

Securities Act 2014

[TO BE INTRODUCED IN THE SENATE]

A

Bill

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:-

**PART I
PRELIMINARY**

1. Short title, extent and commencement.—(1) This Act may be called the Securities Act, 2014.

(2) It extends to the whole of Pakistan.

(3) This section shall come into force at once and the remaining provisions of this Act shall come into force on such date as the Federal Government may, by notification in the official Gazette, appoint and different dates may be appointed for different provisions.

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; and

(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), Development Finance Institutions and microfinance banks regulated by the State Bank of Pakistan;
- (vi) “central depository” means any company formed to establish and operate a system for the handling of securities, as envisaged in the Central Depository Act 1997 (XIX of 1997) and licensed under section 49 and may further act as a clearing house subject to approval and licensing by the Commission under section 24;
- (vii) “clearing facility” means a facility for the clearing and settlement of securities traded on a securities market;
- (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);

- (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) “commodity” in relation to a futures contract, means –
 - (a) agricultural, livestock, fishery, forestry, mining or energy goods, and any product that is manufactured or processed from any such goods; and
 - (b) any other matter as may be notified by the Commission in the official Gazette;
- (xv) “Court” means the Company Bench of a High Court as provided in section 7 and 8 of the Companies Ordinance, 1984 (XLVII of 1984);
- (xvi) “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;
- (xvii) “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 therefrom;
- (xviii) “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;
- (xix) “default proceedings” means proceedings or other action taken by a clearing house, stock exchanges and central depository under its default regulations;
- (xx) “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;
- (xxi) “depository receipt” means a certificate or other record, whether or not in the form of a document, –
 - (a) which is issued by or on behalf of a person who holds any shares, debt securities and warrants of a particular issuer; and

- (b) which acknowledges that another person is entitled to rights in relation to the share, debt securities and warrants or shares, debt securities and warrants of the same kind;

- (xxii) “director”, in relation to a company, includes –
 - (a) a person occupying in relation to it the position of a director by whatever name called; and
 - (b) a person in accordance with whose directions or instructions (not being advice given by an expert in a professional capacity) the directors officers or employees of that company are accustomed to act;

- (xxiii) “expert” includes banker, securities advisor, engineer, valuer, accountant, lawyer and any other person whose profession gives authority to a statement made by him;

- (xxiv) “family” means a spouse and lineal ascendants and descendants;

- (xxv) “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;

- (xxvi) “futures contract” means a contract the effect of which is that –
 - (a) one party agrees to deliver to the other party specified quantity of a specified commodity or securities, at a specified future time and at a specified price payable at that time, the parties will discharge their obligations under the contract by settling the difference between the value of a specified quantity of a specified commodity or securities agreed at the time of the making of the contract and at a specified future time, and includes options on such contracts; and
 - (b) other contract as notified by the Commission.

- (xxvii) “futures exchange” means a public company that is licensed by the Commission as a futures exchange;

- (xxviii) "holding company" means a holding company as defined in section 3 of the Companies Ordinance, 1984 (XLVII of 1984);
- (xxix) "issuer", in relation to any securities, means a company or body corporate established under any law for the time being in force, by which the securities have been or are to be, issued;
- (xxx) "licenced person" means any person or entity licenced under this Act and includes a regulated person;
- (xxxi) "listed company" means a public company, body corporate or other entity any of whose securities are listed on securities exchange;
- (xxxii) "listed securities" means securities listed on the securities exchange;
- (xxxiii) "listing exchange", in relation to a company, means the securities exchange on whose securities market the securities of the company are listed;
- (xxxiv) "majority shareholder" means shareholder who owns more than fifty percent of the shares or majority of the outstanding shares in a company or who, for other reasons, has domination or control of the company or group of shareholders who collectively own more than fifty percent of shares or otherwise have that domination or control;
- (xxxv) "margin" means the amount of cash, approved securities or any other form of margin as prescribed;
- (xxxvi) "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 which is both in accordance with those regulations and for the purpose of clearing and settlement of transactions using the clearing facility and subject to the regulations of a clearing house whether 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;
- (xxxvii) "member", in relation to a securities exchange, means a person who holds membership of any class or description of a securities exchange and is allowed proprietary trading, whether or not he holds any shares in the share capital of the securities exchange and includes a trading right entitlement certificate holder;

