 working days of the board's resolution.

Provided that 7 working days shall also include notice period for book closure and book closure period shall not be more than one (1) day.]

Chapter IV**Issue of Shares by Way of Other than Right Offer**

5. Conditions for issue of shares by way of other than right offer.- (1) A ²[] company may issue further shares, by way of other than right, under sub-section (1) ⁴[(b)] of section 83 of the Act subject to the following general conditions, namely.:-

- ⁵[(i) the issue is proposed by the board and the said decision shall be communicated on the same day to the Commission and to the securities exchange, where the Company is listed, for public dissemination;]
- (ii) the aforesaid proposal of the board clearly states the following-
 - (a) proposal of the board to issue shares without right offer is subject to approval of the shareholders and the Commission;
 - (b) quantum of the issue both in terms of the number of shares and percentage of paid up capital before and after the issue;
 - (c) issue price per share and justification for the same;
 - (d) consideration against which shares are proposed to be issued i.e. cash or other than cash;
 - (e) name of person(s), their brief profile, existing shareholding, if any, in the company, to whom the shares are proposed to be issued;
 - (f) purpose of the issue;
 - ⁵[(f)(a) justification for issuing different kind and class of shares, if applicable;]
 - (g) justification for issue of the shares by way of other than right;
 - (h) benefits of the issue to the company and its members;

¹Words "in case of a listed company," deleted by SRO 361(I)/2024 dated March 04, 2024.

²Sub-regulation (3) inserted by SRO 1665(I)/2025 dated August 29, 2025.

³Word "public" deleted by SRO 361(I)/2024 dated March 04, 2024.

⁴Word inserted by SRO 1665(I)/2025 dated August 29, 2025.

⁵Clause (i) substituted by SRO 1665(I)/2025 dated August 29, 2025. Before substitution it read as follows:-

"(i) the issue is proposed by the board;"

⁶Sub-clause (f)(a) inserted by SRO 1665(I)/2025 dated August 29, 2025.

- (i) breakup value per share as per the latest available audited and reviewed accounts;
- (j) consent of the person(s) to whom the shares are to be issued is(are) obtained;
- (k) the proposed new shares shall rank pari passu in all respects with the ¹[respective kind and class of] existing ²[] shares of the company. In case the proposed new shares are different from the issued ordinary shares in any respect, then the board's decision must state the differences in detail
- (l) average market price of the share, ³[] during the last three months preceding the board's decision as well as the latest available market price; and
- (m) where shares are proposed to be issued for consideration other than in cash, the value of non-cash assets or services or intangible assets shall be determined by a valuer:

Provided that the valuation shall not be older than six months from the date of submission of the application to the Commission ⁴[and the valuers must be registered as per the requirements of ⁵[these regulations]].

⁶[Provided further that the requirements of sub-regulation 5(1)(ii)(b), (c), (e), (i), (j), (l) and (m) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event.

Explanation:- For the purpose of these regulations the expression "future contingent event" is an event emanating from legal or regulatory requirements that may or may not occur in future and it can reasonably be determined that the required information for issuance of shares by way of other than right offer in such event is not available to the issuer at the time of passing of resolution by the board of directors.]

- ⁷[(n)] a company shall submit application to the Commission along with the following information:
 - i. complete list of associated companies;
 - ii. father's name and CNIC number of sponsors, promoters, substantial shareholders and directors; and
 - iii. CUIIN of the associated companies to the Commission ⁸[/].]
- ⁹[(iii)] the company shall invite claims, if any, on the non-cash assets through advertisement in the widely circulated newspaper both English and Urdu language clearly mentioning the fact that-

¹Words inserted by SRO 1665(I)/2025 dated August 29, 2025.

²Word "ordinary" omitted by SRO 1665(I)/2025 dated August 29, 2025.

³Words "in case of a listed company," deleted by SRO 361(I)/2024 dated March 04, 2024.

⁴Full stop substituted and words inserted by SRO 1754(I)/2022 dated September 16, 2022.

⁵Substituted for "regulation 8A and 8B of the Companies (Further Issue of Shares) Regulations, 2020" by SRO 361(I)/2024 dated March 04, 2024.

⁶Proviso and explanation inserted by SRO 361(I)/2024 dated March 04, 2024.

⁷Sub-clause (n) inserted by SRO 1665(I)/2025 dated August 29, 2025.

⁸Words "along with the application" omitted by SRO 64(I)/2026 dated January 13, 2026.

⁹Clauses (n) to (p) re-numbered as clauses (iii) to (v) by SRO 361(I)/2024 dated March 04, 2024. Earlier sub-clauses (n) to (u) inserted by SRO 1754(I)/2022 dated September 16, 2022.

- ¹[(a)] after issuance of shares the title of the assets will be transferred in the name of the issuer; and
- ¹[(b)] claims must be submitted to the statutory auditors ²[] within seven (7) days of the date of advertisement;
- ³[(iv)] the company shall intimate the Commission, at the time of seeking approval, confirming details of claims received and settled as referred in sub-clause ⁴[(iii)] verified through its statutory auditor along with an affidavit that the information is correct to the best of their knowledge;
- ³[(v)] non-cash assets shall be transferred in the name of issuer within sixty (60) days of the date of approval by the Commission or within such extended time not exceeding 30 days with the approval of the Commission;
- ⁵[Provided that the requirements of sub-regulation 5(1)(iii), (iv) and (v) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event.]
- ⁶[(vi)] the shares shall be issued only in the book entry form within 60 days from the date of approval by the Commission or within such extended time not exceeding 30 days with the approval of the Commission:
- Provided that the timeline for issuance of shares as specified in the sub-regulation 5(1)(vi) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event ⁷[or the shares are to be issued to enable acquirer(s) to acquire voting shares beyond limits prescribed in section 111 of the Securities Act, 2015].
- ⁸[(vii)] the issuer shall intimate the Commission and the securities exchange about issuance of the shares within seven days of the issuance;
- ⁹[(viii)] the sponsors and associated companies/undertakings shall retain their shareholding arising as a result of subject issuance for two years from the date of such issuance:
- Provided that the issuer shall submit report to the Commission concerning the shares held in blocked status within the CDC account immediately after the issuance of said shares;]

¹Re-numbered as clause (a) & (b) by SRO 361(I)/2024 dated March 04, 2024.

²Words "(insert name)" deleted by SRO 361(I)/2024 dated March 04, 2024.

³Clauses (n) to (p) re-numbered as clauses (iii) to (v) by SRO 361(I)/2024 dated March 04, 2024. Earlier sub-clauses (n) to (u) inserted by SRO 1754(I)/2022 dated September 16, 2022.

⁴Substituted for "(n)" by SRO 361(I)/2024 dated March 04, 2024.

⁵Proviso inserted by SRO 361(I)/2024 dated March 04, 2024.

⁶Sub-clause (q) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution it read as follows:-

“(q) the shares shall be issued only in the book entry form within 60 days from the date of approval by the Commission;”

⁷Words inserted by SRO 2458(I)/2025 dated December 16, 2025.

⁸Clauses (r) to (t) re-numbered as clauses (vii) to (x) by SRO 361(I)/2024 dated March 04, 2024. Earlier sub-clauses (n) to (u) inserted by SRO 1754(I)/2022 dated September 16, 2022.

⁹Sub-clauses (s) & (t) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution these read as follows:-

“(s) the sponsors shall retain their shareholding arising as a result of subject issuance for at least twelve months; and at least twenty five percent of their shareholding for the next two years;”

- ¹[(ix) the persons other than sponsors and associated companies/ undertakings, shall retain their shareholding arising as a result of subject issuance for a period of six months from the date of such issuance:

Provided that the conditions referred in sub-clauses (viii) and (ix), shall not be applicable in case where offer price is at premium to the market price of the share of the company and free float of the issuing company is less than 10% of its listed capital;]

- ²[(x)] the person(s) to whom share are being issued shall not have overdues or defaults irrespective of the amount appearing in the report obtained from Credit Information Bureau.]

