



(A company set up under Section 42 of Companies Act, 2017)

MUTUAL FUNDS ASSOCIATION OF PAKISTAN (MUFAP)

MUFAP (SRO FUNCTIONING) REGULATIONS 2025

Dated: August 1, 2025

TABLE OF CONTENTS

CHAPTER I: PREAMBLE

- 1.1 Definitions**
- 1.2 Interpretation**
- 1.3 Applicability**
- 1.4 Power to relax regulatory requirement(s)**

CHAPTER II: MANAGEMENT POWERS AND FUNCTIONS OF THE ASSOCIATION

- 2.1 Roles and Responsibilities of the Association**
- 2.2 Powers of the Association**
- 2.3 Procedures**
- 2.4 Senior Management**
- 2.5 Fit and Proper Criteria for Directors and Senior Management**
- 2.6 Conflict of Interest**

CHAPTER III: REGISTRATION OF THE REGULATED PERSONS INCLUDING REGISTERED SERVICE PROVIDERS

- 3.1 Membership Fee**
- 3.2 Registration of Regulated Persons**
- 3.3 Registration of Service Providers**
- 3.4 Pre-requisite for registration**

CHAPTER IV: CODE OF CONDUCT

- 4.1 Applicability of Code of Conduct**
- 4.2 Implementation of Code of Conduct**
- 4.3 Observance of Statutes, Rules, and Regulations**

4.4 Disclosures

4.5 Whistleblowing or Reporting of Misconduct

CHAPTER V: COMPLAINT MECHANISM

5.1 Complaints

5.2 Resolution of the Complaint

5.3 Right to Appeal

CHAPTER VI: ARBITRATION

6.1 Arbitration

6.2 The Arbitration Committee

6.3 Reference to Arbitration

6.4 Application for Arbitration

6.5 Arbitration Procedure

6.6 Award

6.7 Fees and Charges

CHAPTER VII: REGULATORY AUDIT OF REGULATED PERSONS

7.1 Frequency of Audit

7.2 Panel of Auditors

7.3 In-House Audit Inspectors

7.4 Scope of Audit

7.5 Audit Process and Status of Compliances

7.6 Costs

7.7 Disciplinary Action

CHAPTER VIII: INSPECTION

8.1 Applicability

8.2 Notice

8.3 Disciplinary Action

CHAPTER IX: DISCIPLINARY ACTIONS

9.1 Disciplinary Proceedings Against Regulated Persons and/ or Registered Service Providers

9.2 Nature of Disciplinary Actions

9.3 Liabilities and Indemnification

9.4 Collection and deposit of Penalties

9.5 Reference to the Commission

9.6 Expulsion

CHAPTER X: MATTERS RELATED TO DISCIPLINARY PROCEEDINGS / HEARINGS

10.1 Time Period to Dispose of Cases

10.2 Authority of CRO to Conduct Hearings

10.3 Initiation of Hearing

10.4 Service of Notice

10.5 Right to Counsel

10.6 Adjournments

10.7 Notice Period

10.8 Right to Hearing

CHAPTER XI: APPEAL

11.1 Appeal

11.2 Form of Appeal

11.3 Authorized Representative

11.4 Presentation and Scrutiny of Appeal by Registrar

11.5 Fees

11.6 Adjournments

11.7 Notice of Appeal to all Concerned

11.8 Date of hearing

11.9 Hearing of appeal and decision of appeal

11.10 Consequences of the Decision of the RAC

CHAPTER XII: MISCELLANEOUS

12.1 Reference to RAC

12.2 Screening, Training, Certification, and Investor Education

12.3 Facilitation of Regulated Persons

CHAPTER XIII: AMENDMENTS OF THE REGULATIONS

13.1 Amendments

13.2 Procedure for Amendment

CHAPTER I

PREAMBLE

Whereas the Mutual Funds Association of Pakistan, a company licensed under Section 42 of the Companies Act, 2017, is a licensed self-regulatory organization. The ensuing Regulations have been promulgated with the approval of the Securities and Exchange Commission of Pakistan and in compliance with Section 36E of PART IXB of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), read with Regulation 8 of the Self- Regulatory Organizations (Registration) Regulations, 2022.

