

Pakistan Stock Exchange Limited
Regulatory Affairs Department
Brokers Compliance Requirements and Schedule of Reporting

| Sr.No. | Regulation Reference | Regulatory Requirements for Brokers | Time Frame | |
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| Chapter # 04 Trading Rights Entitlement (TRE) Certificate | | | | |
| 1 | 4.5.8 | In case of Transfer of TRE Certificate, The Brokerage House shall submit NOC from CDC and NCCPL | Along with the transfer request. | |
| 2 | 4.9.3 | Every TRE Certificate Holder shall submit pattern of shareholding in the format prescribed by the Exchange. | At the end of each quarter | |
| 3 | 4.12.1(c) | Annual fee of appointment and renewal Agent shall be paid by the Broker | Prescribed by the Exchange | |
| 4 | 4.12.4 (b) | In case of termination of employment of agent, the Broker shall inform the Exchange | On immediate basis | |
| 5 | 4.13 (a) | The Broker may issue research report to its clients only. | At all times | |
| 6 | 4.13(b) | Formal written policy on objectivity and independence of research report shall be shared with the employees | | |
| 7 | 4.13(c) | Shall ensure that the person(s) designated to perform research possesses at least 5 years professional experience and holds at least graduation from a university duly recognized by the Higher Education Commission of Pakistan. | | |
| | 4.13(d) | Two (02) year of related experience along with holding licensing accreditation through Institute of Capital Markets of Pakistan. | | |
| | 4.13(e) | Research reports are properly reviewed. | | |
| | 4.13(f) | Shall continuously monitor and audit the effectiveness of compliance procedures and keep the employees updated with any changes in these procedures; | | |
| | 4.13(g) | Shall make disclosure relating to: (i) Conflict of interest; (ii) Holding of particular Security by the research analyst, the brokerage house, associated companies and its directors including the CEO; (iii) Disclaimer informing that investments in Capital Markets are subject to Market Risk and this publication should not be construed as an offer, a solicitation or a recommendation to buy/sell any security and/or financial instruments or offer to participate in any contract; (iv) The sponsors, directors and employees of brokerage houses shall exercise due care and diligence and shall be mindful of their obligations and responsibilities in the capacity of a regulated entity and capital market intermediary while commenting or interacting with the media in any manner. | | |
| 8 | 4.14 | In case of any violation of PSX Regulation by any Broker, the Broker shall inform the Exchange. | | On immediate basis |
| 9 | 4.17.2 | In case of any amendment in SAOF, the Broker shall be liable to incorporate the same. | | Within 3 months from publication of such amendments. |
| 10 | 4.17.3 | Any amendment in the SAOF pertaining to roles and responsibilities of Brokers shall be binding on tem. | | Applicable on Broker after seven (07) days of issuance of notice. |

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| 11 | 4.18 | The Broker is required to formulate Know Your Customer and Customer Due Diligence policy in accordance with guidelines issued by the Exchange. | |
| 12 | 4.19.6(a) | The Broker shall submit to the Exchange “Clients’ Assets Segregation Statement” as per format prescribed by the Exchange. | within 15 days from fortnight e.g. CASS of December 31 shall be submitted to the Exchange by January 15. |
| 13 | 4.19.6(b) | At the end of financial year, submission of annual CASS duly verified by Statutory Auditor | |
| 14 | 4.20 | Whenever an order of any client has been executed by a Broker, confirmation of such execution shall be transmitted to the said client by the Broker. Including: (a) Date on which order is executed; (b) Name and number of securities; (c) Nature of transaction (SPOT, Ready, Future, Leveraged Market, Debt Market and also whether bought or sold); (d) Price; (e) Commission rate and any other charges ; (f) Applicable regulatory levies i.e. trade or transaction fee of the Exchange, CDC, NCCPL and SECP etc; (g) Applicable statutory levies i.e. taxes and duties of federal and provincial government; (h) Whether the order is executed for the Broker’s own account or from the market. {Rule 4(4) of Securities & Exchange Rules, 1971}). | Within 24 hours of execution |
| 15 | 4.21 | General obligations relating to leveraged market shall be followed by Broker. | |
| 16 | 4.21.1 | Proper agreement between Broker and Client for execution of Transaction in Leveraged Market. | At all times |
| 17 | 4.21.2 | Risk are fully disclosed to the client and their written confirmation has been taken to trade in Leveraged market. | At all times |
| 18 | 4.21.3 | Various financing options are disclosed to the clients. | |
| 19 | 4.21.4 | Provision of Anti Money Laundering Complied | |
| 20 | 4.21.5 | Credit worthiness of client is evaluated and no client is allowed to take position in beyond his credit limit. | |
| 21 | 4.21.6 | Maintenance of record relating to Leveraged Market | |
| 22 | 4.23 | Every Broker shall provide within 15 working days of end of each quarter a quarterly account statement to each of its clients through acceptable mode of communication as provided under Standardized Account Opening Form prescribed under chapter 4 of PSX Regulations. | within 15 days from end of quarter. |
| 23 | 4.22.1 | The TRE Certificate Holders may allow securities trading to their employees only through their own brokerage houses. | At all times |