³[Provided that the requirements of sub-regulation 5(1)(x) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event.]

⁴[]

¹Sub-clauses (s) & (t) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution these read as follows:-

- “(s) the sponsors shall retain their shareholding arising as a result of subject issuance for at least twelve months; and at least twenty five percent of their shareholding for the next two years;”
- “(t) the persons other than sponsors, shall retain their shareholding arising as a result of subject issuance from the date of their issuance as follows-
- (i) for a period of one year, in case such shareholding is not more than ten percent (10%) of the issuer's respective paid up share capital;
 - (ii) for a period of two years, in case such shareholding is above ten percent (10%) but not more than twenty five percent (25%) of the issuer's respective paid up share capital; and
 - (iii) for a period of three years, in case such shareholding is above twenty five percent (25%) of the issuer's respective paid up share capital:

Provided that the conditions referred in sub-clauses (s) and (t), shall not be applicable in case where offer price is at premium to the market price of the share of the company and free float of the issuing company is less than 10% of its listed capital;”

²Clause (u) re-numbered as clause (x) by SRO 361(I)/2024 dated March 04, 2024. Earlier sub-clauses (n) to (u) inserted by SRO 1754(I)/2022 dated September 16, 2022.

³Proviso inserted by SRO 361(I)/2024 dated March 04, 2024.

⁴Sub-regulation (2) omitted by SRO 1665(I)/2025 dated August 29, 2025. Before omission it read as follows:-

“(2) The aforesaid decision of the board, '[]' shall be communicated to the Commission and the securities exchange on the same day i.e. on the date of the decision of the board.”

¹Words “in case of a listed company” deleted by SRO 361(I)/2024 dated March 04, 2024.

Chapter V

Classes and Kinds of Share Capital

6. Conditions for issuance of shares with different rights.- ¹[(1)] A company may issue shares with differential rights under section 58 of the Act subject to compliance with the following conditions, namely-

- (i) the issue of ²[different kinds and classes of] shares with different rights is recommended by the board through resolution;
- ²[(ia) the issue of shares of different kinds and classes shall not, in any manner, be detrimental or adversely affect the rights of the existing shareholders;]
- (ii) the decision of the board shall, in addition to particulars required under clauses (a) to (g) of ³[regulation 3(1)(iii)], state the following-
 - ⁴[(a) description of different kind and class, if any;]
 - (b) description of different rights such as different class in each kind, rights and privileges attached to each class or kind of capital;
 - (c) whether the shares are being issued as right or other than right;
 - (d) whether the holders of such shares shall be entitled to participate in profits or surplus funds of the company;
 - (e) whether the holders of such shares shall be entitled to participate in surplus assets and profits of the company on its winding-up which may remain after the ordinary shareholders has been repaid;
 - (f) whether payment of dividend on preference shares is on cumulative or non-cumulative basis;
 - (g) in case the shares being issued are convertible into ordinary shares, then mode, mechanism and manner of such conversion;
 - (h) rights of holders of preference shares regarding dividend, participation in general meetings and voting therein before and after conversion of preference shares into ordinary shares;
 - (i) in case the shares are partially or wholly redeemable, then mode and manner of redemption;
 - (j) any other feature as deem appropriate by the board.
- (iii) the issue of shares is authorized by a special resolution;
- ⁵[(iia) no company shall issue ordinary shares carrying voting rights, without such shares being entitled to receive dividend:

Provided that all ordinary shares shall be entitled to receive the same percentage/ratio of dividend per share;]

¹Renumbered as (1) by SRO 1461(I)/2021 dated November 10, 2021.

²Inserted by SRO 2458(I)/2025 dated December 16, 2025.

³Substituted for "regulation 3(iii)" by SRO 2458(I)/2025 dated December 16, 2025.

⁴Clause (ii)(a) substituted by SRO 2458(I)/2025 dated December 16, 2025. Before substitution it read as follows:-

“(a) description of different kind of shares such as ordinary shares and preference shares;”

⁵Clauses (iia) to (iia) inserted by SRO 2458(I)/2025 dated December 16, 2025.

- (iiib) the combined voting power of the ordinary shares having 'one share one vote' shall, at all times, not be less than 75% of the total voting power of all shares issued by a company;
- (iiic) any kind and class of shares with varied rights shall not carry more than five (5) voting rights per share;
- (iiid) ordinary shares carrying varied rights shall be issued as listed security;²[]
- ³[(iva) ⁴[The] company shall comply with all applicable requirements of Chapter IV of these Regulations and seek approval of the Commission for issuance of such shares offered by way of other than Right;
- (ivb) If such shares are being offered by way of Right, then the issuing company shall comply with the requirement as specified in Regulation 3.]
- (v) the company shall not amend, alter, ⁵[vary] or reassess the terms and conditions of such issue without approval of the ⁶[holders of such shares carrying differential rights];
- (vi) in case a company perform an act which is contradictory to the provision to clause (v) above, the Commission may:
 - (a) direct such company to redeem the entire issue with immediate effect and make full compensation along with interest accrued therein, if any; or
 - (b) direct such company to convert the entire issue into ordinary shares with immediate effect; or
 - (c) give direction as deemed appropriate by the Commission through an order after providing the company an opportunity of hearing.

⁷[(2) Notwithstanding the requirements of sub-regulation (1), a company may convert its ordinary shares into preference shares or convert its shares (of a particular kind) from one class to another, on the basis of a special resolution:

Provided that the rights of holders of such converted shares are provided for in the articles of association of a company:

Provided further that a share that is not a redeemable preference share when issued cannot afterwards be converted into redeemable preference share.]

⁸[(3) A ⁹[] company, in case of issue of preference shares, by way of other than right offer, in addition to compliance of conditions mentioned at regulation 6 (1) above, is required to submit the following along with the application to the Commission:-

¹Clauses (iiia) to (iiid) inserted by SRO 2458(I)/2025 dated December 16, 2025.

²Clause (iv) deleted by SRO 1461(I)/2021 dated November 10, 2021. Before omission it read as follows:-

“(iv) the company shall seek approval of the Commission for issuance of such shares;”

³Sub-clauses (iva) & (ivb) inserted by SRO 1754(I)/2022 dated September 16, 2022.

⁴Substituted for “Irrespective of the size of the issue, the listed” by SRO 361(I)/2024 dated March 04, 2024.

⁵Substituted for “very” by SRO 361(I)/2024 dated March 04, 2024.

⁶Substituted for “preference shares holders and the Commission” by SRO 1461(I)/2021 dated November 10, 2021.

⁷Sub-regulation (2) inserted by SRO 1461(I)/2021 dated November 10, 2021.

⁸Sub-regulation (3) inserted by SRO 1754(I)/2022 dated September 16, 2022.

⁹Word “listed” deleted by SRO 361(I)/2024 dated March 04, 2024.

III - 932(1)

Pt. III, Rules & Regulations

Co's (Further Issue of Shares) Reg., 2018

- (i) consent of the person(s) to whom the shares are to be issued; and
- (ii) terms and conditions of the agreement(s) executed between the company and the preference shareholders.]

