[AS PASSED BY THE NATIONAL ASSEMBLY]

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BILL

further to amend the Securities and Exchange Commission of Pakistan Act, 1997

WHEREAS it is expedient further to amend the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) for the purposes hereinafter appearing;

It is hereby enacted as follows:—

1. **Short title and commencement.**—(1) This Act may be called the Securities and Exchange Commission of Pakistan (Amendment) Act, 2016.

(2) It shall come into force at once.

2. **Amendment of section 2, Act XLII of 1997.**—In the Securities and Exchange Commission of Pakistan Act, 1997, hereinafter called the said Act,—

(a) in section 2,—

(i) the existing provision of section 2 shall be numbered as sub-section (1) thereof;

(ii) in sub-section (1), numbered as aforesaid, after clause (a), the following new clause shall be added, namely:—

"(aa) "administered legislation" means the legislation administered by the Commission as specified in the Schedule I;";

(iii) in clause (d), after the word "Commission" the words "and includes the Acting Chairman" shall be inserted;

(iv) for clause (f), the following shall be substituted, namely:—

"(f) "clearing house" means a company that is licensed by the Commission as a clearing house;";

(v) in clause (i),—

(I) for the words "Board" the words "Commission or the Board" shall be substituted; and

(II) for the expression "section 15" the words "this Act" shall be substituted;

(vi) after clause (i), amended as aforesaid, the following new clause shall be inserted, namely:—

"(ia) "Court" means the Company Bench of a High Court as provided in sections 7 and 8 of the Companies Ordinance, 1984 (XLVII of 1984);

(vii) after clause (j), the following new clause shall be inserted, namely:—

"(ja) "document" includes any information recorded in any form, including documents or statement of accounts in respect of customers maintained by financial institution, through modern electronic devices or techniques and data or information recorded in any legible form;";

(viii) after clause (k), the following new clauses shall be inserted, namely:—

"(ka) "financial services" mean all services provided by regulated persons under this Act or any administered legislation, but shall not include any service exclusively regulated by the State Bank of Pakistan;

(kb) "financial services market" mean all markets in which financial services are provided and includes the capital market and the insurance market;";

(ix) after clause (p), the following new clauses shall be inserted, namely:—

"(pa) "regulated activity" means any activity which is required to be registered with or licensed by the Commission under this Act or any administered legislation;

(pb) "regulated person" means a person or entity licensed or registered under this Act or any administered legislation to carry on or engage in a regulated activity not being an institution exclusively regulated by the State Bank of Pakistan;";

(x) in clause (q), the word "and" shall be omitted;";

(xi) in clause (r), for full stop a semicolon shall be substituted and thereafter the following new clauses shall be added, namely:—

"(s) "Schedule" means schedule annexed to this Act;

(t) "self regulatory organization" means an entity connected with financial services market and registered by the Commission under this Act for the purpose of regulating the operations, standards of practice and business conduct of its members and their representatives with a view to promote protection of investors and the public interest;

(u) "specified" means specified by the Commission through regulations made under this Act;

(v) "subordinate legislation" means any rules or regulations made under this Act or any administered legislation; and

(w) "systemic risk" means the risks, including potential, emerging and systemic risks in financial services market, entities, infrastructure, products and activities which may impact the ability of the Commission to fulfil its regulatory responsibilities provided in this Act."; and

(b) after sub-section (1), numbered and amended as aforesaid, the following new sub-section shall be added, namely:—

"(2) Unless the context requires otherwise, the words and expressions used in this Act but not defined herein shall have the same meaning as assigned to them under the administered legislations.".

3. **Amendment of section 3, Act XLII of 1997.**—In the said Act, in section 3, after sub-section (2), the following new sub-section shall be added, namely:—

"(3) The Commission shall be administratively, financially and functionally independent and the Federal Government shall use its best efforts to promote, enhance and maintain independence of the Commission.".

4. **Insertion of section 6A, Act XLII of 1997.**—In the said Act, after section 6, the following new section shall be inserted, namely:—

"**6A. The Acting Chairman.**—At any time when position of the Chairman is vacant or the Chairman is unable to perform his functions due to any cause, the Federal Government shall appoint senior most Commissioner of the Commission to be the Acting Chairman of the Commission until appointment of the Chairman on a regular basis:

Provided that the Federal Government shall ensure the appointment of Chairman on regular basis within hundred and twenty days from the date the post of Chairman fell vacant.".

5. **Amendment of section 10, Act XLII of 1997.**—In the said Act, in section 10, in sub-section (1), after the word "powers", the words "under this Act or any administered legislation" shall be inserted.

6. **Insertion of new section 11A, Act of XLII of 1997.**—In the said Act, after section 11, the following new section shall be inserted, namely:—

"**11A. Committees of the Commission.**—The Commission may constitute committees, consultative group, task force etc. as it considers necessary or expedient to assist it in performance of its functions under this Act or any administered legislation.".

7. **Amendment of section 12, Act XLII of 1997.**—In the said Act,—

(a) in sub-section (1), for the word "nine" the word "eleven" shall be substituted;

(b) in sub-section (2), in clause (b),-

(i) for the word "four" the word "six" shall be substituted;

(ii) for the full stop at the end a full colon shall be substituted and thereafter the following proviso shall be inserted, namely:-

"Provided that the Federal Government shall ensure the appointment of private sector member of the Board within hundred and twenty days from the date of such vacancy in the Board.";

(c) in sub-section 3,—

(i) for the colon a full stop shall be substituted; and

(ii) the proviso shall be omitted.

8. Amendment of section 13, Act XLII of 1997.—In this said Act, in section 13,in sub-section (2), for the word "four" the word "five" shall be substituted.