- (xxxviii) “money” includes any form of money, whether represented by a cheque or other payable order or otherwise;
- (xxxix) “non-banking finance company” has the meaning given in clause (a) of section 282A of the Companies Ordinance, 1984 (XLVII of 1984);
- (xl) “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;
- (xli) “Policy Board” means the Securities and Exchange Policy Board established under section 12 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (xli) “prescribed” means prescribed by regulations made by the Commission;
- (xliii) “principal”, in relation to a representative, means the regulated person which the representative represents;
- (xliv) “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);
- (xlv) “private offering (non-public offering)” means an offer to sell 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;
- (xlvi) “private placement” means without a public advertisement for offer to sell —
- (a) the sale of securities by an issuer to such number of persons and during such period of time as the Commission may notify; or
 - (b) the sale of securities to any qualified institutional buyers;
- (xlvii) “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;

- (xlviii) “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);
- (l) “qualified institutional buyer” means —
- (a) a bank carrying on the business of banking and declared as a Scheduled bank under section 37 of the State Bank of Pakistan Act, 1956 (XXXIII of 1956);
 - (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;
- (li) “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;
- (li) “record” means all documentary, electronic and digital materials created, generated, sent, communicated, received or stored, regardless of physical form or characteristics;
- (lii) “regulated market” means any securities exchange, over-the-counter market or other organized securities market or platform that is regulated, operates regularly and is recognized by the Commission;
- (liii) “regulated person” means a person or entity licenced by the Commission under Part V of this Act to carry on any regulated securities activity;
- (liv) “regulated securities activity” means a regulated securities activity as specified in section_63;
- (lv) “regulations” means regulations made by the Commission under this Act;
- (lvi) “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;

- (lvii) “rules” means rules made under this Act;
- (lviii) “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 shares in or securities of an investment company or 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;
- (lix) “securities adviser” means a person who, by way of business –

- (a) gives investment advice on whether, which, the time at which or the terms or conditions on which, securities may be bought, sold, exchanged or subscribed for;
- (b) issues analyses or reports, for the purposes of facilitating the recipients of the analyses or reports to make decisions on whether or the time at which or the terms or conditions on which, specific securities may be bought, sold, exchanged or subscribed for; or
- (c) advises on the management of a portfolio of securities for another person —
 - (i) without holding property of the other person; and
 - (ii) on terms that preclude him from doing so.

but does not include —

- (a) a licenced securities broker who gives such advice or issues such analyses or reports wholly incidental to the carrying his business as a securities broker;
 - (b) a bank; and
 - (c) a person who gives such advice or issues such analyses or reports —
 - (i) only in a newspaper, magazine, book or other publication which is made generally available to the public, and which does not have as its principal or only object the provision of advice or the issue of analyses or reports, concerning securities; or
 - (ii) only in television broadcast or radio broadcast for reception by the public, whether on subscription or otherwise;
- (lx) “securities broker” means a person who, by way of business —
- (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 buying, selling, exchanging or subscribing for, securities; or
 - (b) solicits or accepts any order for or otherwise trading in, securities for clients;
 - (c) any other person as may be prescribed.

- (lxi) “securities exchange” means a public company that is licenced by the Commission as a securities exchange under section 5;
- (lxii) “securities manager” means a person who manages or offers or agrees to manage, with or without remuneration, a portfolio of securities belonging to another person, whether on a discretionary authority granted by that other person or otherwise;
- (lxiii) “securities market” means any market, exchange or place at which or any service or facility (whether electronic or otherwise) licensed by the Commission, by means of which, offers or invitations to sell, purchase or exchange securities are regularly made on a centralized basis, being offers or invitations that are intended or may reasonably be expected, to result, directly or indirectly, in the acceptance or making, respectively, of offers to sell, purchase or exchange securities;
- (lxiv) “senior management officer” includes, chief executive officer, managing director, deputy managing director, chief operating officer, chief regulatory officer, company secretary, chief internal auditor and chief compliance officer or holder of such positions by whatever name called;
- (lxv) “settlement”, in relation to a market contract, includes partial settlement;
- (lxvi) “shelf registration” means an arrangement that allows a single offering document allowing listed companies to make multiple offerings as disclosed in the offering document within a prescribed time and subject to prescribed conditions;
- (lxvii) “subsidiary” means a subsidiary as defined in section 3 of the Companies Ordinance, 1984 (XLVII of 1984);
- (lxviii) “substantial shareholder”, in relation to a company, means a person who has an interest in shares of a company –
 - (a) the nominal value of which is equal to or more than ten per cent of the issued share capital of the company; or
 - (b) which enables the person to exercise or control the exercise of ten per cent or more of the voting power at a general meeting of the company;
- (lxix) “trading in securities” means (whether as principal or agent) —
 - (a) making or offering to make with any person, or inducing or attempting 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 security; or