Chapter VI

Employee Stock Option Scheme

7. Condition for issue of Employee Stock Option Scheme.- (1) A ¹[] company, may issue shares to employees pursuant to a Scheme under section ²[83A] of the Act, subject to the following conditions-

- (i) the articles of association of the company expressly provides and authorizes the offer of scheme;
- (ii) the board shall form a compensation committee for administration and superintendence of the scheme provided that the chairman of the compensation committee ³[] shall be an independent director;
- (iii) board shall consider and resolve to offer the scheme;
- (iv) the aforesaid decision of the board shall provide information required under sub-clause (a) to (f) of clause (ii) of sub-regulation (1) of regulation 5, as applicable;
- (v) the offer of scheme is authorized by a special resolution;

Provided that separate special resolution shall be required for the following, where a scheme provides so,-

- (a) grant of option to employees of a subsidiary or holding company; and
- (b) grant of option to identified employees, during any one year, equal to or exceeding one per cent of the issued capital (excluding outstanding conversions) of the company at the time of grant of option ²[:];

²[Provided further that agenda of the EOGM should explicitly provide details of any litigation or legal proceedings in the context of the current or previous ESOS along with management's stance:

Provided further that ESOS by the issuer has to be announced within six months of passing of special resolution, and in case of failure to do so, fresh resolution will be required.]

- (vi) In case shares are to be issued at discount to the face value, the company shall also obtain approval of shareholders and the Commission under section 82 of the Act;
- (vii) the company and compensation committee shall ensure that its executive directors and employees in senior management shall not participate in the deliberation or discussion of their own allocation of options under the scheme;
- (viii) a company shall not vary the terms of a scheme in any manner which may be detrimental to the interests of its employees:

Provided that a company may by special resolution in a general meeting vary the terms of a scheme offered pursuant to an earlier resolution but not yet exercised by its employees provided that such variation is not prejudicial to the interests of the option holders.

¹Word "public" deleted by SRO 361(I)/2024 dated March 04, 2024.

²Substituted for "83" by SRO 1754(I)/2022 dated September 16, 2022.

³Words "of listed company" deleted by SRO 361(I)/2024 dated March 04, 2024.

³Semi-colon substituted and provisos inserted by SRO 1754(I)/2022 dated September 16, 2022.

(2) There shall be a minimum period of one year between the grant of option and vesting of option.

(3) Where options are granted by a company under its scheme in lieu of options held by the same person under a scheme in another company, which has merged or amalgamated with the first mentioned company, the period during which the options granted by the merging or amalgamating company were held by him shall be adjusted against the minimum vesting period required under these regulations.

(4) A company shall have the freedom to specify the lock-in period for the shares issued pursuant to an exercise of option.

(5) An employee shall not have the right to receive any dividend or to vote or be entitled to rights of members in respect of option granted to him, till shares are issued to such employee on exercise of option.

(6) In case of failure to exercise the option, the options granted shall lapse and such lapsed options may be granted to other employees within a period of thirty days from the date of lapse.

(7) An option granted to an employee shall not be transferable to any other person except to an entitled employee of the company:

Provided that:

- (i) in the event of death of an employee while in employment of a company, all options granted to him till the date of his death shall vest in his legal heirs or nominees;
- (ii) in case an employee suffers a permanent incapacity while in employment of a company, all options granted to him, as on the date of permanent incapacitation, shall vest in him on that day;
- (iii) in the event of resignation or termination of service of an employee, all options not vested as on that day shall expire. Provided, the employee shall, subject to the terms and conditions of the scheme, may be entitled to retain all the vested options.

(8) An option granted to an employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

¹[(9) ²[Entitlement] pool is capped at 10% of the enhanced paid capital of the company in a year; and 25% of the enhanced paid up capital of the company at any point in time.

Explanation:- For the purpose of this regulation, "Entitlement Pool" means number of shares that can be issued under an employee stock option scheme determined by the compensation committee and approved by the shareholders through special resolution.

(10) A ³[] company may raise its capital through issuance of employee stock option scheme with the approval of the shareholders through special resolution passed in the general meeting.

(11) The ³[] company shall comply with the requirements envisaged in the Act and file the notice of increase in share capital with the registrar in line with the requirements of the Act.]

¹Sub-regulations (9) to (11) inserted by SRO 1754(I)/2022 dated September 16, 2022.

²Substituted for "In case of a listed company, entitlement" by SRO 361(I)/2024 dated March 04, 2024.

³Word "listed" deleted by SRO 361(I)/2024 dated March 04, 2024.

8. Scheme offered at the time of public offering.- If any options granted to employees in pursuance of a scheme are outstanding at the time of IPO, the offering document shall disclose number of such outstanding options, exercise price, exercise period and impact on shareholding of the members in case all the outstanding options are exercised.

¹[Chapter VIA**Registration and Valuation**

8A. Registered Valuers. (1) Where valuation is required in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets or net worth of a company or its liabilities under the provisions of this Act, the following persons shall be eligible to conduct the requisite valuation:

- (a) Consulting Engineers registered with Pakistan Engineering Council;
- (b) Practicing chartered accountants having satisfactory Quality Control Review awarded by the Institute of Chartered Accountants of Pakistan; and
- (c) any other person as may be notified by the Commission.

(2) The valuers eligible under sub-regulation (1) shall also be deemed to be registered with the Commission and shall be entitled to conduct valuation as required under the Act, subject to fulfillment of the requirements of regulation 8A and 8B.

(3) All such valuers shall continue to be regulated, administered and monitored by the entities in which they are originally registered, and shall comply with all relevant rules, regulations, instructions etc. of such entities in addition to requirements of the Act.

Explanation: This Chapter VI-A shall not be applicable on valuers engaged in valuation of banking transactions, and such valuers shall continue to be regulated under the applicable laws.

8B. Qualification and Experience for Valuation.- (1) Following valuers who are independent shall be eligible to conduct valuation:-

- (a) in respect of movable property *i.e.* plant and machinery, immovable property *i.e.* land, building etc., and natural resources & exploration thereof, by a valuer registered with the Pakistan Engineering Council as a Consulting Engineer;
- (b) in respect of stocks, shares, debentures, securities, net worth of a company or an undertaking, goodwill and other intangible assets, services, and liabilities, by a valuer who is a practicing-chartered accountant having satisfactory Quality Control Review awarded by the Institute of Chartered Accountants of Pakistan; and
- (c) in respect of value of all other assets, not covered in clauses (a) and (b), by a valuer registered with the Pakistan Engineering Council as a consulting engineer, having experience as a valuer of at least five years in the relevant field:

Explanation: To maintain independence and impartiality and to ensure true and fair valuation, the valuer shall not undertake valuation of any assets in which he has a direct or indirect interest or becomes so interested at any time before submission of the report.

¹Chapter VIA regulation 8A & 8B inserted by SRO 1461(I)/2021 dated November 10, 2021.

(2) The valuation shall not be older than six months, or such other time period as may be notified by the Commission, from the date of submission to the registrar pursuant to section 70 of the Act in case of a right issue pursuant to section 83(1)(a) of the Act, and from the date of submission of application to the Commission in case of an issue otherwise than right pursuant to section 83(1)(b) of the Act.

(3) The relevant entity or agency, on its own motion or on the reference by the Commission, may initiate necessary action against the eligible valuers for any misconduct or failure to perform professional duties in accordance with its rules and regulations, and may cancel the registration of such a valuer.

(4) Upon cancellation under sub-regulation (3), such valuer shall be deemed as de-registered and shall not be eligible to conduct any valuation for the purposes of the Act.]

²**[8C. Contents of valuation report.-** (1) In case the shares of a ³[] company are being issued against properties, building, Plant, equipment, machinery etc. separate valuation of each asset is required and such valuation report shall include,-

- (i) affidavit/undertaking from the valuer about title verification and physical existence of the asset;
- (ii) in case of Land and building, purchase date, chronological transfer of property along with the value for which transferred, fresh Fard, comparison of at least 3 comparable properties, if any, justification/reasons why they are considered comparable; reasons in case no comparable property is available; NOCs from the Bank to ensure that they are free from encumbrance;
- (iii) in case of building, plant, equipment, machinery, purchase date, chronological transfer of the building, plant, equipment, machinery; initial useful life; remaining useful life; in case initial useful ⁴[life] estimate has been revised (detail and reason of such revision), repair/maintenance cost incurred; in case plant is bought from a foreign supplier, the date when the payment for purchase of plant etc. was made, the date when it reached in the country, reasons of time lag in the purchase payment and arrival date; requisite formal approvals from other regulatory bodies and reference to the record of funding for the purchase in relevant books of accounts; and
- (iv) in case shares are being issued against intangible assets and services, the valuation should include affidavit/undertaking from the valuer about title verification of the asset; the methodology used and justification for the same.]