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| 24 | 4.22.2 | All employees of the Brokerage House shall be registered with the UIN data base including their designation and modified whenever any change occur. | Immediately following any change |
| 25 | 4.22.3 | Trading employees strictly observes the Code of Conduct prescribed by the Exchange. | At all times |
| 26 | 4.22.5 | A TRE Certificate Holder shall not allow trading on behalf of another TRE Certificate Holder's employees. | At all times |
| 27 | 4.26.1 | Every Broker shall provide to its clients a tariff schedule annexed to SAOF which should contain the information as prescribed under Clause 4.20 (e), (f) and (g). | |
| | 4.26.2 | The tariff schedule as mentioned above shall be signed by the clients and the Broker. | |
| | 4.26.3 | In case of any change in the tariff mentioned under sub-clauses (f) or (g) of Clause 4.20, the Broker shall communicate the change to its clients within seven working days from the effective date of such change. However, any change in the tariff mentioned under sub-clause (e) shall take effect after the same is agreed and duly signed by the clients and the Broker. | Within seven days of any change. |
| 28 | Clause 8 of SAOF Annexure I of Chapter 4 | Acceptance of Cash in excess of Rs.25,000/- | Report within One Business Day |
| Chapter # 07 Proprietary Trading Regulations | | | |
| 1 | 7.2.1 | Order Register shall be maintained and updated | At all times and on immediate basis |
| 2 | 7.4.1 | The Broker shall disclose to his customer placing an order in a particular security, while accepting such order, whether he intends to or is carrying out Proprietary Trading in that security on that particular day. | At all times |
| 3 | 7.4.2 | The Broker, if doing Proprietary Trading through Agents/traders, shall disclose the name(s) of such persons to his customers. | At all times |
| 4 | 7.5 | Every Broker who engages in Proprietary Trading shall have a separate account. The account shall be in the name of the Broker, Agent or an Associated person and the title of the account must contain the word "proprietary". The account(s) shall be used for all transactions involving Proprietary Trade. | At all times |
| Chapter # 09 Internet Trading Regulations | | | |
| 1 | 9.5.1 | Agreement with the Broker with appropriate disclosure of risk involved with internet trading. | |
| 2 | 9.6 (f) | Provision of user manual of IBTS containing complete system and interfaces documentation on its website. | |

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| 3 | 9.9 (d) | Information regarding any disruption in the online trading services either on part of the Broker or the third-party vendor, is immediately disclosed on its website and to its clients. | |
| 4 | 9.11 | The Broker providing IBTS shall maintain monthly reports on the reliability and compliance status of the service. | Monthly reports |
| 5 | 9.12.1 | The Broker shall ensure that its IBTS systems, controls and procedures are audited and penetration tested independently, once in every two years, by an audit firm approved by the Exchange. | Once in every two year |
| 6 | 9.12.2 | The Broker shall submit report of the auditor to the Exchange within two months of the date of the close of its periodic vulnerability assessment, if not assessed by the Exchange itself. | Within Two (02) months from close of periodic vulnerability assessment |
| 7 | 9.13.1 | The Broker providing IBTS shall ensure that its website contains following information in plain English and Urdu language and in an easily accessible form: (a) A basic explanation of securities trading; including definitions of common terms used on the trading screen; (b) A general statement and information regarding the manner, in which orders are accepted, processed, settled and cleared via the internet; (c) Disclosure of various risks of securities trading, including the risk of systems outages and failures and any alternative means of placing orders; (d) Procedures to cancel pending orders during a system failure; (e) Rules and regulations affecting inter-alia client broker relationship, arbitration procedures and any other useful information from the perspective of Investor protection; (f) Hyperlink to the websites/page on the websites of the Exchange and the Commission displaying relevant rules, regulations, guidelines of the Exchange and Commission, information regarding the rights and obligations of the Investors and the Broker; Investor's guidelines issued by the Exchange and the Commission, relevant legal provisions for Investor protection and the complaint handling and arbitration procedures etc.; (g) Hyperlink to the websites/page on the websites showing information relating to UIS Services of NCCPL and SMS, IVR and Investor Account services of CDC. | At all times |
| 8 | 9.13.2 | The Broker providing IBTS shall ensure that the ticker/quote/order book displayed on its website displays the time stamp as well as the source of information against any given information. | At all times |