9. Amendment of section 20, Act XLII of 1997.—In the said Act, in section 20,—

(a) in sub-section (1), after the word "Act", the words "or any administered legislation" shall be inserted;

(b) in sub-section (4),—

(i) in clause (d), for the words " securities markets" the words "financial services market" shall be substituted;

(ii) after clause (f), the following new clauses shall be inserted, namely:—

"(fa) establishing and regulating entities for the protection of investors;

(fb) promoting, encouraging and enforcing proper conduct, competence and integrity of regulated persons;

(fc) proposing regulations for disclosure of information in public interest;";

(iii) in clause (g), for the words "securities markets" the words "financial services market" shall be substituted;

(iv) in clause (h), for the words "of securities markets" the words "operating in the financial services market" shall be substituted;

(v) in clause (i),--

(A) after the word "conducting", the words "inspections and" shall be inserted; and

(B) for the words "the Ordinance" the words "any administered legislation" shall be substituted;

(vi) after clause (i), amended as aforesaid, the following new clause shall be added, namely:—

"(ia) ensuring development of a sound regulatory framework to counter and suppress illegal, improper and unfair practices in financial services market and other sectors regulated by the Commission;";

(vii) in clause (k), for the words "securities market", the words "financial services market" shall be substituted;

(viii) for clause (l), the following new clause shall be substituted, namely:—

"(l) considering and suggesting reforms relating to the financial services market, regulated persons, companies and bodies corporate, including changes to the constitution, rules and regulations of companies and bodies corporate, securities exchanges or clearing houses;";

(ix) in clause (m), for the words " capital market and the corporate sector" the words "financial services market and other sector regulated by the Commission" shall be substituted;

(x) in clause (o),—

(A) the expression "Authority, including any powers of the" shall be omitted;

(B) for the expression "Authority" appearing for the second time the word "Commission" shall be substituted;

(C) after the word "force" the expression "or any other law which may be made after commencement of this Act," shall be inserted; and

(D) for the expression "Authority including, but not limited to, the functions and powers set out in the Schedule to this Act", the word "Commission" shall be substituted;

(xi) in clause (v), the word "and", occurring at the end, shall be omitted; and

(xii) for clause (w), the following shall be substituted, namely:—

"(w) to control and minimize misconduct, market abuse and financial crime in the financial services market and other sectors regulated by Commission;";

(xiii) after clause (w), substituted as aforesaid, the following new clauses shall be added, namely:—

"(x) for regulating and facilitating the growth of Shariah compliant financial products in the financial services market except the financial products regulated by the State Bank of Pakistan;

(y) to identify and address the factors resulting in systemic risk in the markets regulated by the Commission;

(z) to regulate and facilitate healthy growth of the corporate sector (private and public), and to promote good corporate governance for development of efficient management and prudent financial practices;

(za) establishing a foundation or fund to provide for welfare support and facilities to the employees whether serving or retired and their families and to create, establish, organize and assist in the social and cultural activities;

(zb) to regulate financial services market to ensure that they function in a fair, efficient, transparent and orderly manner; and

(zc) performing any other functions entrusted to the Commission by the Federal Government from time to time."; and

(c) in sub-section (6),—

(i) in clauses (a) and (b), for the words "securities markets" the words "financial services market" shall be substituted;

(ii) after clause (b), amended as aforesaid, the following new clause shall be inserted, namely:—

"(ba) to create awareness among investors and to provide an appropriate degree of protection for investors, having regard to the general principle that investors should take responsibility for their decisions; and

(iii) in clause (g),for the expression "the Act, Ordinance, the Law of Insurance" the expression "this Act, any administered legislation" shall be substituted.

10. Amendment of section 23, Act XLII of 1997.—In the said Act, in section 23,—

(a) in sub-section (2),—

(i) in clause (c), the word "and", occurring at the end, shall be omitted;

(ii) in clause (d), for full stop at the end, a semicolon and the word "and" shall be substituted; and

(iii) after clause (d), amended as aforesaid, the following new clause shall be added, namely:—

"(e) any other sources as may be notified by the Federal Government."; and

(b) in sub-section (3), after the word "Act" the words "or any administered legislation" shall be inserted.

11. Amendment of section 24, Act XLII of 1997.—In the said Act, in section 24,—

(a) in sub-section (1), in clause (e), after the word "Act", the words "or any administered legislation" shall be inserted; and

(b) in sub-section (3A),after the word "expenditure", occurring for the first time, the words "including budgeted capital expenditure" shall be inserted.

12. Amendment of PART VIII, Act XLII of 1997.—In the said Act, in PART VIII, for the heading, "ENFORCEMENT AND INVESTIGATION" the heading "INSPECTION, INVESTIGATION AND ENFORCEMENT" shall be substituted.

13. Insertion of section 28A, Act XLII of 1997.—In the said Act, after section 28,the following new section shall be inserted, namely:—

"**28A. Inspection.**—(1) For the purpose of ascertaining whether a person who is, or at any time has been, a regulated person is complying with or has complied with any provision or requirement of this Act or any administered legislation, or the terms and conditions of licence or

registration, the Commission may from time to time inspect any record or document relating to any regulated activity.

(2) The Commission may authorize in writing one or more of its employees to exercise the powers of the Commission under this section.

(3) In the exercise of his powers under this section, an authorized person may—

(a) require the regulated person, or any concerned person, whom he believes is in possession of or has under his control any record or document referred to in sub-section (1), to produce that record or document before him;

(b) make inquiries of a regulated person, or any other person whom he has reasonable cause to believe has information relating to any record or document referred to in sub-section (1), concerning any such record or document or concerning any transaction or activity which was undertaken in the course of, or which may affect, the business conducted by the regulated person; and

(c) inspect and make copies of, or take extracts from, and where necessary take possession of, such documents.

(4) For the purpose of an inspection under this section, the regulated person or other person mentioned in sub-section (3) shall afford an

authorized person access to the records or documents as may be required for the inspection and shall produce before the authorized person such records or documents as may be required.

(5) Any person who, without reasonable excuse, fails to comply with a requirement imposed on him by an authorized person under sub-section (3) commits an offence under this Act and shall be punishable with imprisonment of either description which may extend to three years or with fine which may extend to two hundred million rupees or with both.".

14. Substitution of section 29, Act XLII of 1997.—In the said Act, for section 29,the following shall be substituted, namely:—

"29. Investigation and proceedings by the Commission.—(1)Where the Commission, either on its own motion or on the basis of any information received, authorize one or more of its employees or one or more other persons to investigate, whether—

(a) an offence or a contravention has been committed by any person under this Act or any administered legislation or a subordinate legislation;

(b) a regulated person has been engaged in committing fraud, misfeasance or other misconduct in carrying on a regulated activity; or

(c) the manner in which a regulated person has engaged or is engaging in his regulated activity is not in the interest of

the financial services market or investors,

and submit an investigation report thereof to the Commission, the Commission shall proceed in the matter in accordance with the provisions of the Act and the administered legislation:

Provided that where any special procedure regarding investigation or inquiry is provided in the administered legislation the Commission may adopt such special procedure in addition to the procedure provided in this Act.

(2) Any concerned person, who is reasonably believed or suspected by the investigator to have in his possession or under his control any record or document which contains or which is likely to contain information relevant to an investigation under this section or who is believed or suspected of otherwise having such information in his possession or under his control, shall—

(a) produce to the investigator, within such time and at such place as the investigator requires in writing, any record or document specified by the investigator which is, or may be, relevant to the investigation and which is in his possession or under his control;

(b) if required by the investigator give the investigator an explanation for or further particulars of any record or document produced under clause (a);

(c) appear before the investigator at such time and at such place as the investigator requires in writing and answer truthfully and to the best of his ability any question relating to the matters under investigation as the investigator may put to him, whether orally or in writing; and

(d) provide to the investigator all assistance in connection with the investigation which he is reasonably able to give.