¹Chapter VIA regulation 8A & 8B inserted by SRO 1461(I)/2021 dated November 10, 2021.

²Regulation 8C inserted by SRO 1754(I)/2022 dated September 16, 2022.

³Word "listed" deleted by SRO 361(I)/2024 dated March 04, 2024.

⁴Substituted for "lime" deleted by SRO 361(I)/2024 dated March 04, 2024.

Chapter VII

General Conditions, Reporting and Disclosure Requirements

9. General conditions.- (1) The board shall not decide or recommend increase in capital by way of further issue of shares, beyond the authorized capital as stipulated in the memorandum and articles of association of the company or where resolution to give effect to such increase is passed by the members or to be passed by the members before any such increase.

(2) In case share capital of a company has different classes or kinds having different rights and privileges, this fact shall be distinctly mentioned in the letter of offer in case of right issue and the difference in the rights and privileges of each class of share capital shall be clearly stated in directors' report to members.

10. Reporting.-¹[]

²[(2) After issuance of right shares, the issuer shall include progress report on utilization of the proceeds of the right issue in its half yearly and annual financial statements containing the following:

- (i) item-wise breakup of the proceeds utilized both in terms of amount and percentage of the total allocation made to the relevant item. The breakup must be provided in comparative form with the utilization plan earlier disclosed to the members;
- (ii) deviation, if any, from the purpose or use of proceeds earlier disclosed to the members along-with justification for such deviation;
- (iii) the progress report shall be included in the financial statements till such time that the proceeds from the right issue have been fully utilized or the purpose for which the proceeds were raised is achieved:

Provided that the statutory auditor of the issuer, shall submit half yearly report to the issuer regarding utilization of proceeds in the manner referred to in the final offer document. The issuer will include the report of the statutory auditor, along with its comments thereon, if any, in its half yearly and annual financial statements.]

¹Sub-regulation (1) deleted by SRO 361(I)/2024 dated March 04, 2024. Before omission it read as follows:-

“(1) The company shall, within 30 days from the date of issue of shares, submit a report to the Commission clearly indicating the shares issued to:

- (i) directors;
- (ii) associated companies;
- (iii) other shareholders; and
- (iv) persons to whom unsubscribed shares are issued under sub-clause (iv) of clause (a) of sub-section (1) of section 83 of the Act.”

²Sub-regulation (2) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution it read as follows:-

“(2) After issuance of right shares, the listed entity shall submit to the Commission progress report on utilization of the proceeds of the right issue on quarterly basis containing the following-

- (i) item-wise breakup of the proceeds utilized both in terms of amount and percentage of the total allocation made to the relevant item. The breakup must be provided in comparative form with the utilization plan earlier disclosed to the members;
- (ii) deviation, if any, from the purpose or use of proceeds earlier disclosed to the members along-with justification for such deviation;
- (iii) the progress report shall be continuously submitted till such time the proceeds from the right issue have been fully utilized or the purpose for which the proceeds were raised is achieved.”

Chapter VIII**Miscellaneous**

11. Penalty for contravention of Regulations: Whoever fails or refused to comply with, or contravenes any requirements of the regulations shall be punishable with penalty as provided under sub-section (2) of section 512 of the Act.

12. Repeal and Savings.- (1) The Companies (Further Issue of Shares) Regulations, 2018, hereinafter referred to as the repealed regulations shall, upon coming into force of these regulations, stand repealed:

Provided that repeal of the repealed regulations shall not-

- (i) revive anything not in force at the time at which the repeal take effect; or
- (ii) affect the previous operation of the repealed instruments or anything duly done or suffered thereunder; or
- (iii) affect any right, privilege, obligation or liability acquired, accrued or incurred under or in respect of the said repealed regulations; or
- (iv) affect any penalty imposed, forfeiture made or punishment incurred in respect of any offence committed against or in violation of the repealed regulations; or
- (v) affect any inspection, investigation, prosecution, legal proceeding or remedy in respect of any obligation, liability, penalty, forfeiture or punishment as aforesaid, and any such inspection, investigation, prosecution, legal proceedings or remedy may be made, continued or enforced and any such penalty, forfeiture or punishment may be imposed, as if these regulations has not been notified.

(2) Save as otherwise specifically provided, nothing in these regulations shall affect or deemed to affect any action taken, orders issued, relaxation granted unless withdrawn, fee paid or accrued, resolution passed, direction given under the repealed regulations shall, if in force at the effective date of these regulations and not inconsistent with provision of these regulations, shall continue to be in force and have effect as if it were respectively taken, made, directed, passed, given, executed or issued under these regulations.

¹[**13.** ²[**Fees**].- A company shall, at the time of filing an application or submitting draft offer document under these regulations, submit original challan or other evidence of payment of fees as specified under Schedule VII to the Companies Act, 2017 (XIX of 2017), if applicable.]

¹Regulation 13 inserted by SRO 1665(I)/2025 dated August 29, 2025.

²Inserted by SRO 64(I)/2026 dated January 13, 2025.

¹[Schedule I²[Circular under section 83 of Companies Act, 2017]

The Companies (Further Issue of Shares) Regulations, 2020
Right Share - Offer Document

General Instruction for filling the form:

- All information should be relevant and updated. The source and basis of all statements and claims should be disclosed.
- All blank spaces in the draft offer document shall be filled up with appropriate data before filing the offer document.
- Wherever it is mentioned that details are given elsewhere in the document, the same shall be adequately cross referred by indicating the paragraph, heading and page number.
- There should be no forward-looking statement or estimation that cannot be substantiated.

1. Cover Page:

- (i) The following statement should appear on the upper most top in bold capital letters:

“ADVICE FOR INVESTORS

INVESTMENT IN EQUITY SECURITIES AND EQUITY RELATED SECURITIES INVOLVES A CERTAIN DEGREE OF RISKS. THE INVESTORS ARE REQUIRED TO READ THE RIGHTS SHARE OFFER DOCUMENT (*HEREIN REFERRED TO AS ‘OFFER DOCUMENT’*) AND RISK FACTORS CAREFULLY, ASSESS THEIR OWN FINANCIAL CONDITIONS AND RISK-TAKING ABILITY BEFORE MAKING THEIR INVESTMENT DECISIONS IN THIS OFFERING.

RIGHT ENTITLEMENT LETTER IS TRADABLE ON PSX, RISKS AND REWARDS ARISING OUT OF IT SHALL BE SOLE LIABILITY OF THE INVESTORS

- (ii) Following additional information should also appear on the front page:

This document is issued for the purpose of providing information to shareholders of the Company and to the public in general in relation to the rights issue (size of the issue in Rs.) consisting of new ordinary shares (Number of share) by (name of the issuer). A copy of this document has been registered with the Securities Exchange.

This offer document is valid till..... (60 days from the last day of payment of subscription amount).

- (iii) Full name of the Issuer (including previous name, if any) along with logo/monogram, if any, date and place of its incorporation, incorporation number, address of its registered and corporate offices, telephone number, contact person, website address and e-mail address.
- (iv) Total issue size (number of shares), offer price, premium/discount if any, total amount to be raised through right issue, proportion of right offer.

¹Schedule I substituted by SRO 1754(I)/2022 dated September 16, 2022.

²Words inserted by SRO 361(I)/2024 dated March 04, 2024.