These Regulations shall be called as the MUFAP (SRO Functioning) Regulations, 2024, in order to enforce and comply with the objectives and functions as provided in Sections 36D, 36E and 36F of PART IXB of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

1.1 DEFINITIONS

In the Regulations, unless there is anything repugnant in the subject or context,

- (i) **“Articles”** shall mean the Articles of Association of the Association;
- (ii) **“Asset Management Company”** shall have the same meaning as provided in the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- (iii) **“Association”** shall mean Mutual Funds Association of Pakistan, a licensed self-regulatory organization as provided in the Securities and Exchange Commission of Pakistan Act, 1997;
- (iv) **“Audit Oversight Board”** shall mean the independent audit oversight board established under section 36I of the SECP Act;
- (v) **“Authorized Officer”** shall mean any person being authorized by the RAC to perform all or such functions of the RAD, including functions of CRO, as may be delegated from time to time;
- (vi) **“Board”** shall mean the board of directors of the Association;
- (vii) **“Chairman”** shall mean the Chairperson of the Board of the Association as elected under the Articles;
- (viii) **“Code of Corporate Governance”** shall mean the Code of Corporate Governance as prescribed by the Commission from time to time;

MUFAP (SRO FUNCTIONING) REGULATIONS 2025

- (ix) **“Commission”** shall mean the Securities and Exchange Commission of Pakistan;
- (x) **“Committee”** shall mean any committee constituted by the Board from time to time under the Regulations;
- (xi) **“Companies Act”** shall mean the Companies Act, 2017;
- (xii) **“Complaint”** shall mean a written statement of grievance of a Customer, former Customer, or any person who is acting on behalf of a Customer or of a prospective Customer who has dealt with a Regulated Person, alleging a grievance involving the Regulated Person, but shall not include any anonymous complaints wherein the name and particulars of the Complainant are not provided clearly or such particulars are not identifiable;
- (xiii) **“Complainant”** means a person who files a Complaint;
- (xiv) **“CRO”** shall mean the Chief Regulatory Officer as further described in clause 2.4.3 of the Regulations;
- (xv) **“Customer”** shall mean the clients of Regulated Persons, including any previous or prospective clients;
- (xvi) **“Directors”** shall mean the directors of the Board of the Association;
- (xvii) **“External Arbitration Member”** shall mean an individual from any relevant field, such as, legal, audit, accountancy, investment banking, asset management, but who does not have an existing employment relationship with any Regulated Person and who does not hold any office in any Regulated Person;
- (xviii) **“Fit and Proper”** shall mean the Fit and Proper criteria, as applicable to self-regulatory organizations as prescribed by the Commission from time to time;
- (xix) **“Independent Director”** shall mean an independent director as defined under section 166 of the Companies Act and who fulfills the criteria provided under Schedule 1 of the SRO Regulations;
- (xx) **“Industry”** shall mean the mutual funds, voluntary pension schemes and investment advisors licensed as an NBFC by the Commission. The industry will be broadened to incorporate sectors of Real Estate Investment Trust (REIT), private equity, venture capital, and other business activities undertaken by Fund Management NBFCs and shall include the distributors, as determined by Board with the approval of the Commission;

- (xxi) **“Member”** shall mean a member of the Association as provided under Article 1(xiv) of Articles of Association;
- (xxii) **“Member Director”** shall mean a person elected as a director on the Board on behalf of a Member;
- (xxiii) **“Membership”** shall mean membership of the Association;
- (xxiv) **“Memorandum”** shall mean Memorandum of Association of the Association;
- (xxv) **“NBFC”** shall mean Non-Banking Finance Companies as defined under clause (xxxiiia) of the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003;
- (xxvi) **“Panel of Auditors”** shall mean the panel of auditors as prescribed by the Commission from time to time or as prescribed by the Association under clause 7.2 of the Regulations;
- (xxvii) **“Procedures”** shall mean those procedures made by the RAC, subject to approval of the Board, under clause 2.3 of the Regulations and shall be binding on the Regulated Persons, as applicable;
- (xxviii) **“QCR Program”** shall mean the Quality Control Review Program provided for under the Quality Control Review Framework issued by the Institute of Chartered Accountants of Pakistan (ICAP) from time to time;
- (xxix) **“RAD”** shall mean the Regulatory Affairs Division of the Association with the powers as provided under section 36E, 36F, and 36G of Part IXB of the SECP Act;
- (xxx) **“Registered Service Providers”** shall mean, without limitation, persons registered with the Association in accordance with Chapter III of the Regulations and engaged in an activity being regulated under the Regulations including as distributors of mutual funds, pension funds or any other funds of similar nature by whatever name called;
- (xxxi) **“Registrar”** shall mean the person who is appointed by the RAC as Registrar of the RAC to perform all those functions as may be delegated to him by the RAC;
- (xxxii) **“Regulated Persons”** shall mean a person or entity registered under the Regulations to carry on or engage in an activity being regulated under the Regulations;