(3) Any person who without reasonable cause fails to—

(a) produce any record or document required to be produced under clause (a) of sub-section (2);

(b) give an explanation or further particulars as required under clause (b) of sub-section (2);

(c) appear before the investigator as required under clause (c) of sub-section (2);

(d) answer a question put to him by the investigator under clause (c) of sub-section (2) or in answering the question says anything which he knows to be false or misleading in a material particular or who in so answering recklessly makes a false statement; or

(e) comply with clause (d) of sub-section (2),

commits an offence under this Act and shall be punishable with

imprisonment of either description which may extend to three years or with fine which may extend to two hundred million rupees or with both.

(4) The Commission may, for the purposes of investigation under this Act or any administered legislation, also seek assistance of any other investigating agencies, bureau, local police and administration, statutory bodies, banks and other relevant entity, who shall provide such assistance to the Commission.".

15. Amendment of section 30, Act XLII of 1997.—In the said Act, in section 30,—

(a) in sub-section (1),—

(i) for the words "any two Commissioners" the word "a Commissioner, or an officer, authorized in this behalf" shall be substituted;

(ii) in clause (b),for the words "or the Ordinance" the words "any administered legislation" shall be substituted;"; and

(b) after sub-section (1), amended as aforesaid, the following new sub-sections shall be inserted, namely:—

"(1A) The investigator shall, for the purposes of investigations, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (Act V of 1908), while trying suit in respect of the following matters, namely:—

(a) summoning and enforcing the attendance of any witness and examining him on oath or affirmation;

(b) compelling the discovery or production of any document, record or other material object;

(c) receiving evidence on affidavit; and

(d) issuing commissions for the examination of witnesses and documents.

(1B) In addition to sub-section (3), any person who contravenes the requirements of clause (a), (b) and (c) of sub-section (1A), the investigator may, after prior written approval of the Commission, make an application to the Court for attachment of property, both movable and immovable, or require him to furnish security for his appearance or any other order as the Court deems appropriate and necessary and in addition, the Commission may pass any order under Chapter XIA on a report of the investigation officer.

(1C) Notwithstanding anything contained in Qanun-e-Shahadat Order, 1984 (P.O. 10 of 1984) all evidence collected though modern electronic devices and such other techniques shall be admissible in the court of law.

(1D) Any proceeding before the investigator shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228 of the Pakistan Penal Code, 1860 (Act XLV of 1860) and in case of any

contravention thereof the Commission may file a complaint in the Court of Sessions.".

16. Amendment of section 31, Act XLII of 1997.—In the said Act, in section 31,—

(a) in sub-section (1), after the word "necessary", the words "in such form and manner as may be prescribed by the Federal Government through rules" shall be inserted; and

(b) in sub-section (2),for the word "any two Commissioners" the words "a Commissioner authorized in this behalf" shall be substituted.

17. Insertion of section 31A, Act XLII of 1997.—In the said Act, after section 31, amended as aforesaid, the following new section shall be inserted, namely:—

"**31A. Power of the Commission to call for information.**— (1)Notwithstanding anything contained in any other law, the Commission or authorized investigating officer may, by notice in writing, require any person including financial institution to furnish it with such documents or information as it may require during the course of inquiry, inspection or investigation under this Act or any administered legislation within such time and verified in such manner as it may specify.

(2) The duty to supply information under this section applies notwithstanding any other enactment or law in Pakistan including Banking Companies Ordinance, 1962 (LXII of 1962).

(3) Any person who refuses to provide information required by the Commission under sub-section (1) shall be guilty of an offence and shall be liable on conviction to a fine which may extend to one million rupees or to imprisonment for a term not exceeding three years, or with both.".

18. Insertion of section 32B, Act XLII of 1997.—In the said Act, after section 32A, the following new section shall be inserted, namely:—

"32B.Review.—(1)Any order passed by the Commission shall be subject to review by the Commission on its own motion or on application made to it within thirty days from the date of such order.

(2) Any person aggrieved by an order of the Appellate Bench from which an appeal is allowed under section 34 but no appeal has been preferred, may file an application for review within thirty days from the date of such order.".

19. Amendment of section 33, Act XLII of 1997.—In the said Act, in section 33, after sub-section (3),the following new sub-section(3A) shall be inserted, namely:—

"(3A) Any clerical or arthematic mistakes in an order or error arising therein from any accidental slip or omission may at any time be corrected by the Appellate Bench on its own motion or on an application made to it by any party.".

20. Amendment of section 34, Act XLII of 1997.—In the said Act, in section 34,—

(a) in sub-section (1), after the word "Bench", the words "or order made under sub-section (2) of section 32B" shall be inserted; and

(b) after sub-section (2), the following new sub-sections shall be inserted, namely:—

"(3) The Court may, on an appeal made to it under sub-section (1), accept, set aside or vary the order referred to in sub-section (1) or make such other order as the interest of justice require.

(4) The Court shall at the stage of admission of an appeal, or at any time thereafter on application of the aggrieved person with due notice to the parties, decide by means of a reasoned order whether the appeal is to be admitted in part or in whole depending on the facts and circumstances of the case:

Provided that the admission of the appeal shall not *per se* operate as a stay and nor shall any stay be granted therein unless the Commission has been given an opportunity of being heard.

(5) Notwithstanding anything contained in any other law, the hearing of appeal may continue day to day, unless sufficient cause has shown by the parties jointly or severally which is beyond the control of the parties, the Court may adjourn the hearing for

maximum of two dates and such adjournment may not be more than fifteen days at any one time or for more than thirty days in all.".

21. Insertion of PART IXA, IXB and IXC Act XLII of 1997.—In the said Act, after PART IX, the following new PARTS IXA, IXB, IXC and corresponding sections thereunder shall be inserted, namely:—

"PART IXA

POWERS OF INTERVENTION BY COMMISSION

36A. Scope of powers under this Part.—(1) The powers conferred on the Commission under this Part may be exercised in relation to any regulated person if it appears to the Commission that—

(a) the exercise of the powers is desirable for the protection of investors or is in the interest of the financial services market; or

(b) a regulated person is not a fit and proper person; or

(c) a regulated person has contravened or failed to comply with any provision of or any requirement under this Act or any administered legislation or, in purported compliance with any such provision or requirement, has furnished the Commission with information that is false, inaccurate or misleading.