- (v) Date of placing offer document on PSX for public comments.
- (vi) Date of Final Offer Letter, Date of Book Closure, Subscription amount payment dates, Trading dates for Letter of Rights
- (vii) Details of the relevant contact persons

	Name of the Person	Designation	Contact Number	Office Address	Email Id
Authorized Officer of the Issuer					
Underwriter					
Banker to the Issue					

- (viii) Website addresses from where the offer document can be downloaded.

2. Inside Cover Page:

The following undertaking by the Issuer:

“WE THE CHIEF EXECUTIVE OFFICER AND...CHIEF FINANCIAL OFFICER ...CERTIFY THAT;

- (i) THE OFFER DOCUMENT CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
- (ii) THE INFORMATION CONTAINED IN THE OFFER DOCUMENT IS TRUE AND CORRECT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF;
- (iii) THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
- (iv) THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THE OFFER DOCUMENT AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
- (v) ALL REQUIREMENTS OF THE COMPANIES ACT, 2017, THE COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020, THE CENTRAL DEPOSITORY COMPANY AND THAT OF PSX PERTAINING TO THE RIGHT ISSUE HAVE BEEN FULFILLED.”

For and on behalf of (... Name of the Issuer...)

.....Sd-.....
Name of the Chief Executive Officer

.....Sd-.....
Name of the Chief Financial Officer”

3. Undertaking by the Board of Directors (Board) ¹[or an officer of the Company authorized by them in this behalf]

In case of right issue above threshold as specified in Regulations....

WE, THE BOARD _____ HEREBY CONFIRM THAT:

- (i) ALL MATERIAL INFORMATION AS REQUIRED UNDER THE COMPANIES ACT, 2017, THE SECURITIES ACT, 2015, COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020, THE LISTING OF COMPANIES AND SECURITIES REGULATIONS OF THE PAKISTAN STOCK EXCHANGE LIMITED HAS BEEN DISCLOSED IN THIS OFFER DOCUMENT AND THAT WHATEVER IS STATED IN OFFER DOCUMENT AND IN THE SUPPORTING DOCUMENTS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF AND THAT NOTHING HAS BEEN CONCEALED.
- (ii) WE UNDERTAKE THAT ALL MATERIAL INFORMATION, INCLUDING RISKS THAT WOULD ENABLE THE INVESTOR TO MAKE AN INFORMED DECISION, HAS BEEN DISCLOSED IN THE OFFER DOCUMENT.
- (iii) RIGHT ISSUE IS THE DISCRETION OF BOARD OF THE ISSUER AND IT NEITHER REQUIRE APPROVAL OF THE COMMISSION NOR THE SECURITIES EXCHANGE.
- ²[(iv) THE DRAFT OFFER DOCUMENT WAS PLACED ON THE WEBSITE OF THE SECURITIES EXCHANGE AND THE ISSUER, IF PUBLIC COMMENTS ARE SOUGHT, ON _____ (I.E. WITHIN 3 WORKING DAYS OF THE DATE OF ANNOUNCEMENT BY THE BOARD).
- (v) PUBLIC COMMENTS WERE SOUGHT FOR A PERIOD OF 5 DAYS I.E _____ TO _____ (OPTIONAL AND IS THE DISCRETION OF THE COMPANY).]
- (vi) COMMENTS FROM SECURITIES EXCHANGE AND THE SECP WERE RECEIVED ON
- (vii) THE BOARD HAS ENSURED THAT DRAFT OFFER DOCUMENT IS UPDATED IN LIGHT OF THE PUBLIC COMMENTS (IF SOUGHT), SECURITIES EXCHANGE AND SECP COMMENTS.
- (viii) THE BOARD HAS DISCLOSED ON PSX'S AND COMPANY'S WEBSITE, ALL THE COMMENTS RECEIVED ALONG WITH THE EXPLANATIONS AS TO HOW THEY ARE ADDRESSED.

¹Words inserted by SRO 361(I)/2024 dated March 04, 2024.

²Clauses (iv), (v) & (ix) substituted by SRO 64(I)/2026 dated January 13, 2026. Earlier clauses (iv) to (xi) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution these read as follows:-

- “(iv) THE DRAFT OFFER DOCUMENT WAS PLACED ON THE WEBSITE OF THE SECURITIES EXCHANGE AND THE ISSUER, IF PUBLIC COMMENTS ARE SOUGHT, ON _____ (I.E. WITHIN 45 DAYS OF THE DATE OF ANNOUNCEMENT BY THE BOARD.
- (v) PUBLIC COMMENTS WERE SOUGHT FOR A PERIOD OF 7 (SEVEN) WORKING DAYS I.E _____ TO _____. (OPTIONAL AND IS THE DISCRETION OF THE COMPANY).
- (ix) THE FINAL OFFER DOCUMENT WAS SUBMITTED TO THE COMMISSION AND PLACED ON SECURITIES EXCHANGE WEBSITE ON _____ ALONG WITH THE BOOK CLOSURE DATES AND RELEVANT RIGHT ISSUANCE TIMELINES. (I.E. WITHIN 20 WORKING DAYS FROM THE DATE OF RECEIPT OF COMMENTS OF PSX and SECP).”

- ¹[(ix) THE FINAL OFFER DOCUMENT WAS SUBMITTED TO THE COMMISSION AND PLACED ON SECURITIES EXCHANGE WEBSITE ON _____ ALONG WITH THE BOOK CLOSURE DATES AND RELEVANT RIGHT ISSUANCE TIMELINES. (I.E. WITHIN 5 DAYS FROM THE DATE OF RECEIPT OF COMMENTS OF PSX and SECP).]
- (x) THE STATUTORY AUDITOR M/s. _____ OF THE ISSUER SHALL SUBMIT HALF YEARLY REPORT TO THE ISSUER REGARDING UTILIZATION OF PROCEEDS IN THE MANNER REFERRED TO IN THE FINAL OFFER DOCUMENT. THE ISSUER WILL INCLUDE THE REPORT OF THE STATUTORY AUDITOR, ALONG WITH ITS COMMENTS THEREON, IF ANY, IN ITS HALF YEARLY AND ANNUAL FINANCIAL STATEMENTS.
- (xi) THE ISSUER HAS COMPLIED WITH THE REQUIREMENTS OF SECTION 82 OF THE COMPANIES ACT, 2017 IN CASE OF ISSUANCE OF RIGHT SHARES AT DISCOUNT TO FACE VALUE.
- (xii) NAMES OF THE DISSENTING DIRECTORS (IF ANY) ARE _____.]

4. DISCLAIMER:

- (i) Following disclaimer be included:
- *In line with Companies Act, 2017 and Companies (Further Issue of Shares) Regulations, 2020, this document does not require approval of the Securities Exchange and the Securities Exchange Commission of Pakistan (SECP).*

Before substitution by SRO 361(I)/2024 dated March 04, 2024, these read as follows:-

- “(iv) THE DRAFT OFFER DOCUMENT WAS PLACED ON THE WEBSITE OF THE SECURITIES EXCHANGE AND THE ISSUER ON _____ (I.E. WITHIN 45 DAYS OF THE DATE OF ANNOUNCEMENT BY THE BOARD.
- (v) PUBLIC COMMENTS WERE SOUGHT FOR A PERIOD OF 7 (SEVEN) WORKING DAYS I.E. _____ TO _____. (OPTIONAL AND IS THE DISCRETION OF THE COMPANY AND ITS BOARD)
- (vi) COMMENTS FROM SECURITIES EXCHANGE AND THE SECP WERE RECEIVED ON
- (vii) THE BOARD HAS ENSURED THAT DRAFT OFFER DOCUMENT IS UPDATED IN LIGHT OF THE PUBLIC COMMENTS, SECURITIES EXCHANGE AND SECP COMMENTS.
- (viii) THE BOARD HAS DISCLOSED ON PSX'S AND COMPANY'S WEBSITE, ALL THE COMMENTS RECEIVED ALONG WITH THE EXPLANATIONS AS TO HOW THEY ARE ADDRESSED.
- (ix) THE FINAL OFFER DOCUMENT WAS PLACED ON SECURITIES EXCHANGE WEBSITE ON _____ ALONG WITH THE BOOK CLOSURE DATES AND RELEVANT RIGHT ISSUANCE TIMELINES. (I.E. WITHIN 20 WORKING DAYS FROM THE DATE OF RECEIPT OF COMMENTS OF PSX & SECP).
- (x) THE STATUTORY AUDITOR M/s _____ WILL MONITOR THE PROCEED UTILIZATION IF THE ISSUANCE PROCEEDS EXCEED RS.750 MILLION OR 50% OF THE PAID UP CAPITAL OF THE LISTED COMPANY ISSUING RIGHT SHARES, WHICHEVER IS HIGHER.
- (xi) THE ISSUER HAS COMPLIED WITH THE REQUIREMENTS OF SECTION 82 OF THE COMPANIES ACT, 2017 IN CASE OF ISSUANCE OF RIGHT SHARES AT DISCOUNT TO FACE VALUE.”

