

The Gazette of Pakistan



EXTRAORDINARY
PUBLISHED BY AUTHORITY

ISLAMABAD, MONDAY, MAY 18, 2015

PART I

Acts, Ordinances, President's Orders and Regulations

NATIONAL ASSEMBLY SECRETARIAT

Islamabad, the 6th May, 2015

No. F. 22(22)/2015-Legis.—The following Act of *Majlis-e-Shoora* (Parliament) received the assent of the President on 13th May, 2015 and is hereby published for general information:—

ACT No. III OF 2015

An Act to amend and consolidate law for the regulation of the securities industry and the protection of investors

WHEREAS it is expedient to amend and consolidate law for the regulation of the securities industry, the protection of investors and for the matters connected therewith or ancillary thereto;

It is hereby enacted as follow:—

(169)

Price : Rs. 83.50

[779 (2015)/Ex. Gaz.]

PART 1

PRELIMINARY

1. Short title, extent and commencement.—(1) This Act may be called the Securities Act, 2015.

(2) It extends to the whole of Pakistan.

(3) Except for PART V, this Act shall come into force at once, and PART V of this Act shall come into force on such date as the Federal Government may, by notification in the official Gazette, appoint.

2. Definitions.—In this Act, unless there is anything repugnant in the subject or context,—

(i) “accredited” means accredited in accordance with section 67;

(ii) “associate”, in relation to—

(a) an individual, means —

(I) that individual’s spouse, son, adopted son, step-son, daughter, adopted daughter, step-daughter, father, stepfather, mother, stepmother, brother, stepbrother, sister or stepsister;

(II) any company of which that individual is a director;

(III) any company in which that individual or any of the persons mentioned in sub-clause (i), has control of twenty per cent or more of the voting power in the company, whether such control is exercised individually or jointly; or

(IV) any employee of that individual; or

(b) a company, means another company in which the first-mentioned company has control of not less than twenty per cent of the voting power in that company,

and a reference in this Act to an associated person or associated company shall be construed accordingly;

(iii) “auditor” means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Ordinance, 1961 (X of 1961), to be appointed from the panel of auditors approved by the Commission to perform the functions assigned to auditors under this Act;

- (iv) "balloter" means a person who provides services to an issuer for selecting the required number of applicants of public issue through a ballot;
- (v) "bank" means a bank licenced under section 27 of the Banking Companies Ordinance, 1962 (LVII of 1962);
- (vi) "central depository" means any company licensed by the Commission for the handling of securities, as envisaged in the Central Depository Act 1997 (XIX of 1997) and licensed under section 49 of this Act;
- (vii) "clearing facility" means a facility for the clearing and settlement of securities traded on a securities exchange;
- (viii) "clearing house" means a company that is licenced by the Commission as a clearing house under section 24;
- (ix) "clearing member" means a person who, is admitted as a clearing member for clearing and settlement on his own behalf as well as on behalf of others under the regulations of a clearing house;
- (x) "Commission" means the Securities and Exchange Commission of Pakistan established under section 3 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (xi) "commissioner" means a commissioner as defined in section 2 (h) of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (xii) "company" means a company as defined in clause (7) of sub-section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984);
*Explanation:—*The expression "company" used in this Act, shall, wherever the context requires, also include a body corporate or corporation established by any special enactment for the time being in force;
- (xiii) "control" includes the right to appoint majority of directors or to control management or policy decisions, exercisable by a person individually or through any person acting in concert, directly or indirectly, whether by virtue of his shareholding, management right, shareholders agreement, voting agreement or otherwise;
- (xiv) "Court" means the Company Bench of a High Court as provided in sections 7 and 8 of the Companies Ordinance, 1984 (XLVII of 1984);

- (xv) “customer” means a person on whose behalf a regulated person carries on any regulated securities activity and includes any person commonly known as an investor;
- (xvi) “customer assets” means money received, receivable or retained by or any other property deposited with, a regulated person in the course of his business for which he is liable to account to his customer, and any money or other property accruing there from;
- (xvii) “customer money” means money of any currency that, in the course of carrying on his regulated securities activity, a regulated person holds or receives on behalf of a customer or which he owes to a customer;
- (xviii) “default proceedings” means proceedings or other action taken by a clearing house, stock exchanges and central depository under its default regulations;
- (xix) “default regulations”, means those provisions of the regulations which provide for the initiation of proceedings or other action if a clearing member has failed or appears to be unable or likely to become unable, to meet his obligations for all unsettled or open market contracts to which he is a party;
- (xx) “depository receipt” means a certificate or other record, whether or not in the form of a document, which—
- (a) is issued by or on behalf of a person who holds any shares, debt securities and warrants of a particular issuer; and
 - (b) acknowledges that another person is entitled to rights in relation to the share, debt securities and warrants, debt securities and warrants of the same kind;
- (xxi) “director”, in relation to a company, includes any person occupying in relation to the position of a director, by whatever name called;
- (xxii) “expert” includes banker, securities advisor, engineer, valuer, accountant, lawyer and any other person whose profession gives authority to a statement made by him;
- (xxiii) “family” means a spouse and lineal ascendants and descendants;