(2) In exercising the powers conferred by this section or section 36B, the Commission may be entitled to rely on the findings of an inspection conducted under

section 28A or the content of any report of investigating officer received under section 29.

(3) The powers conferred on the Commission by this Part may be exercised in relation to a person whose registration or license has been suspended or revoked or has expired whether or not the suspension or revocation is the subject of appeal.

36B. Restriction of business.—(1) For the purposes of section 36A, the Commission may prohibit a regulated person from doing any one or more of the following, namely:—

(a) entering into transactions—

(i) of a specified description or other than of a specified description; or

(ii) in specified circumstances or other than in specified circumstances; or

(iii) to a specified extent or other than to a specified extent;

(b) soliciting business from persons of a specified description or from persons other than of a specified description; or

(c) carrying on business in a specified manner or other than in a specified manner.

(2) A prohibition under this section may relate to transactions entered into in connection with or for the purposes of the regulated activity or to other business that is carried on in connection with or for the purposes of any such regulated activity.

PART IXB

SELF REGULATORY ORGANIZATION

36C. Self-regulatory organizations.—A person who wishes to carry on activities as self-regulatory organization may apply to the Commission for registration and the Commission may, where it deems appropriate in the public interest or for the protection of investors, register any entity as a self-regulatory organization in such form and manner and subject to such terms and conditions as may be specified including but not limited to following, namely:-

(a) it is a company licensed by the Commission under section 42 of the Ordinance;

(b) it has specified in its memorandum of association as its main objects the discharging of functions of self-regulatory organization;

(c) it has necessary infrastructure, adequate office space, equipments, experienced man power and technical aspects, financial resources, policies, procedures, systems and controls to effectively and efficiently discharge its functions and responsibilities;

(d) its directors and senior management officials fulfill the fit and proper criteria as may be specified;

(e) at-least one-half of the number of its directors are independent directors and in order to determine the independent status of a director, the requirements prescribed in the code of corporate governance as specified by the Commission from time to time shall be followed;

(f) the chairman of the board of directors of that company shall always be an independent director;

(g) it has paid up capital net of losses of not less than such amount as may be specified; and

(h) any other conditions as may be specified.

Explanation.- For the purpose of this section, senior management officials shall include, chief executive officer or managing director, deputy managing director or chief operating officer and chief regulatory officer or holder of such position by whatever name called.

36D. Registration of a self-regulatory organizations.—(1) The application for registration as a self-regulatory organization shall be made in such form and manner and subject to such fee as may be specified.

(2) Upon receipt of application under sub-section (1), the Commission may grant certificate of registration after making such inquiries and after obtaining such information as it considers necessary, including but not limited to the following, namely:-

(a) applicant fulfills the eligibility criteria;

(b) applicant has the ability to efficiently handle its functions as self-

regulatory organization and its obligations under this Act and regulations made by the Commission;

(c) the regulations of the applicant contain satisfactory provisions for the matters specified in this section;

(d) it shall be in the interest of financial services market and the public to grant registration to the applicant; and

(e) any other condition as may be specified.

(3) The certificate of registration as self-regulatory organization shall be valid for a period of five years and may be renewed by the Commission subject to fulfillment of such conditions as may be specified.

(4) Self-regulatory organization shall be responsible to perform the functions which may include any or all of the following, namely:—

(a) effective training and education of the members of self-regulatory organization and investors in general;

(b) conducting examinations and providing certifications to its members and investors in general;

(c) providing research and development assistance to its members and investors in general;

(d) conducting the grading of its members with respect to their compliance with the applicable law and other norms as may be specified;

(e) providing information to the investors regarding general and specific risks of financial services market, information pertaining to its members and other information useful for taking informed investment decisions and protecting the interest of investors; and

(f) any other functions as may be specified.

(5) It shall be responsibility of the self-regulatory organization to—

(a) specify code of conduct for its members and take measures for ensuring compliance thereof;

(b) implement mechanism for monitoring and supervising activities of its members and ensuring compliance with applicable laws;

(c) implement mechanism for inspection of its members on regular basis;

(d) take disciplinary action against its members in cases of violation of code of conduct and other applicable law;

(e) treat all its members in an equitable manner and must ensure that no member gains unfair advantage to other member as a result of oversight activities of self-regulatory organization;

(f) promptly inform the Commission regarding any non-compliance of laws by its members;

(g) act in good faith and take measures to avoid conflict of interest in conduct of its duties and functions;

(h) submit annual report to the Commission which shall contain such information as may be specified;

(i) comply with all the requirements of this Act, regulations made thereunder and directions given by the Commission from time to time;

(j) comply with the code of corporate governance specified by the Commission;

(k) submit periodical returns to the Commission in the manner and frequency specified;

(l) provide such assistance to the Commission as and when required, including the furnishing of such returns and the provision of such information relating to its operations or required under this Act or any administered legislation and applicable rules and regulations, directions, notifications, etc.;

(m) extend full cooperation to the Commission in relation to any inspection or investigation against its members and in ensuring compliance with the law by its members; and

(n) perform such other duties and responsibilities as may be specified.

36E. Regulations of self-regulatory organization.—(1) Self-regulatory organization shall make regulations subject to prior approval of the Commission and such regulations shall contain following provisions, amongst others,—

(a) for the protection of investors;

(b) for manner of admission of its members;

(c) code of conduct for the members;

(d) for monitor conduct of its members;

(e) relating to discipline of a member who contravenes its regulations or the provisions of this Act or any administered legislation and may provide for fine, suspension, expulsion, limitation of activities, functions or operations;

(f) for specifying the procedure for disciplinary proceedings;

(g) right of appeal of member of self-regulatory organization against any disciplinary action by the self-regulatory organization including manner and procedures in connection therewith;

(h) for preventing fraudulent, deceptive and manipulative acts and practices and promoting fair trading practices;

(i) obligation of members to provide information to the self-regulatory organization in the manner and frequency specified;

(j) manner and frequency of submission of returns and information to the self-regulatory organization by its members;

(k) arbitration mechanism in relation to any dispute between its members or between members and their clients;

(l) for maintenance of books and records by the self-regulatory organization;

(m) criteria for appointment of auditors of self-regulatory organization and the content of audit report;

(n) for confidentiality of information available with the self-regulatory organization and its officers;

(o) for inspection of members including audit by independent auditors to determine compliance with the law and provide opinion on such matters as may be specified;

(p) for fair treatment to its members and any person who applies for membership; and

(q) any other matters as may be specified.

(2) The Commission may approve regulations of self-regulatory organization with or without modification or on its own motion, make or amend the regulations after giving due notice to the self-regulatory organization.