E2 64-1/044-2026

²Clause (ix) substituted by SRO 64(I)/2026 dated January 13, 2026.

- The Securities Exchange and the SECP disclaims
 - a. *any liability whatsoever for any loss however arising from or in reliance upon this document to any one, arising from any reason, including, but not limited to, inaccuracies, incompleteness and/or mistakes, for decisions and/or actions taken, based on this document.*
 - b. *any responsibility for the financial soundness of the Company and any of its schemes/projects stated herein or for the correctness of any of the statements made or opinions expressed with regards to them by the Company in this Offer document.*
 - c. *any responsibility w.r.t quality of the issue*
- *It is clarified that information in this Offer document should not be construed as advice on any particular matter by the SECP and the Securities Exchange and must not be treated as a substitute for specific advice.*

5. Glossary of Technical Terms & Definitions:

All the technical terms and abbreviations used in offer document must be defined in the glossary.

6. Table of Content

7. Salient features of the right issue:

(i) Brief Terms of the Rights Issue:

a)	Description of issue:	
b)	Size of the proposed issue	Rs. _____ divided into _____ of Rs. _____ each
c)	Face value of the share	
d)	Basis of determination of price of the right issue	
e)	Proportion of new issue to existing issued shares with condition, if any	
f)	Date of meeting of board of directors (BoD) wherein the right issue was approved	
g)	Names of directors attending the BoD meeting	
h)	Brief purpose of utilization of right issue proceeds	
i)	Purpose of the Right Issue - Details of the main objects for raising funds through present right issue.	• Total funds required for the project: • percentage of funds financed through the right issue: • percentage of funds financed from other sources, if any; • time of completion of project. • Impact on production capacity
j)	'Minimum level of subscription' (MLS)	-----% The Board shall clearly pronounce the options in case MLS is not achieved.

k)	"Application Supported by Blocked amount" (ASBA) facility, if any, will be provided for subscription of right shares	
¹ [l]	(i) clear justification for issuance of shares of different kind or class, if applicable]	

(ii) Principal Purpose of the Issue and funding arrangements:**A. Details of the principal purpose of the issue.**

- a. Summary item-wise breakup of the proceeds to be utilized both in terms of amount & %age of total allocation made to the relevant item, along with percentage completion status of the relevant item. Additional information may also be included, as needed, to make the table give complete, concise and clear picture.

B. Additional disclosures relating to purpose of the issue shall be made in case of the following:**a) If purpose of the issue is to finance a project:**

Details of:

- Total Cost required for the project;
- Sources of Funding;
- Status of Debt Financing if any;
- Project completion status
- location of the project;
- Working capital requirement of the project: - all details, along with following, as specified in ²[7](ii)(b) of this schedule be included here.
 - ✓ Basis of estimation of working capital requirement, along with relevant assumptions.
 - ✓ If no working capital is shown as a part of the project for which the issue is being made, the reasons for the same.
- ³[• plant and machinery, technology, process, etc. – all details as specified in 7(ii)(c) of this Schedule be included here;
- land, building – all details as specified in 7(ii)(d) of this Schedule be included here;]
- Following information regarding persons or entities with whom any agreement is entered into:
 - ✓ Place of registration and year of incorporation.
 - ✓ Nature of business
 - ✓ paid up share capital.
 - ✓ Net worth

¹Inserted by SRO 1665(I)/2025 dated August 29, 2025.²Substituted for "8" by SRO 1665(I)/2025 dated August 29, 2025.³Substituted by SRO 64(I)/2026 dated January 13, 2026. Before substitution these read as follows:-

- plant and machinery, technology, process, etc. – all details as specified in 8(ii)(c) of this Schedule be included here;
- land, building – all details as specified in 8(ii)(d) of this Schedule be included here;"

- ✓ Revenue
- ✓ general information relevant to the issuer.
- Pre and post expansion production capacity of the Issuer, if applicable.

b) If purpose of the issue is to finance working capital:

- Specify activities that are classified as working capital.
- Basis of estimation of working capital requirement, along with relevant assumptions.
- Reasons for raising additional working capital, substantiating the same with relevant facts and figures.
- Total envisaged working capital requirement in a tabular form, the margin money thereof and the portion to be financed by any bank(s) or otherwise.
- Cash Conversion Cycle in Number of days for last three years (days inventory outstanding + days sales outstanding - days payables outstanding)

	years	years	years
Cash Conversion Cycle (in days)			

c) If purposes of the issue is to purchase Plant/ Equipment/ Technology:

- Details shall be given in a tabular form, which shall include the details of the machines required to be bought by the issuer, cost of the machines, name of the suppliers, date of placement of order and the date or expected date of supply, etc.
- The percentage and value terms of plant and machinery delivered
- The percentage and value terms of the plant and machinery for which orders are yet to be placed.
- If second-hand machinery is bought or proposed to be bought, if any, the issuer shall include valuation report (as envisaged in the Regulations) as part of the disclosure. Information contained herein should include useful life of machines, balance estimated life, performance guarantee etc., impact on production capacity, impact on market share.
 - ✓ purchase date, chronological transfer of the building, plant, equipment, machinery; initial useful life; remaining useful life; in case initial useful life estimate has been revised (detail and reason of such revision), repair/ maintenance cost incurred;
 - ✓ expected working capital expenditure during next 3 years.
- In case plant is bought from a foreign supplier, for both new and second-hand plant & machinery/equipment, the date when the payment for purchase of plant etc. was made, the date when it reached in the country, reasons of time lag in the purchase payment and arrival date; requisite formal approvals from other regulatory bodies; reference to the purchase payment in relevant books of accounts.

d) If the purpose of the issue is to acquire Land:

- location of the land
- area of the land
- estimated cost of the land
- details of whether the land has been acquired by the Issuer
- Title of the land
- Property agent hired for the execution of purchase
- Comparable value of the property in the vicinity.
- If the party from whom land is being acquired is a related party, status be disclosed.
- For related party transaction, rationale as to how the transaction is an arm's length transaction.

e) If the purpose of the issue is to acquire intangible assets:

- Nature of the asset
- Title of the asset
- Estimated cost of the asset
- If the party from whom intangible asset is being acquired is a related party, status be disclosed.

f) If purpose of the issue is loan/debt repayment:

- details of loan proposed to be repaid such as name of the lender, brief terms and conditions and amount outstanding;
- dates of receipt of loan from directors;
- details whether the loan is pledged against any financing facility
- in case the loan is given by the directors, table containing date of deposit of loan in bank account of the company and subsequent utilization of the same.
- Reasons of issuing right for payment of loan
- Impact of loan repayment on financial position of the company.

g) If purposes of the issue is BMR/investment in greenfield project:

- Details of source of funding.
- Status of debt financing, if any.
- Details regarding financial close of the project.
- Details of letter of credit, if applicable.
- Utilization of the proceeds:
- Breakup of the funds required and funds already deployed
- Working capital requirement of the project:
 - ✓ Basis of estimation of working capital requirement, along with relevant assumptions.
 - ✓ If no working capital is shown as a part of the project for which the issue is being made, the reasons for the same.