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| Chapter # 10 Ready Delivery Contracts Market Regulations | | | |
| 1 | 10.4.1 | b) The Exchange shall allow its Brokers to trade Book-entry Securities through its Ready Delivery Contract Market in the Marketable Lots or multiple thereof as prescribed in the following schedule: | |
| | | PRICE RANGE | MARKETABLE LOTS |
| | | Upto Rs.100 | 500 shares |
| | | Above Rs.100 up to Rs.500 | 100 shares |
| | | Above Rs.500 up to Rs.1,000 | 50 shares |
| | | Above Rs.1,000 | 20 shares |
| 2 | 10.8.2 | Buying Brokers are required to notify to the Clearing House for non-receipt of deliveries. | The buyer for non-receipt of delivery shall inform Clearing House on before opening of market, next trading day of settlement date. |
| 3 | 10.8.9 (a) | Securities bought-in but not delivered on the next business day may be again bought-in for immediate delivery without further notice and any loss shall be paid by the Broker causing such further buying-out. | |
| 4 | 10.8.9 (b) | Securities sold-out and not paid for on the next business day may be again sold out for immediate delivery without further notice and any loss shall be paid by the Broker causing such further selling-out. | |
| 5 | 10.8.13 | The buying Broker or one of his authorized representatives shall be present in the Exchange premises for the purpose of receiving delivery of securities and the selling Broker shall not be obliged to deliver the shares at the office of the buying Broker outside the Exchange premises. | |
| 6 | 10.14.2 | Short Sale will only be permissible on up-tick or Zero-Plus Tick. | |
| Chapter # 11 Futures Trading In Provisionally Listed Companies | | | |
| 1 | 11.1.8 | Maximum up to 3% of shares offered to the General Public can remain outstanding at the close of any business day in a Broker's account and 1.5% in a single UIN's account in a company listed under these Regulations. | |
| 2 | 11.2.3 | Prior written notification to Exchange for trading. This deposit along with any return earned on it is to be kept separate by the Exchange and cannot be used for other purposes. | Prior written notification. |
| 3 | 11.2.4 | In case a Broker delays any payment to the Exchange beyond specified time, his Initial Margin requirement (deposit payable) will be doubled. Provided that the enhanced amount of basic deposit shall not be utilized against the Exposure margin of such Broker. | |
| 4 | 11.3.1 | The MtM Losses shall be calculated at the end of each trading day in the manner as prescribed under chapter 19 of these Regulations. | |

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| Chapter # 12 Market Makers Regulations | | | |
| 1 | 12.3.4 | The applicant for shall disclose his relation with company during last one (01) year. | At the time of filing the application. |
| 2 | 12.3.11 | A Market Maker may resign after three months of commencement of its term by providing the Exchange at least two months' prior written notice. | Two (02) months prior notice. |
| 3 | 12.3.12 | The market maker shall submit request for renewal at least two (02) months prior to expiry. | Two (02) months prior to expiry. |
| 4 | 12.7.3 | The Market Making Orders/Quotes are to be maintained on both sides during Designated Market Making Period as mentioned in the Market Making Agreement which may be after 15 minutes of the pre-opening session and 30 minutes before the market's official closing time. | Market making notes shall be maintained on both sides 15 minutes pre opening of session and 30 minutes after close of market. |
| Chapter # 13 Deliverable Futures Contract Market Regulations | | | |
| 1 | 13.5.1 | A Broker on his proprietary or clients' accounts on UIN basis shall be allowed to make Blank Sale up to 0.5% of the Free-Float of a scrip or Rs.50 million, whichever is higher, in the Deliverable Futures Contract Market subject to maximum blank sale of 3.0% of the Free-Float of a scrip by such Broker for all his accounts including proprietary and clients' accounts at any given time during a Contract Period. | |
| 2 | 13.6.2 | Each Broker entering into Deliverable Futures Contract shall pay Mark-to-Market Losses in accordance with chapter 19 of the PSX Regulations subject to basic exemption of Rs.100,000/- in respect of payment of Mark-to-Market Losses. | |
| 3 | 13.6.4 | In case of failure of any Broker to deposit Exposure Margins/MtM Losses, he will not be allowed to take any fresh position. However, the said Broker will be allowed to reduce his positions as prescribed under the chapter 19 of the PSX Regulations. | |
| Chapter # 14 Cash Settled Futures Contract Market Regulations | | | |
| 1 | 14.2.2 | Any Broker may enter into CSF Contracts under this chapter subject to prior notification in writing to the Exchange and payment of basic deposit as mentioned in Deposits, Fee, Contribution and other Sums Schedule. | |
| Chapter # 15 Index Option Contracts Market Regulations | | | |
| 1 | 15.2.2 | Prior notification in writing to Exchange for trading options market. | |
| 2 | 15.2.4 | The Option Contract as specified in these Regulations shall be deemed to have been executed into when a buyer/seller accepts a bid/offer in the Index Options Market. | |