(3) The Commission may, by notice in writing served on a self-regulatory organization, require it to—

(a) make regulations specified in the notice within the period specified; or

(b) amend regulations referred to in the notice in the manner and within the period specified in the notice.

(4) Where the Commission is satisfied that a self-regulatory organization has not complied with a requirement referred to in sub-section (3) within the period specified in the notice, the Commission may make or amend the regulations and the regulations so made or amended shall be deemed to have been made or amended by the self-regulatory organization and shall have effect accordingly.

(5) Self-regulatory organization shall only admit the regulated persons which are granted a licence by the Commission or which are registered with the Commission under the laws administered by the Commission:

Provided that the Commission may declare a class of persons connected with the financial services market who may be admitted by a self-regulatory organization as its members.

36F. Maintenance and inspection of records.—(1)A self-regulatory organization shall—

(a) make and maintain such records in such form and manner and for such period as may be specified;

(b) file with the Commission any report specified by the Commission in the form and manner as may be specified; and

(c) appoint auditor with the prior approval of the Commission to express opinion on such matters as may be specified.

(2) The Commission may in writing at any time appoint one or more persons to—

(a) inspect books of accounts, other records and documents of the self-regulatory organization or its members and the self-regulatory organization or the member, as the case may be, shall extend full cooperation to the persons so appointed by the Commission and produce all accounts, records and documents as may be required by person so appointed; and

(b) prepare such financial or other reports as the Commission requires.

36G. Powers of the Commission to issue directions to self-regulatory organization.— (1) Without prejudice to the powers conferred by section 40B the Commission may issue directions to self-regulatory organization of a general or specific nature where the Commission considers it necessary or expedient, in the public interest or for the protection of investors or in the interest of financial services market.

(2) Where the self-regulatory organization contravenes any provision of this Act or any administered legislation or any rules or regulations made thereunder or fails to comply with any direction of the Commission, the Commission may, after providing a reasonable opportunity of being heard,-

(a) remove the chief executive officer, any director or officer of the self-regulatory organization from office;

(b) impose a penalty of such sum which may extend to fifty million rupees; or

(c) suspend or cancel the registration of the self-regulatory

organization.

PART IXC

AUDIT OVERSIGHT BOARD

36H. Definitions.—In this Part,—

(a) "auditor" means a chartered accountant within the meaning of Chartered Accountants Ordinance, 1961 (X of 1961) being a person qualified to be appointed as auditor of a company under section 253 of the Ordinance;

(b) "audit firm" means a firm of chartered accountants in practice organized as partnership under the Partnership Act, 1932 (IX of 1932) or a sole proprietary firm being an auditor;

(c) "audit oversight board" or "AOB" means the independent audit oversight board established under section 36I;

(d) "employee" means any officer or employee of AOB;

(e) "fund" means fund established under this Part;

(f) "Institute" means the Institute of Chartered Accountants of Pakistan established under the Chartered Accountants Ordinance, 1961 (X of 1961);

(g) "member AOB" means the member of AOB;

(h) "nominating committee" means committee comprising following *ex-officio* members, namely:-

(i) Secretary to the Government of Pakistan, Finance Division;

(ii) the Chairman of the Commission;

(iii) the President of the Institute;

(iv) the Governor State Bank of Pakistan; and

(v) one member to be co-opted by the *ex-officio* members;

(i) "public interest company" means such company or body corporate as may be notified by the Commission;

(j) "quality assurance board" or "QAB" means the quality assurance board constituted by the Institute;

(k) "registered audit firm" means an audit firm registered with AOB; and

(l) "specified" means specified through regulations made under section 36Z.

36I. Establishment of AOB.—(1) There is hereby established an independent audit oversight board to function in the public interest.

(2) AOB shall have perpetual succession and common seal and can sue and be sued in its own name.

(3) AOB shall perform such functions as assigned to it under this Part and shall have all powers incidental and ancillary thereto.

36J. Members of AOB.—(1) AOB shall comprise seven members including its chairman.

(2) The members and the chairman of AOB shall be appointed by the Federal Government on the recommendation of the nominating committee.

(3) A member AOB shall be a person who possesses relevant qualification such as a degree, recognized by the Higher Education Commission, in accountancy, business, finance, law or economics and experience of audit, regulation of auditors or corporate law or having been on the board of directors or in the senior management of public interest companies.

(4) The nominating committee shall formulate procedures for selection of members following due process, including interviews of the potential candidates, before recommending them to the Federal Government for appointment.

(5) The quorum of the meeting of AOB shall not be less than four members.

(6) The members of AOB, including the chairman, shall be paid such remuneration and allowances as may be notified by the Federal Government on the recommendation of the nominating committee.

(7) A member of AOB shall be appointed for an initial term of three years and shall be eligible for reappointment for another non-renewable term of three years.

(8) The nominating committee shall determine the appointment procedure and system of performance evaluation of the members of AOB and its constitution and reconstitution in the following manner, namely:-

(a) appointment of seven members on first constitution of AOB shall be made for a term of three years;

(b) after expiry of three years on first constitution of AOB, four members of AOB, selected on random ballot out of the then existing members, shall continue for further term of three years and the remaining members shall stand retired and cease to hold the office, provided that they have completed their first term of three years; and

(c) any vacancy arising at any time shall be filled in accordance with the provisions of this Part for a term of three years reckoning from the date of the appointment.

(9) No act, proceeding or decision of AOB shall be invalid by reason only of the existence of a vacancy in, or defect in the constitution of AOB.

36K. Functions of AOB.—Notwithstanding anything contained in any other law, AOB shall perform the following functions, namely:-

(a) to register audit firms, which carry out or intend to carry out audit of public interest companies in the manner laid down in sub-section (1) of section 36T;

(b) to deregister audit firms in the manner laid down in sub-section (2) of section 36T;

(c) to undertake comprehensive review and examination of the QAB work and independently assess the appropriateness of the quality control review framework and take such actions as deemed necessary;

(d) to oversee and review policies, procedures, programs of QAB for ensuring an effective oversight of quality of audit of public interest companies and to specify any improvement required in QAB's policies, procedures and systems;

(e) to direct the Institute for making such changes in the quality control review framework as it considers necessary or expedient for the purposes of this Part;

(f) to ensure that the auditing standards adopted by the Institute conform to the international standards as issued by International Auditing and Assurance Board;

(g) to conduct inspections and inquiries in respect of matters related to this Part and regulations made hereunder; and

(h) to coordinate with relevant authorities including the Commission, State Bank of Pakistan and the Institute in formulating and

implementing strategies for enhancing the reliability of quality and effectiveness of audits of public interest companies.