- (b) soliciting or accepting any order for or otherwise trading in a security;
- (lxxx) “trading right entitlement certificate” or “TRE certificate” means a trading right entitlement certificate as defined in the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 ();
- (lxxxii) “trading right entitlement Certificate Holder” or “TRE certificate holder” means a trading right entitlement certificate holder or as defined in the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (); and
- (lxxxiii) “underwriter” means a person who —
 - (a) on a firm commitment basis purchases newly issued securities or securities offered for sale for the purpose of public resale on behalf of the issuer or offeror or who guarantees to an issuer or offeror that the unsold residue of the issuer’s public issue or sale will be taken up; or
 - (b) on a best efforts basis acts as an underwriter for the issuer.

PART II SECURITIES EXCHANGES

3. Licensing requirement.— (1) No person shall establish or operate or assist in establishing or operating or hold himself out as operating a securities market except under and in accordance with a securities exchange licence granted by the Commission under section 5.

(2) The Commission shall determine the number and places for the establishment of securities exchanges.

4. Eligibility for licensing.— (1) Subject to sub-section (2), a public company shall be eligible for licensing as a securities exchange only if —

- (a) it has, and maintains at all times, a minimum paid-up capital (net of losses) of rupees five hundred million or such higher amount as may be notified by the Commission;
- (b) not more than such percentage as may be notified by the Commission of the shares of the company is held by —
 - (i) a single securities broker and any connected company;
 - (ii) a securities exchange and any connected company;
 - (iii) a single futures broker and any connected company; or
 - (iv) a futures exchange and any connected company;

Provided that the Commission may in the official Gazette notify any class or classes of persons to hold such number of shares of the securities exchange as the Commission deems appropriate;

- (c) its promoters, directors, majority shareholders, senior management officers fulfill the fit and proper criteria as may be prescribed; and
- (d) it satisfies such other conditions as may be prescribed.

(2) For the purposes of clause (b) of sub-section (1), two or more companies are connected companies if one of them is —

- (a) the holding company of the other;
- (b) a subsidiary of the other; or
- (c) a subsidiary of the holding company of the other.

5. Grant of licence.— (1) A public company eligible for a licence may apply to the Commission to be licenced as a securities exchange in the specified form and in such manner as may be prescribed.

(2) The application shall be accompanied by the prescribed fee.

(3) The Commission may require an applicant to provide the Commission with such further information as it considers necessary in relation to the application, in such form or verified in such manner as the Commission may direct.

(4) The Commission may, in writing, subject to such conditions or restrictions as it may think fit to impose, grant licence to a public company as a securities exchange if the Commission is satisfied that —

- (a) the company shall operate a fair, transparent and efficient securities market;
- (b) the company shall manage any risks associated with its business and operations prudently;
- (c) the company shall enforce compliance by its members and listed companies with its regulations;
- (d) the company's regulations make satisfactory provision for —
 - (i) a fair, transparent and efficient market in securities that are traded through its facilities;
 - (ii) the proper regulation and supervision of its members and listed companies;

- (iii) appropriate measures for the protection of customers;
 - (iv) an equitable distribution of the dues, fees and other charges levied by the company;
 - (v) the trading in securities by its officers and employees; and
 - (vi) any other matters as may be prescribed;
- (e) the company has sufficient financial, human and system resources to —
- (i) establish and operate a fair, transparent and efficient securities market;
 - (ii) meet contingencies or disasters (including events such as technical complications occurring with automated systems); and
 - (iii) provide adequate security arrangements;
- (f) the arrangements of the company with respect to the appointment, removal from office, and functions of the persons responsible for making or enforcing the exchange regulations, shall be such as to secure a proper balance —
- (i) between the interests of the members of the company;
 - (ii) between the interests of the company or its members and the public interest:

Provided that the arrangements shall not be regarded as satisfying these requirements unless the persons responsible for such matters include a number of persons independent of the company, its members and other regulated persons sufficient to ensure the balance referred to in sub-clause (ii); and

- (g) it would not be contrary to the public interest to licence the company.

(5) Subject to the provisions of this Act, a securities exchange licence shall be granted subject to such annual renewal fee as may be prescribed.

6. Duties of securities exchange.— (1) It shall be the duty of a securities exchange to ensure —

- (a) a fair, transparent and efficient market in securities that are traded on its securities market; and
- (b) that risks associated with its business and operations are managed prudently.