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| 3 | 15.2.11 | Only an eligible Option Writer shall be allowed to write an Option Contract without any open purchase position in such Option Series. Provided that a buyer/holder of an Option Contract may sell an option contract in the same Option Series only to the extent of squaring up an earlier open purchase position in the same Option Series. | |
| 4 | 15.3.1 | The Option Writer would be subject to all applicable margins and MtM Losses as prescribed in the chapter 19 of the PSX Regulations, as amended from time to time. | |
| 5 | 15.3.2 | No margins shall be applicable on the buyer of the Option Contract other than pre-trade and VaR margins on exposure, calculated in accordance with chapter 19 of the PSX Regulations, which shall be levied on real-time basis, till the completion of pay-in towards Premium settlement. | |
| 6 | 15.3.3 | The Premium shall be payable by buyer/holder of the Option Contract in cash on T+0 bases and distributed onwards by the Exchange to the Option Writer and/or Option Seller on a T+1 basis. | |
| 7 | 15.3.4 | MtM losses determined by the Exchange at the end of a trading day based on the Daily Settlement Price shall be collected only from the Option Writer as per chapter 19 of these Regulations, by the Clearing Company on T+0 settlement basis (by day-end on trade day). | |
| Chapter # 17 Stock Index Futures Contract Market Regulations | | | |
| 1 | 17.2.2 | Any Broker can enter into SIFC Market under these Regulations subject to prior notification in writing to the PSX and payment of basic deposit of the requisite amount in accordance with Deposits, Fees, Contributions and other Sums Schedule. | |
| 2 | 17.2.9 | There shall be no adjustment for cash Dividends, Bonus and Right issue in the SIF Contracts. | At all times |

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| Chapter # 19 Risk Management Regulations | | | |
| 1 | 19.3.1 | BASE MINIMUM CAPITAL: Every Broker desiring to trade in any Market shall be required to maintain a Base Minimum Capital of the amount and in the form as calculated/prescribed in Schedule-I annexed to this chapter. | All the times |
| | Schedule I | Review and Updation of BMC 1. The Exchange shall determine the required Value of BMC for each Broker on the first working day of every month on the basis of AUC of such Broker as of the last working day of the preceding month. 2. <u>The Broker shall be required to fulfill any shortfall in the BMC within next five (5) working days of the issue of notice by the Exchange.</u> | Within 5 working days of issuance of notice by the Exchange. |
| | | <u>Provided that in case value of collateral deposited by a Broker to meet its BMC requirement falls below its required value at day end, the Exchange shall require such Broker to deposit the shortfall in any of the forms as mentioned above within one working day.</u> failing which the Exchange shall be authorized to allocate the excess margins available in the House Account of that Broker to the extent of shortfall in BMC. Where, the excess margins are not adequate to meet the BMC requirement, the Exchange shall restrict/suspend trading rights of such Broker till the time the Broker fulfills its BMC requirement. | In case of shortfall, Broker is required to deposit the shortfall in BMC within one working day. |
| 2 | 19.3.2 (b) | The Brokers shall submit bi-annually a certificate from its last Statutory Auditor confirming their NCB on the format prescribed by the Exchange on the dates and within such time as may be notified by the Exchange for this purpose | Bi-annually on the dates prescribed by the Exchange via notice |
| 3 | 19.5.3 | Exposure margins during the first six months of listing of a security on the Exchange shall be 25% of the Exposure. | In first six months of Listing of security |
| 4 | 19.5.4 (a) | The Exposure margins shall be deposited by a Broker within such time as may be determined by the Exchange from time to time but in no case later than the opening of the market on the next trading day. | Not later than the opening of the market on the next trading day. |
| 5 | 19.5.6 (e) | The Corporate Brokerage Houses listed on the Exchange will not be allowed to deposit against the Exposure of their own company's shares; | At all times |
| 6 | 19.6.3(a) | Each Broker will pay its MtM Losses to the Exchange at any point in time (as demanded by the Exchange) or at the end of each trading day but not later than prior to opening of trading on the next day. | Not later than the opening of the market on the next trading day. |
| 7 | 19.6.3(b) | MtM losses of Brokers (client as well as proprietary positions) having total Exposures in the Deliverable Futures Contract Market or Index Options Market of more than Rs.200 million will be collected twice a day, including at the end of each trading day. | Twice a day |