36L. Appointment of employees of AOB.—(1) The AOB may, from time to time, employ persons for AOB who shall be paid such remuneration and allowances as may be determined by AOB.

(2) There shall be a full time chief executive officer of AOB with functions as may be prescribed.

36M. Disclosure of interest.—(1) A member of AOB having directly or indirectly, by himself or through a member of his immediate family, any interest in any matter directly or indirectly under discussion by AOB shall disclose to the AOB the fact and nature of his interest.

(2) A disclosure under sub-section (1) shall be recorded in the minutes of the meeting of AOB and, after the disclosure, the member having an interest in the matter—

(a) shall neither take part nor be present in any deliberation or decision of AOB; and

(b) shall be disregarded for the purpose of constituting a quorum of AOB.

(3) Any member of AOB who fails to disclose his interest as provided under sub-section (1) commits an offence and shall be liable to be removed there for by the Federal Government in accordance with the prescribed procedure.

36N. Disqualification of members.—No person shall be appointed or continue as a member of AOB if he—

(a) has been convicted of an offence involving moral turpitude;

(b) has been or is adjudged insolvent;

(c) is incapable of discharging his duties by reasons of physical, physiological or mental unfitness and has been so declared by a registered medical practitioner appointed by the Federal Government;

(d) being a member, absents himself from three consecutive meetings of AOB, without leave of AOB;

(e) fails to disclose any conflict of interest at or within the time provided for such disclosure by or under this Act or contravenes any of the provisions of this Act pertaining to unauthorized disclosure of information; or

(f) is found guilty of misconduct under section 36Q.

36O. Removal, resignation and vacancies.—(1) Subject to sub-section (2), appointment of any member of AOB may, at any time, be revoked and he may be removed from his office subject to such procedure as may be specified.

(2) A member of AOB may at any time resign his office by a written notice addressed to the chairman of AOB.

(3) The office of a member of AOB shall *ipso facto* stand vacated if he dies.

(4) Any vacancy created as a result of removal, resignation or death of a member of AOB shall be filled on the recommendation of the nominating committee.

36P. Fund of AOB.—(1) For the purposes of this Part, there is hereby established, a fund to be managed and controlled by AOB in such form and manner as may be prescribed by regulations.

(2) The fund under sub-section (1) shall consist of—

(a) such sums as the Federal Government may from time to time grant;

(b) voluntary contributions by the stakeholders;

(c) grants of monies and sums raised or borrowed by AOB for the purposes of meeting any of its obligations or discharging any of its duties;

(d) fee for registration of the audit firm under this section;

(e) fee and charge from the public interest company required to be audited by a registered audit firm;

(f) earnings from investments, properties or other assets owned by AOB; and

(g) any other grant or donations or amount permitted by the Federal Government.

(3) The fund shall be used for the purposes of AOB's own affairs and may also be utilized for the affairs of QAB.

36Q. Conduct of business of AOB.—AOB shall observe such procedure as may be specified to conduct its business.

36R. Accounts and Audit.—(1) AOB shall keep proper books of accounts and records in such form and manner as may be specified.

(2) AOB shall send audited financial statements along with auditors report for each financial year to the Federal Government within such time and in such a manner as may be specified.

36S. Annual report.—(1)AOB shall, within six months on the close of its financial year or such later time as allowed by the Federal Government, submit to the Federal Government and publish an annual report including its performance and future plans and such contents and information as may be prescribed.

(2) AOB shall ensure that the annual report is accompanied by such other information and statements as may be prescribed.

36T. Registration and deregistration of audit firm.—(1)An audit firm shall be entitled to be registered on the recommendation of QAB in accordance with the quality control review framework:

Provided that all the firms having satisfactory rating at the time of commencement of this Act shall be deemed to be registered.

(2) AOB, on its own motion or on the recommendation of QAB, may order deregistration of the audit firm from the register maintained under section 36W. For this purpose AOB shall rely on the work and inspections carried out by QAB or its own inspection.

36U. Inspection and proceedings by AOB.—(1) AOB on a complaint, *suo motu* or on reference made by the Commission or State Bank of Pakistan may conduct inspection of records of QAB, in respect of an audit firm registered under this Part, to ensure compliance of this Part or regulations made hereunder:

Provided that, if AOB is not satisfied with the work of QAB, it may directly conduct inspection of records of audit firm and the public interest company.

(2) For the purposes of sub-section (1), AOB or any person authorized in this behalf shall have the same powers as are vested in the civil court under the Code of Civil Procedure, 1908 (Act V of 1908), while trying a suit, in respect of the following matters, namely:—

(a) discovery and production of books of account and other documents, at such place and at such time as may be specified;

(b) summoning and enforcing the attendance of persons and examining them on oath or affirmation;

(c) inspection of any books, registers and other documents of any person referred to in clause (b) at any place;

(d) issuing commissions for examination of witnesses or documents; and

(e) receiving evidence on affidavit.

36V. Appeal to the Court.—Any person aggrieved by an order of AOB may file an appeal before the Court, within sixty days of the order of AOB.

36W. Register of audit firms.—AOB shall keep and maintain register of firms authorized to carry out audit of public interest companies in such form and manner as may be specified.

36X. AOB may seek assistance.—AOB may seek such assistance from the Commission, State Bank of Pakistan or Institute as it reasonably require for the performance of its duties and functions under this Part.

36Y. Registration and supervision fees.—AOB shall specify fee for the registration of auditors of public interest companies, supervision fee for the public interest companies and such others as specified.

36Z. Power to make regulations.—AOB may make regulations for the purposes of this Part.

36AA. Power to give directions, circulars, code, guidelines etc.—AOB may issue such directives, circular, code, guidelines or policy statements as it considers appropriate to carry out the purposes of this Part.

36BB. Power to call for information.-For the purposes of discharging its functions the AOB shall be empowered to seek such information from QAB, audit firms and public interest companies or from any other person, as deemed necessary by it.

36CC. Penalty, sanctions or revocation of registration.—(1) Subject to sub section (2), if an audit firm fails to comply with the requirement of this Part or any regulations made there under, or if so recommended by the QAB based upon its findings, AOB may after providing opportunity of hearing,—

(a) impose penalty which may extend to five million Rupees;

(b) impose following sanctions;

(i) such audit firm may be barred from engaging itself as auditor of the public interest companies for a minimum period of six months or for such higher period not exceeding five years as may be decided by AOB; or

(ii) revoke registration and remove name from the register of auditor of public interest companies;

(c) reprimand, issue warnings or such other sanctions as deemed necessary or appropriate under the circumstances; or

(d) publish or place its findings of inspections of registered firms on its website.