- Implementation schedule of the project like land acquisition, execution of civil works, installation of plant and machinery, date of trial production, date of commercial production.
- Details regarding implementation of the project.
- Pre and post expansion production capacity of the Issuer, if applicable.

¹[(h) If purpose of the issue is to acquire a company-

- Relationship of the issuer with the company being acquired
- Profiles of sponsors, major shareholders and directors of the company being acquired along with percentage of their shareholding
- Ultimate beneficial owners of the company being acquired
- Details related to share purchase agreement
- Any regulatory approvals required before acquisition
- Details of business operations of the company being acquired
- Financial highlights of last three years or such shorter period for which financial information is available.
- Break-up value of shares of the company being acquired
- Offer price per share along with number of shares to be acquired
- Name of valuer and key assumptions used in calculation of offer price
- Relative price measures of the company being acquired i.e. Price to Book Value, Price to Earnings (P/E), and Price to Sales (P/S)
- Impact of acquisition on the operating and financial position of the issuer
- Any other material information;]

(iii) General Requirements:

- a) Where the issuer proposes to undertake more than one activity or project, such as diversification, modernization, expansion, etc., the total project cost activity-wise or project wise, as the case may be.
- b) Where the issuer is implementing the project in a phased manner, the cost of each phase including the phase, if any, which has already been implemented.
- c) Details of all material existing or anticipated transactions in relation to the utilization of the issue proceeds or project cost with promoters, directors, key managerial personnel, associate companies.

(iv) Financial effects arising from right issue

	Measurement Unit	Pre – Issue	Post Issue	Increase in Percentage (%)
Authorized Capital				
Paid-up-Capital				
Net Asset/Breakup value per share				
Gearing Ratio				

¹Inserted by SRO 361(I)/2024 dated March 04, 2024.

Production Capacity				
Market Share				

(v) **Total expenses to the issue:** (i) bankers' commission (ii) others, if any.

(vi) **Details of underwriters:**

Name of the Underwriter	Amount Underwritten	Associated Company/Associated Undertaking of the Issuer (YES/NO)

(vii) Commitments from substantial shareholders/directors:

Name of the person	Status (Substantial Shareholder/ Director)	Number of Shares Committed to be Subscribed	Amount Committed to be Subscribed	Shareholding % - pre-issuance	Shareholding % - post issuance

(viii) **Fractional shares:** Fractional shares, if any, shall not be offered and all fractions less than a share shall be consolidated and disposed of by the company and the proceeds from such disposition shall be paid to such of the entitled shareholders as may have accepted such offer;

(ix) Important Dates:

(Name of the Issuer)			
Tentative Schedule for Issuance of Letter of Rights			
Book Closure: From dd/mm/yy to dd/mm/yy (both days inclusive)			
S. No	Procedure	Day	Date
1	Date of credit of unpaid Rights into CDC in Book Entry Form		
2	Dispatch of Letter of Right (LOR) to physical shareholders		
3	Intimation to Stock Exchange for dispatch of physical Letter of Rights		
4	Commencement of trading of unpaid Rights on the Securities Exchange		
5	Last date of trading of letter of Rights		
6	Payment of subscription amount start date		
7	Last date for acceptance of payment		
8	Allotment of shares and credit of Shares into CDS		
9	Date of dispatch of physical shares certificates		

8. Subscription Amount Payment procedure:

- (i) Payment as indicated above should be made by cash or crossed cheque or demand draft or pay order made out to the credit of "<Issuer Name> Right Shares Subscription Account" through any of the authorized branches of above mentioned bank(s) on or before dd/mm/yy along with this Right Subscription Request* duly filled in and signed by the subscriber(s).
- (ii) Right Subscription Request can be downloaded from
- (iii) In case of Non-Resident Pakistani / Foreign shareholder, the demand draft of equivalent amount in Pak Rupees should be sent to the Company Secretary, (Issuer Name) at the registered office of the issuer along with Right Subscription Request (both copies) duly filed and signed by the subscriber(s) with certified copy of NICOP / Passport well before the last date of payment.
- (iv) All cheques and drafts must be drawn on a bank situated in the same city where Right Subscription Request is deposited. Cheque is subject to realization.
- (v) The Bank will not accept Right Subscription Request delivered by post which may reach after the closure of business on dd/mm/yyyy, unless evidence is available that these have been posted before the last date of payment.
- (vi) Payment of the amount indicated above to the issuer's Banker(s) to the issue on or before dd/mm/yyyy shall be treated as acceptance of the Right offer.
- (vii) After payment has been received by the Company's banker(s), the Right Securities will be credited into respective CDS Accounts within ¹[10 working days] from the last payment date. Paid Right Subscription Request will not be traded or transferred.

9. Profile of management and sponsors

- (i) Profile of directors (names, executive/ nonexecutive/independent/nominee director and tenure of directorship held)
- (ii) other directorships held (provide names of the company(ies))
- (iii) Profile of sponsors
- (iv) If sponsor is company registered in Pakistan, date of incorporation, names of directors % age of shareholding.
- (v) If sponsor is foreign registered company, % age of shareholding, Form 43, form 45 be provided.

¹Substituted for "14 business days" by SRO 1665(I)/2025 dated August 29, 2025.

10. ¹[] Details of the Issuer(i) ¹[] highlights of issuer for last three years

	Audited Account Year	Audited Accounts Year	Audited Accounts Year...
Name of the Statutory Auditor			
Gross Revenue/Sale			
Gross Profit			
Profit before interest & Tax			
Profit after tax			
Net Profit/Loss			
Accumulated Profit/Loss			
Total Assets			
Total Liabilities			
Net Equity			
Break-up value Per Share			
Earnings/Loss per share			
Dividend Announced			
Bonus Issue			

(ii) ¹[] highlights for preceding one year of consolidated ¹[] statements same as (B) above,

(iii) Detail of issue of capital in previous five years

Right Issue	FY__	FY__	FY__	FY__	FY__
Percentage					
Number of Shares					
Amount Raised					
Unsubscribed portion					
Unsubscribed portion allotted by BoD					
Unsubscribed portion taken up by the Underwriter					
Proceed utilization break up....					

(iv) Average market price of the share of the issuer during the last six months

(v) Share Capital and Related Matters

- Pattern of shareholding of the issuer in both relative and absolute terms.
- Number of shares held by the directors, sponsors & substantial shareholders of the Issuer (both existing and post right issue).
- Details and shareholding of holding company, if any.

¹Word "financial" deleted by SRO 361(I)/2024 dated March 04, 2024.

- ¹[(vi) Group structure along with respective shareholding in subsidiaries and associates.]
- ²[(vii) a company shall disclose the following, if applicable:
- (a) details of any defaults/overdue amount of principal and interest at the date of submission of offer document along with defaults/overdue amounts in last three financial years;
 - (b) the carrying amount of the loans payable in default;
 - (c) whether the default was remedied, or the terms of the loans payable were renegotiated;
 - (d) details and status of any debt restructuring;
 - (e) whether any part of right issue proceeds would be utilized towards overdues;
 - (f) NOC issued by the financial institution(s) in respect of whom the overdues or defaults of the issuing company, its sponsor(s), promoter(s), substantial shareholder(s) or directors appear in the report obtained from the Credit Information Bureau, in relation to right issue; and
 - (g) details of recovery proceedings, if any:
 - (i) proceedings initiated by the lenders against company;
 - (ii) the company's actions in response; and
 - (iii) the current status of such proceedings.]