- (2) In discharging its duty under sub-section (1), a securities exchange shall —
- (a) act in the public interest; and
 - (b) ensure that the interest of investor, customer and public at large prevails where it conflicts with the interest of the securities exchange, its members, shareholders, board of directors and management.
- (3) A securities exchange shall operate its facilities in accordance with the regulations made under section 7 and approved under section 8.
- (4) A securities exchange shall regulate the operations, standards of practice and business conduct of its members and their representatives and other employees in accordance with the regulations, policies, procedures and practices of the securities exchange.
- (5) A securities exchange shall regulate the operations, standards of practice and business conduct of its listed companies and their officers in accordance with the regulations, policies, procedures and practices of the securities exchange.
- (6) A securities exchange shall preserve confidentiality with regard to all information in its possession concerning its members and their customers, except that such information may be disclosed by the securities exchange as and when required in writing to do so by the Commission or by a clearing house under its regulations or required under any law for the time being in force, or it is ordered to do so by the Court.
- (7) A securities exchange shall have efficient procedures and arrangements for addressing customer's complaints.
- (8) A securities exchange shall immediately notify the Commission if it becomes aware —
- (a) of a financial irregularity or other matter which in the opinion of the securities exchange may indicate that its financial integrity is in question or that it is unable to meet its legal obligations;
 - (b) that any of its members is unable to comply with any regulation of the securities exchange or any financial resources regulation; or
 - (c) of a financial irregularity or other matter which in the opinion of the securities exchange may indicate that the financial or integrity of a member is in question or that a member may not be able to meet his legal obligations.
- (9) A securities exchange shall immediately notify the Commission of any action taken against a member or listed company.
- (10) A securities exchange shall at all times provide and maintain —
- (a) adequate and properly equipped premises;
 - (b) competent personnel;

(c) automated systems with adequate capacity, facilities to meet contingencies or emergencies, physical, virtual and logical security arrangements and technical support;

(d) comprehensive business continuity plan,

for the conduct of its business.

(11) A securities exchange shall ensure that appointment of its senior management officers is made with the prior approval of the Commission.

7. Regulations of securities exchange.— (1) Without limiting the generality of sub-section (4) of section 5, the regulations of a securities exchange, subject to the approval of the Commission, may make provision —

(a) with respect to the constitution, powers and functions of the governing body of the securities exchange and matters relating to disciplining of the directors, officers and functionaries of the securities exchange;

(b) with respect to the appointment of directors and the proper representation of non-members, issuers and customers on that governing body and fit and proper criteria for its directors and senior management officers;

(c) with respect to disclosure of conflict of interest by directors and employees of the securities exchanges;

(d) with respect to the qualifications for membership;

(e) with respect to securities broker's financial responsibility whether by way of minimum capital or a ratio between net capital or aggregate indebtedness, or both;

(f) with respect to classification of securities brokers into different categories and conditions attached thereto;

(g) with respect to listing and delisting of securities;

(h) with respect to the appointment and functioning of internal auditors;

(i) expulsion, suspension or disciplining of members for conduct inconsistent with just and equitable principles in connection with trading in securities or for a contravention of the regulations of the securities exchange;

(j) with respect and to liquidation of the assets of securities brokers deposited or in control of the securities exchange to fulfill customer claims arising therefrom;

- (k) with respect to the terms and conditions under which securities may be traded;
- (l) with respect to operational, information system and regulatory audit of members and securities exchange;
- (m) with respect to the mechanism for investigation, inspection and provisions relating to audit and compliance of securities brokers;
- (n) with respect to proprietary trading by members;
- (o) effective surveillance and monitoring to detect and prevent insider trading and market abuse practices;
- (p) with respect to the class or classes of securities that may be traded by members and the terms and conditions governing trading in securities by members;
- (q) with respect to fair and properly supervised trading practices;
- (r) with respect to the prohibition of trading in securities by securities brokers or their representatives, either directly or indirectly, for their own accounts or accounts of associated persons, except in accordance with the regulations of the securities exchange;
- (s) with respect to measures to prevent manipulation, market rigging and artificial markets in its securities market;
- (t) for preventing the excessive use of credit by way of initial or maintenance margin in respect of the purchase or carrying of any securities;
- (u) with respect to extension of credit, lending and borrowing of securities and pledging of customer's securities by securities brokers;
- (v) for effective know your customer and customer due diligence policies and procedures and other matters ancillary to anti-money laundering;
- (w) the recording and publishing of details of trading;
- (x) the financial integrity of members of the securities exchange, such as to provide reasonable assurance that all obligations arising out of the trading in securities on the securities market of that securities exchange will be met;
- (y) with respect to the fee and charges payable for facilities and services provided by the securities exchange;
- (z) with respect to brokerage and other charges by securities brokers;