(2) The power to impose penalty under sub-section (1) shall be in addition to the power of the Commission to impose penalty or file compliant for prosecution in respect of an offence specified in any provisions of the Ordinance relating to the auditors.

(3) AOB shall give opportunity to be heard through show cause notice to the registered audit firm prior to imposing any penalty, sanctions or revocation of registration under this Part, regulations and give reasons for its decision.".

22. Substitution of sections 37 and 38, Act XLII of 1997.—In the said Act, for sections 37 and 38 the following shall be substituted, namely:—

"37. **Cognizance of offences.**—(1) Notwithstanding anything contained in the Code of Criminal Procedure, 1898 (Act No. V of 1898) but subject to the administered legislation, no court other than the court of sessions shall take cognizance of any offence punishable with imprisonment or imprisonment in addition of fine under this Act or any administered legislation, except on a complaint by an officer authorized in this behalf by the Commission signed by a Commissioner:

Provided that the Federal Government may, in consultation with the Chief Justice of the concerned High Court, notify any other court established under any other law presided by sessions judge or equivalent to take cognizance of any offences under this Act or any administered legislation.

(2) Subject to sub-section (1), in case of transfer of case from court of sessions it will not be necessary to recall any witness or record any

evidence anew that may have been recorded and the court to which the case is transferred shall continue proceedings from the stage before such transfer.

38. Prosecution of offences by the Commission.— (1) Notwithstanding anything contained in the Code of Criminal Procedure, 1898 (Act V of 1898) all prosecution of offences against any person under this Act or the administered legislation, shall be conducted by a special public prosecutor appointed by the Commission:

Provided that special public prosecutor or advocates appointed by the Commission may institute or defend cases, appeals, petitions, applications and all other matters before any court including the High Court and Supreme Court in matters arising out of or in relation to proceedings under this Act or any administered legislation.

(2) On receipt of complaint the court shall issue summons as for the attendance of the accused in the first instance and on failure of the accused to appear before the court, warrant of arrest shall be issued by the court.

(3) The complaint referred in this section shall mean the report in writing of the investigation officer stating the facts constituting the offence along with statements of witnesses recorded under section 32 and copies thereof shall be supplied to the accused free of cost before the commencement of the trial.

(4) Personal attendance of the officer authorized by the Commission to file a complaint before the court trying the offence shall not be required during the trial proceedings in the presence of special public prosecutor referred to in sub-section (1).

(5) The court shall adopt procedure provided for under Chapter XXII-A of the Code of Criminal Procedure, 1898 (Act V of 1898) in the manner not inconsistent with the provisions of this Act and all prosecutions before the court under this Act shall be disposed of and the judgment pronounced, as expeditiously as possible.

(6) The hearing of the matters referred to in sub-section (1) shall not be adjourned except for sufficient cause to be recorded or for more than fourteen days at one time and court may impose such cost as it may deems fit.

(7) The court may, for reasons to be recorded, dispense with any procedure in the Code of Criminal Procedure, 1898 (Act V of 1898) and follow such procedure as it may deem fit in the circumstances of the case for expeditious disposal of the complaint.".

23. **Insertion of section 38A, Act XLII if 1997**.—In the said Act, after section 38, substituted as aforesaid, the following new section shall be inserted, namely:—

"38A. Opportunity of hearing to the Commission in stay matters.—(1) Any court or authority shall, before granting any injunction, whether

temporary or permanent in respect of any action taken or to be taken by the Commission in pursuance of any power conferred by or under this Act or any administered legislation or subordinate legislation, provide opportunity of hearing to the Commission.

(2) No suit or appeal against an order of the Commission or the Appellant Bench shall be instituted except with prior notice of such proceedings to the Commission to its head office or regional office, as the case may be, either personally or through courier along with acknowledgement and copy of the petition or appeal.".

24. Amendment in section 40A, Act XLII of 1997.— In the said Act, in section 40A,—

(a) in the heading,—

(i) for the word "and" a comma shall be substituted; and

(ii) after the word "regulations" a comma and the words ", directives and notification" shall be inserted;

(b) in sub-section (1),—

(i) after the word "Any", occurring first, the words "person who contravenes or fails to comply with any provision of" shall be inserted;

(ii) after the figure "40" the word "or directive or notification issued under this Act" shall be inserted; and

(iii) for the words "may provide that a contravention thereof shall be publishable with a fine" the words "shall be liable to pay by way of penalty a sum" shall be substituted; and

(iv) for the word "fine", occurring for the second time, the word "penalty" shall be substituted;

(c) in sub-section (2), for the word "fine" the word "penalty" shall be substituted.

25. Amendment in section 40B, Act XLII of 1997.—In the said Act, in section 40B, for the words "all laws administered by it" the words "any administered legislation" shall be substituted.

26. Insertion of new section 41A and 41B, Act XLII of 1997.—In the said Act, after section 41, the following new sections shall be inserted, namely:—

"**41A. Standard of proof.**—(1) Where it is necessary for the Commission to establish or to be satisfied, for the purposes of this Act or any administered legislation, that any person has contravened —

(a) any provision of this Act or any administered legislation or subordinate legislation;

(b) any notice, direction or requirement given or made under or pursuant to any provision of this Act or any administered legislation;

(c) any of the terms and conditions of a registration granted under this Act or any licence or registration granted under any administered legislation;

(d) any other condition imposed under or pursuant to any provision of this Act or any administered legislation,

it shall be sufficient for the Commission to establish or to be satisfied as to the matters referred above on the standard of proof applicable to civil proceedings in summary manner in a court of law.

41B. Inquiry, investigation and other proceedings in respect of regulated persons.—(1) Notwithstanding anything contained in any other law, including National Accountability Ordinance, 1999 (XVIII of 1999) and Federal Investigation Agency Act, 1974 (VIII of 1975) no action, inquiry, investigation or proceedings in respect of any regulated activity, regulated securities activity, transaction, process or permission granted under this Act or any administered legislation, shall be taken, initiated or conducted by any Federal or Provincial investigating agency, bureau, authority or institution by whatever name called without reference from the Commission.

(2) No proceedings shall lie before any agency, bureau, authority or institution at the instance of any party to a matter which is or has been in issue before the Commission, in respect of a matter which is actually or has been or might or ought to have been a proper subject of complaint to

the Commission under the administered legislation:

Provided that cases pending before any court having jurisdiction before coming into force of this Amendment Act, shall continue to be prosecuted and conducted without reference from the Commission.".