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| 8 | 19.7.3 | The Liquidity Margins shall be payable by a Broker once his Exposure limit in the Ready Market reaches a certain level at the rate as prescribed in the Schedule-VIII. Such margins shall be payable by the Broker from his Proprietary Account. | As and when required |
| 9 | 19.7.5 | The applicable Concentration, Special, Liquidity and Additional Margins shall be paid by a Broker at the end of each trading day. | At the end of each trading day |
| Chapter # 22 Brokers' Office / Branch Office Regulations | | | |
| 1 | 22.2 (g) | Branch-wise list of employees, along with their CNIC and residential addresses and the same information shall be provided to the Exchange on quarterly basis; | On Quarterly Basis |
| 2 | 22.2(m) | Status of Office(s)/Branch Office(s) including their closure or change of Manager shall be notified in writing to the Exchange within 24 hours. The Exchange will ensure monthly update of details of Office(s)/Branch Office(s) on its website; | Inform Exchange within 24 Hours of closure. Exchange shall update the details on it's website on monthly basis. |
| 3 | 22.5.1 | Prominent display Broker's name outside the Head Office/Branch Office | At all times |
| 4 | 22.5.2 | The Broker shall maintain all record at Registered office. | |
| 5 | 22.5.3 (a) | Proper display of Certificate of Registration at Office/Branch Office | |
| 6 | 22.5.3 (b) | Display of Certificate of Registration of Manager as Agent with the Commission at Branch Office. | At all times |
| 7 | 22.5.4 | A BOARD AT A CONSPICUOUS PLACE AT THE RECEPTION/FRONT OFFICE WHICH SHOULD CONTAIN: | |
| 8 | 22.5.4 (a) | Name of the person authorized to deal with the customers. | |
| 9 | 22.5.4 (b) | A warning that the branch cannot deal in cash, except as provided in the Standardized Account Opening Form. | At all times |
| 10 | 22.5.4 (c) | That the customer must demand deliveries as per these Regulations. | |
| 11 | 22.5.4 (d) | That nobody is authorized to take deposit money on fixed profits which is illegal. | |
| 12 | 22.5.5 | A Broker shall in case of closure of his/its Branch Office or at the time of change of his/its Manager, issue a public notice in an English and Urdu news paper. | Prior to the closure of Branch Office or change in manager. |
| 13 | 22.5.7 | The Broker shall ensure that all stationery will be issued only in his name along with addresses of Office and Branch on all printed stationary. | At all times |
| 14 | 22.8 | A Broker may suspend trading facility at the Office(s)/Branch Office(s) with a notice in writing to the Exchange. | Shall remain open for 1 month from the issue of notice for disposal of matters. |

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| Chapter # 23 System Audit [Regulatory Compliance] Regulations | | | |
| 1 | 23.7.1 | Auditor declaration shall be submitted with the Exchange by the Broker | Within 30 days from receipt of Ballot Intimation letter from the Exchange |
| 2 | 23.7.4 | Broker shall direct the Auditor to submit its Report directly to the CRO of the Exchange on the format prescribed by the Exchange | Within Two (02) months from appointment of Auditor |
| 3 | 23.7.6 | If the Report contains any non-compliance(s), the Broker shall rectify the same immediately and such Broker shall be subject to limited scope audit. The period for limited scope audit shall not be less than 3 months. | LSA Report shall be submitted with the Exchange within 15 days from end of LSA Period. |