- (aa) with respect to the equitable allocation of the dues, fees and other charges levied by the securities exchange;
 - (bb) with respect to settlement of claims and dispute resolution between any of its securities brokers, or between securities brokers and their customers, or between securities brokers and their accredited representatives or between accredited representative(s) of securities brokers and their customers, in relation to any market contract of the securities exchange;
 - (cc) where a member appears to be unable or likely to become unable, to meet his obligations in respect of one or more market contracts, to enable action to be taken to close out his position in relation to all unsettled market contracts to which he is a party; and
 - (dd) generally for the carrying on the business of the securities exchange with due regard to the interests and protection of the investing public.
- (2) The regulations of a securities exchange shall apply to:
- (a) the securities exchange, its employees and its directors and the securities exchange shall be responsible to ensure their compliance with such regulations;
 - (b) securities brokers, their representatives and other employees, and the securities broker shall be responsible to ensure their compliance with such regulations;
- (3) The Commission may, by notice in writing served on a securities exchange, require it —
- (a) to make regulations specified in the notice within the period specified; or
 - (b) to 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 securities exchange 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 specified in the notice instead of the securities exchange and the regulations so made or amended shall be deemed to have been made or amended by the securities exchange and shall have effect accordingly.

8. Approval of regulations or amendments to regulations of securities exchange.- (1) No regulation of a securities exchange or any amendment (whether by way of rescission, substitution, alteration or addition) to a regulation shall have effect unless it has the approval in writing of the Commission.

(2) A securities exchange shall submit or cause to be submitted to the Commission for its approval the regulations and every amendment thereto that require approval under sub-section (1), together with explanations of their purpose and likely effect, including their effect on the investing public, in sufficient detail to enable the Commission to decide whether to approve them or refuse to approve them.

(3) The Commission shall, by notice in writing served on the securities exchange, give its approval or refuse to give its approval to the regulations or amendment of the regulations (as the case may be) or any part thereof.

(4) The Commission may give its approval under sub-section (3) subject to requirements that shall be satisfied before the regulations or amendment of the regulations or any part thereof take effect.

(5) Subject to the approval of the Commission under sub-section (3) all regulations or amendments to the regulations made by the securities exchange shall be notified in the official Gazette and shall take effect upon such publication or such date as may be specified in the notification.

9. Statutory obligation of members to comply with regulations of securities exchange.— Members of a securities exchange shall comply with the regulations of that exchange.

10. Securities exchange to assist the Commission.— A securities exchange shall provide such assistance to the Commission as the Commission may require for the performance of the functions and duties of the Commission, including the furnishing of such returns and the provision of such books and other information relating to the business of the securities exchange or in respect of trading in securities or any other information as the Commission may require from time to time for the proper administration of this Act.

11. Review of disciplinary action taken by securities exchange.— (1) Where a securities exchange reprimands, impose penalty, suspends, expels or otherwise takes disciplinary action against a member of the securities exchange in accordance with its regulations, the securities exchange shall immediately inform the Commission in writing of the name of the member, the reason for and nature of the action taken, the amount of any sum impose by way of penalty and the period of any suspension.

(2) The securities exchange shall grant an opportunity of being heard to its member before it impose a penalty, reprimands, suspends, expels or otherwise takes disciplinary action against the member.

Provided that where the securities exchange is satisfied that delay in the suspension of its member shall be detrimental to the interest of investors or the public in general, the securities exchange may, after recording reasons in writing, immediately suspend its member till the time an opportunity of hearing is provided to the member and a final decision is taken within a period of not more than thirty days.

(3) The Commission may, on its own motion or on application by an aggrieved person, review any disciplinary action taken by a securities exchange under sub-section (1)

and may affirm, modify or set aside the decision of the securities exchange after giving the member and the securities exchange an opportunity of being heard.

(4) Nothing in this section shall preclude the Commission, in any case where a securities exchange fails to act against a member, from suspending, expelling or otherwise disciplining a member of the securities exchange, but before doing so the Commission shall give the member and the securities exchange an opportunity to be heard:

Provided that where the Commission is satisfied that delay in the suspension of any member shall be detrimental to the interest of investors or the public in general, the Commission may, after recording reasons in writing, immediately suspend any securities broker of the securities exchange till the time an opportunity of hearing is provided to the securities broker and a final decision is taken within a period of not more than thirty days.