- (xxiv) "futures broker" means a person who, by way of business, whether as principal or agent,—
- (a) makes or offers to make with any person or induces or attempts to induce any person to enter into or to offer to enter into any agreement for or with a view to the purchase or sale of a futures contract; or
 - (b) solicits or accepts any order for, or otherwise dealing in, a futures contract;
- (xxv) "futures exchange" means a public company that is licensed by the Commission as a futures exchange;
- (xxvi) "holding company" means a holding company as defined in section 3 of the Companies Ordinance, 1984 (XLVII of 1984);
- (xxvii) "issuer", in relation to securities, means any person who has issued or proposes to issue a security;
- (xxviii) "licenced person" means any person or entity licenced under this Act and includes a regulated person;
- (xxix) "listed company" means a public company, body corporate or other entity any of whose securities are listed on securities exchange;
- (xxx) "listed securities" means securities listed on the securities exchange;
- (xxxi) "majority shareholder" means shareholder who holds, owns or control, directly or indirectly, more than fifty percent of the shares having voting rights in a company or who, for other reasons, has domination or control of the company and includes a group of shareholders who collectively own more than fifty percent of shares or otherwise have that domination or control;
- (xxxii) "margin" means the amount of cash, approved securities or any other form of margin as prescribed;
- (xxxiii) "market contract" means—
- (a) a contract subject to the regulations of a clearing house entered into by the clearing house with a clearing member under a novation and for the purpose of clearing and settlement of

transactions using the clearing facility before or after default proceedings have commenced; or

(b) a transaction which is being cleared or settled using the clearing facility and subject to the regulations of a clearing house, whether or not a novation referred to in sub-clause (a) is to take place;

(xxxiv) "money" includes any form of money, whether represented by a cheque or other payable order or otherwise;

(xxxv) "non-banking finance company" shall have the same meaning as assigned to it in clause (a) of section 282A of the Companies Ordinance, 1984 (XLVII of 1984);

(xxxvi) "offeror" means any person or entity holding, directly or indirectly, such number of securities as may be prescribed and offers such securities for sale to the public or invites any other person to make subscription for such an offer and includes an issuer;

(xxxvii) "prescribed" means prescribed by regulations made by the Commission;

(xxxviii) "principal", in relation to a representative, means the regulated person which the representative represents;

(xxxix) "private company" means a private company as defined in clause (28) of sub-section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984);

(xl) "private offering (non-public offering) or private placement" means an offer to sell or issue securities to a group of investors (whether individual or institutional) not more than the number prescribed and not using the print or electronic media for inviting offers;

(xli) "prospectus" means any document described or issued as a prospectus and includes any document, notice, circular, material, advertisement, offer for sale document, publication or other invitation offering to the public (or any section of the public) or inviting offers from the public for the subscription or purchase of any securities of a company, body corporate or entity, other than deposits invited by a bank and certificate of investments and certificate of deposits issued by non-banking finance companies;

- (xlii) "public company" means a public company as defined in clause (30) of sub-section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984);
- (xliii) "qualified institutional buyer" means—
- (a) a bank;
 - (b) a financial institution as defined under clause (15A) of sub-section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984); or
 - (c) any other entity, which is notified by the Commission as a 'qualified institutional buyer' based on the criteria prescribed under regulations;
- (xliv) "quotation and trade reporting system" means the operation of facilities that permit the dissemination of price quotations for the purchase and sale of securities and reports of completed transactions in securities;
- (xlv) "record" means all documentary, electronic and digital materials created, generated, sent, communicated, received or stored, regardless of physical form or characteristics;
- (xlvi) "regulated market" means any securities exchange, over-the-counter market or platform that is licensed by the Commission;
- (xlvii) "regulated person" means a person or entity licenced by the Commission under Part V of this Act to carry on any regulated securities activity;
- (xlviii) "regulated securities activity" means a regulated securities activity as specified in section 63;
- (xlix) "regulations" means regulations made by the Commission under this Act;
- (l) "representative" means an individual, by whatever name called, in the employment of or acting for or by arrangement with, a regulated person, who carries out for that regulated person any such activity (other than work ordinarily performed by accountants, clerks or cashiers), whether or not he is remunerated, and whether his remuneration, if any, is by way of salary, wages, commission or otherwise; and includes any officer of a company who performs for the company any such activity whether

or not he is remunerated, and whether his remuneration, if any, is by way of salary, wages, commission or otherwise and includes an agent of a regulated person;

- (li) "rules" means rules made under this Act;
- (lii) "securities" in the case of listed instruments includes—
 - (a) shares and stock of a company (shares);
 - (b) any instrument creating or acknowledging indebtedness which is issued or proposed to be issued by a company including, in particular, debentures, debenture stock, loan stock, bonds, notes, commercial paper, sukuk or any other debt securities of a company, whether constituting a charge on the assets of the company or not (debt securities);
 - (c) loan stock, bonds, sukuk and other instruments creating or acknowledging indebtedness by or on behalf of a government, central bank or public authority (Government and public debt securities);
 - (d) modoraba certificates, participation term certificates and term finance certificates;
 - (e) any right (whether conferred by warrant or otherwise) to subscribe for shares or debt securities (warrants);
 - (f) any option to acquire or dispose of any other security (options);
 - (g) units in a collective investment scheme, including units in or securities of a trust fund (whether open-ended or closed end);
 - (h) the rights under any depository receipt in respect of shares, debt securities and warrants (custodian receipts); and
 - (i) any other instrument notified by the Commission to be securities for the purposes of this Act,

but does not include —

- (a) futures contracts;
- (b) bills of exchange;
- (c) promissory notes; and
- (d) certificates of deposit;