11. Risk Factors:

- (i) Each risk factor shall appear in the following manner
 - a) Risk as envisaged by the issue;
 - b) Proposals, if any, to address the risk.
- ³[(ii) Risk factors shall be classified as internal and external risk factors and the issuer shall ensure that coverage of each risk factor is in manner that is specific to the issue/issuer and clearly covers the impact of the risk factor on the operations/performance of the issuer.]
- (iii) Risk factors shall be disclosed in the descending order of materiality.
- (iv) All possible risk factors relating to business of the company, the project, technology, competition, suppliers, consumers, industry, liquidity, regulatory, changes in Govt. policies, law and order situation, capital market, pending litigations, defaults etc. shall be disclosed.
- (v) Additional risk factors relating to the following areas shall necessarily be disclosed in the offer document, wherever applicable:
 - a) Approvals that are yet to be received by the issuer;
 - b) Seasonality of the business;
 - c) Risk associated with orders not having been placed for plant and machinery in relation to the principal purpose of the issue;

¹Clause (vi) inserted by SRO 361(I)/2024 dated March 04, 2024.

²Clause (vii) inserted by SRO 64(I)/2026 dated January 13, 2026.

³Clause 11(ii) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution it read as follows:-

“(ii) Risk factors shall be classified as internal and external risk factor.”

- d) Lack of experience of the Management to run the business;
 - e) If the issuer has incurred losses in the last three financial years;
 - f) Dependence of the issuer or any of its business segments upon a single customer or a few customers
 - g) Loans, if any, taken by the issuer and its subsidiaries that can be recalled at any time.
 - h) In case of outstanding debt instruments, any default in compliance with the material covenants;
 - i) Default in repayment of loan by the issuer and associated group companies, if any.
 - j) Potential conflict of interest of the Sponsors, substantial shareholders or directors of the issuer if involved with one or more ventures which are in the same line of activity or business as that of the issuer.
 - k) Excessive dependence on any key managerial personnel for the project for which the issue is being made.
 - l) Any material investment in debt instruments by the issuer which are unsecured.
 - m) Pending legal Proceeding against the issuer and associated group companies, which could have material adverse comments.
 - n) Negative cashflow from operating activities in the last three preceding financial years.
 - o) Any restrictive covenant that could hamper the interest of the equity shareholders
 - p) Low credit rating of the Issuer.
 - q) Dependence of the issuer or any of its business upon a single customer or few customers, loss of any one or more may have material adverse effect on the issuer.
 - r) Any portion of the issue proceed that is proposed to be paid by the issuer to the sponsors, directors or key management personnel of the issuer.
- (vi) A statement that 'to the best of our knowledge and belief all risk factors have been disclosed' shall be given immediately after the risk factor by the authorized officer/Management.

12. Legal proceedings

- (i) Any outstanding legal proceeding other than the normal course of business involving the issuer, its sponsors, substantial shareholders, directors and associated companies, over which the Issuer has control, that could have material impact on the issuer.
- (ii) Action taken by the securities exchange against the issuer or associated listed companies of the issuer during the last three years due to noncompliance of the its regulations.

III - 952(5)

Pt. III, Rules & Regulations

Co's (Further Issue of Shares) Reg., 2020

(iii) Legal proceedings be summarized in the following format

Legal Order dated	Issuing Authority	Tax Period, if any	Order Amount/ Financial Impact (PKR Mn)	Current status	Management's Stance

13. Signatories to the Offer document:

- ¹[(i) List of the signatories, including all the directors or an officer of the company authorized by them in this behalf, to the offer document and their signatures in original duly dated and witnessed.]

²[Schedule II

The Companies (Further Issue of Shares) Regulations, 2020

Sr. No	Name of the Person	Comment received	Whether the Company agree/ disagree to the comment	Proposed change, if agreed.	Rationale
					]

¹Clause 13(i) substituted by SRO 361(I)/2024 dated March 04, 2024. Before substitution it read as follows:-

(i) List of the signatories to the offer document and their signatures in original duly dated and witnessed.”

²Schedule II inserted by SRO 1754(I)/2022 dated September 16, 2022.

Schedule I before substitution by SRO 1754(I)/2022 dated September 16, 2022, it read as follows:-

“Schedule I to the Companies (Further Issue of Shares) Regulations, 2020

Following information shall be sent to the members along with the letter of offer for right issue by a listed company:

- (A) Information pertaining to company offering right issue:
- (a) Company profile and history
 - (i) Name of Company
 - (ii) Incorporation date
 - (iii) Date of commencement of business
 - (iv) Corporate Universal Identification Number (CUIN)
 - (v) Website address and web-link where latest available financial statements are placed (in case of listed company)
 - (vi) Contact details for shareholder facilitation (in form of postal address, phone number or email address)
 - (b) profile of management and sponsors
 - (i) Profile of directors (names, executive/ nonexecutive/ independent/nominee director and tenure of directorship held)
 - (ii) other directorships held (provide names of the company(ies))
 - (c) name(s) of the statutory auditor(s)
 - (d) existing capital indicating classes of shares, if any, separately
 - (i) authorized Capital amounting to Rs. _____ divided in to _____ shares of Rs. _____ each.
 - (ii) paid-up capital amounting to Rs. _____ divided in to _____ shares of Rs. _____ each.
 - (e) name of holding company, if any
 - (f) financial highlights of company for preceding three years including revenue/ sales, gross profit, profit before interest, tax, profit after tax, accumulated profit or (loss), total assets, total liabilities, net equity, break up vale per share, earnings per share, dividend, if any, bonus issue, if any.
 - (g) financial highlights for preceding one year of consolidated financial statements same as (f) above, if any
 - (h) detail of issue of capital in previous five years
 - (i) year wise detail of issue of capital (right issue or other than right)
 - (ii) brief details of funds utilization through previous issue of right shares, if any
- (B) Details of the current right issue:
- (a) description of issue:

size of the proposed issue divided into	Rs. _____
of	Rs. _____ each
 - (b) face value of the issue

Rs. _____ each

 - (c) basis of determination of price of the right issue
 - (d) proportion of new issue to existing issued shares with condition, if any
 - (e) date of meeting of board of directors (BOD) wherein the right issue was approved
 - (f) names of directors attended the BOD meeting
 - (g) justification for the issue
 - (i) details of the main objects for raising funds through present right issue:
 - a) detail of project
 - b) total funds required for the project
 - c) percentage of funds required financed through the right issue
 - d) percentage of funds required financed from other sources, if any
 - e) time of completion of project
 - (ii) expected benefits of the issue to the company and its members (description and amount)

-
- (h) Average market price of the share of the company during the last six months
 - (i) financial effects arising from right issue
 - (i) increase in paid-up share capital
 - (ii) net asset/breakup value per share before and after right issue
 - (iii) net asset/breakup value per share before and after right issue
 - (j) Total expenses to the issue
 - (i) bankers' commission
 - (ii) others, if any
 - (C) Information regarding risk and risk mitigating factors, as applicable:
 - (a) description of major risks and company's efforts to mitigate them:
 - (i) risks relating to the project for which proceeds of the right issue are to be utilized
 - (ii) risks relating to subscription/under-subscription of right issue
 - (iii) material contingencies
 - (iv) material commitments
 - (v) any adverse issue reported by the auditor in their audit reports in previous five years
 - (b) names of underwriters, (if required)
 - (D) Eligibility criteria & associated matters:
 - (a) members' eligible / entitlement of getting the Letter of Right
 - (b) bankers to the issue
 - (c) date upto which the offer, if not accepted, shall be deemed to have been declined
 - (d) mode of acceptance (only through banking channel)
 - (i) bank account number
 - (ii) date by which amount to be credited in bank account to constitute valid acceptance
 - (iii) number and date of pay order / bank draft and other banking instrument.
 - (E) Any other material information that may have direct or indirect bearing on the investment decision."
-