(5) Any action taken by a securities exchange under sub-section (1) shall be without prejudice to the power of the Commission to take such further action as it deems fit with regard to the member or his licence.

12. Power of the Commission to issue directions to securities exchange.— (1) The Commission may, if it considers it necessary or expedient —

- (a) for ensuring fair, transparent and efficient securities markets or for ensuring fair, transparent and efficient clearing and settlement of securities transactions;
- (b) for ensuring the integrity of, and proper management of systemic risks in, securities markets;
- (c) for ensuring a fair and proper governance structure of the securities exchange; or
- (d) in the interest of the public or for the protection of customers, issue directions to a securities exchange by notice in writing either of a general or specific nature.

(2) Without prejudice to the generality of sub-section (1), any direction issued under that subsection may relate to —

- (a) the trading or the termination of trading on or through the facilities of that securities exchange;
- (b) any securities listed or quoted on that securities exchange;
- (c) the manner in which securities exchange carries on its business; and
- (d) removing or suspending the directors or officers of the securities exchange from office or suspending securities brokers of the securities exchange; and

- (e) any other matter that the Commission considers necessary for the effective administration of this Act or the rules or regulations made under the Act,

and the securities exchange shall comply with any such direction.

13. Emergency powers of the Commission.— (1) Where the Commission has reason to believe or decides on the recommendation of the securities exchange, that an emergency exists or where the Commission considers it necessary or expedient in the interest of the public or section of the public or for the protection of customers, the Commission may direct by notice in writing a securities exchange to take such action as it considers necessary to —

- (a) maintain or restore fair, transparent and efficient trading in securities or any class of securities; or
- (b) liquidate any position in respect of any securities or any class of securities, including but not limited to —
 - (i) terminating trading on a securities market;
 - (ii) suspending trading on a securities market;
 - (iii) confining trading to liquidation of securities positions;
 - (iv) ordering the liquidation of all positions or part thereof or the reduction in such positions;
 - (v) limiting trading to a specific price range;
 - (vi) modifying trading days or hours;
 - (vii) requiring any person to act in a specified manner in relation to trading in securities or any class of securities; and
 - (viii) modifying or suspending any of the regulations of a securities exchange.

and the securities exchange shall comply with that direction.

(2) Where the Commission suspends trading on a securities market under sub-clause (ii) of clause (b) of sub-section (1) the suspension shall be for a period not exceeding three months, provided that the Commission may, if it considers it necessary, extend the suspension for one further period not exceeding 3 months at the expiry of which the Commission shall either notify the securities exchange in writing that the suspension has expired or proceed to cancel the securities exchange licence or pass such orders as it deems appropriate.

(3) Where a securities exchange fails to comply with a direction of the Commission under sub-section (1), within such time as is specified by the Commission, the Commission may take all necessary actions as it deem appropriate.

- (4) In this section, “emergency” means —
 - (a) an act of government affecting securities;

- (b) any major market disturbance which prevents the market from accurately reflecting the forces of supply and demand for such securities; or
- (c) any other situation or practice which in the opinion of the Commission constitutes an emergency.

14. Suspension or cancellation of securities exchange licence. — (1) The Commission may, by notice in writing served on the securities exchange,-

- (i) suspend the license granted under this Act with effect from the date specified in the notice for such period as may be specified in the notice; or
- (ii) cancel a securities exchange licence granted under this Act with effect from the date specified in the notice; or
- (iii) supersede the governing body or other authority of the securities exchange; or
- (iv) suspend or remove the director, officer, or a member from his office or securities exchanges,

if the securities exchange —

- (a) ceases to comply with the eligibility conditions specified in section 4;
- (b) ceases to operate a securities market that it has been licenced to under section 5;
- (c) is being wound up;
- (d) fails to comply with any requirement of this Act;
- (e) fails to comply with a direction of the Commission;
- (f) fails to provide the Commission with information required by the Commission or provides false or misleading information;
- (g) is operating in a manner detrimental to the public interest; or
- (h) requests the Commission to do so.

(2) For the purposes of clause (b) of sub-section (1) a securities exchange shall be deemed to have ceased to operate its securities market if —

- (a) it has ceased to operate its securities market for more than thirty days unless it has obtained the prior written approval of the Commission to do so; or
- (b) it has ceased to operate such securities market under a direction issued by the Commission under section 12 or 13.