27. **Substitution of section 42A, Act XLII of 1997.**—In this said Act, for section 42A, the following shall be substituted, namely:—

"**42A. Indemnity of the Commission, Chairman, Commissioners, employees and Member.**—(1) No suit, prosecutions or any other legal proceedings or action in damages shall lie against the Commission, Chairman, Commissioners, employees and Members for anything done or omission in exercise or performance of any functions, power or duty conferred or imposed by or under this Act or any administered legislation unless the act or omission is shown, beyond reasonable doubt to have been in bad faith.

(2) A Chairman, Commissioner, employees, consultant, advisers and Member shall not be sued in their personal capacity for the action bonafidely taken in their official capacity and in case of any such suit the Commission shall bear expenses of the proceeding till its final decision.".

28. **Insertion of new sections 42B, 42C, 42D and 42E, Act XLII of 1997.**— In the said Act, after section 42A, substituted as aforesaid, the following new sections shall be inserted, namely:—

"**42B. Recovery of penalties.-** (1) Any penalty imposed by the

Commission in the exercise of its powers under this Act or any administered legislation or subordinate legislation, shall be payable to the Commission and may be recovered by the Commission as a decree for the payment of money in case where the person aggrieved by such order has,-

(a) preferred an appeal under section 34 and the Court has upheld the order of the Commission or the Appellate Bench, it will automatically be converted into execution proceeding and no fresh notices need to be issued to appellant; or

(b) not preferred an appeal to the Appellate Bench of the Commission under section 33 or to the Court under section 34 and the Court on application of the Commission has confirmed and allowed conversion or initiation of execution proceedings after notices to the parties as deem appropriate by the Court.

(2) The Court shall exercise all the powers of an executing court as provided in the Code of Civil Procedure, 1908 (Act V of 1908), for the purposes of recovery of penalties:

Provided that the Court may, for reasons to be recorded, dispense with any procedure in the Code of Civil Procedure, 1908 (Act V of 1908) and follow such procedure as it may deem fit in the circumstances of the case for expeditious disposal.

(3) The executing Court may attach any immovable property or sale of any movable property, including bank accounts of the person or company on whom a penalty has been imposed under this Act or any administered legislation by the Commission and any transaction or attempt to alienate, transfer, encumber or mortgage such property shall be void, illegal and without any lawful authority.

(4) All government departments, authorities, bodies, private entities, housing societies or schemes, by whatever name called, banks and any other concerned entity shall, on the orders of the Court, be bound to assist the Commission in providing details of moveable or immovable property of judgment debtor.

(5) In addition to sub-sections (1), (2) and (3) any penalty imposed or amount ordered or required to be surrendered or deposited with the Commission under this Act or an administered legislation may also be recovered by the Commission as arrears of land revenue.".

42C. Proof of documents by production of certified copies.— Notwithstanding anything contained in the Code of Criminal Procedure, 1898 (Act No. V of 1898), Qanun-e-Shahadat Order, 1984 (P.O. 10 of 1984) or any other law,—

(a) any duly certified copy of extract from any document or record maintained by the Commission under this Act or any administered legislation shall be construed as sufficient

evidence in any inquiry or investigation or legal proceedings before any tribunal, authority or court of law.

(b) no one shall without the permission of the Commission in writing, take over or remove any original document or register from the custody of the officer of the Commission maintained under this Act or any administrated law.

42D. Cooperation and assistance to foreign regulatory authorities.— (1) Notwithstanding anything contained in any other law for the time being inforce, the Commission may, on reciprocal basis, cooperate with and provide assistance under this Act or any administered legislation to a foreign regulatory authority or any other international organizations with whom the Commission has entered into any arrangement or agreement or understanding for assisting in any inquiry or investigation for contravening the laws relating to financial services of the requesting authority.

(2) An assistance referred to in sub-section (1) shall include the disclosure of any information or document filed with or provided to the Commission under this Act or an administered legislation, or any information or document obtained by the Commission from any person on the request of the requesting authority.

(3) For the purposes of this section the Commission may, notwithstanding anything contained in any other law for the time being inforce including Banking Companies Ordinance, 1962 (LXII of 1962),

obtain any information or document from any person on the request of the requesting authority.

(4) Such cooperation and assistance may be provided without regard to the fact that such contravention does not constitute offence under this Act or any administered legislation.

(5) The Commission may request the foreign regulatory body or authority or entity to seek such mutual legal assistance for carrying out inspection, inquiry investigation under this Act or any administered legislation.

(6) Notwithstanding anything contained in Qanun-e-Shahadat Order, 1984 (P.O. 10 of 1984) all evidence, documents or any material transferred to Pakistan by foreign entity under this section shall be considered as evidence in legal proceedings under this Act or any other law for the time being in force.

(7) Any assistance provided under this section to any foreign regulatory authorities or international organizations may be refused by the Commission on the grounds of national security and public interest.

42E. Power to amend the Schedule.—The Federal Government may, by notification in the official Gazette, amend the Schedule.".

29. Amendment in section 43, Act XLII of 1997.—In the said Act, in section 43, after clause (e), the following new clause shall be inserted, namely:—

"(ea) the Commission may, on the instructions of the Federal Government, form a committee to initiate disciplinary proceedings against a person referred to in clause (e) and the Federal Government may take such disciplinary action as it deem appropriate on the recommendation of the committee;"

30. Amendment of section 44, Act XLII of 1997.- In the said Act, in section 44,-

(a) after the word "Act", occurring for the third time, the words "or any amendments made in this Act" shall be inserted; and

(b) after the words "commencement date", the words "or from the date of any amendments made in this Act" shall be inserted.

31. Insertion of new Schedule, Act XLII of 1997.—In the said Act, after Schedule amended as aforesaid the following new schedule shall be added, namely:—

"SCHEDULE I

[*see* Section 2(1)(aa) and (s)]

ADMINISTERED LEGISLATION

1. Motor Vehicle Act, 1939 (IV of 1939) [chapter VIII and section 125];

2. The Securities and Exchange Ordinance, 1969 (XVII of 1969);

3. The Companies (Appointment of Legal Advisers) Act, 1974 (X of 1974);

4. The Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);

5. The Companies Ordinance, 1984 (XLVII of 1984);

6. The Central Depositories Act, 1997 (XIX of 1997);

7. The Insurance Ordinance, 2000 (XXXIX of 2000);

8. Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (XV of 2012); and

9. Securities Act, 2015 (III of 2015).

STATEMENT OF OBJECTS AND REASONS

The proposed SECP (Amendment) Bill intends to amend the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997)keeping in view the rapid and extensive changes in the jurisdiction and changing corporate structure of Securities and Exchange Commission of Pakistan (SECP). SECP feels that the there is a need to amend the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) to further enhance its functions and to enable it to act as integrated regulator. Accordingly, SECP has drafted the proposed Bill to effectively regulate all the sectors regulated by it.

Minister –in- Charge