- (xxxiii) **“Regulations”** shall mean these Regulations of the Association as may be amended from time to time, with the approval of the Commission;
- (xxxiv) **“Regulatory Affairs Committee”** or **“RAC”** shall mean a Committee of the Association with its functions and powers provided in clause 2.2.4 of the Regulations;
- (xxxv) **“SECP Act”** shall mean the Securities and Exchange Commission of Pakistan Act, 1997;
- (xxxvi) **“SECP Rules and Regulations”** shall mean and include all the rules, regulations, notifications, SROs, directives, and circulars issued by the Commission from time to time, as may be applicable to the Association being a licensed Self-Regulatory Organization;
- (xxxvii) **“Senior Management Officials”** shall have the same meaning ascribed to it in the explanation to section 36C of the SECP Act; and
- (xxxviii) **“SRO Regulations”** shall mean the Self-Regulatory Organizations (Registration) Regulations, 2022.

1.2 INTERPRETATION

Reference in the Regulations to any legislation, act, ordinance, rules or legislative provision includes any amendment, modification or re-enactment of such legislation, act, ordinance, rules or legislative provision as amended, modified or substituted, from time to time and any subordinate legislation under such legislative provision.

1.3 APPLICABILITY

The Regulations shall be applicable to the Association, Regulated Persons, and their Board of Directors, employees, and agents and Registered Service Providers.

1.4 POWER TO RELAX REGULATORY REQUIREMENT(S)

The Commission may, upon its own motion, or on a request of the Association, relax the operation of any requirement of the Regulations for any person for reasons to be recorded by the Commission.

CHAPTER II

MANAGEMENT POWERS AND FUNCTIONS OF THE ASSOCIATION

2.1 Roles and Responsibilities of the Association

2.1.1 The Association shall be responsible for performing the following functions including but not limited to:

- (a) Assist Commission in developing fund management industry standards.
- (b) Regulate financial conduct of Regulated Persons and Registered Service Providers.
- (c) Promote, encourage, and enforce compliance with the code of conduct .
- (d) Develop policies to protect confidentiality of investors data.
- (e) Undertake research on the industry products, processes and propose necessary suggestions, and submit proposals supporting the comparison of international best practices to introduce, amend the regulatory framework.
- (f) Conduct research and analysis to address ongoing industry concerns and stay updated on evolving international trends by proposing amendments to the existing regulatory framework or introducing new regulations, as necessary.
- (g) Conduct reviews and inspections to ensure compliance and monitoring with the regulatory framework.
- (h) Consider suggestions and reforms related to industry development, conduct of regulated entities, investor outreach, and investor relations, while also promoting product development, innovation, digitization and reforms to support industry growth.
- (i) Effectively identify and manage conflicts of interest of MUFAP and AMCs among the members, directors, employees, etc.
- (j) Issue instructions to ensure compliance with the timely submission of reports and returns
- (k) Manage the market development fund and undertake activities for the development of the mutual fund industry.

- (l) Initiate actions for market development in terms of financial inclusion, training & education, marketing, awareness, research and investor relations.
- (m) To undertake action against any non-compliance of these regulations and refer to the Commission if it identifies any non-compliance with the regulatory framework administered by the Commission
- (n) Assist Commission in developing industry benchmarks based on key growth indicators and evolving market dynamics, ensuring alignment with the international standards and global development of the fund management industry.
- (o) Review and approve the Trust Deed of each Fund in accordance with the format prescribed by the Commission and submit it to the Commission for information. In case of any material deviation from the approved format, the SRO shall obtain a No Objection Certificate (NOC) from the Commission before granting approval.
- (p) Review each Offering Document of a Fund/Plan, product structure, and other related documents to ensure compliance with the standard format prescribed by the Commission. The reviewed documents shall be submitted to the Commission for approval, along with the SRO's viewpoint and confirmation of compliance with regulatory requirements.
- (q) Periodic review and standardization of constitutive documents, fund manager report, key fact statements, etc., in light of the changes introduced in the industry from time to time.
- (r) Periodic assessments of digital onboarding of Customers processes by engaging with industry stakeholders, identifying international best practices, and recommending enhancements to align with evolving global standards, subject to regulatory requirements and industry adoption.
- (s) Other related or connected matters thereto.

2.1.2 The Commission may, from time to time, amend the scope of the Association to undertake any function, as it may consider necessary and expedient, with mutual consensus of the Association.

2.1.3 The Association shall adopt the scope within the time frame as specified by the Commission.

2.2 Powers of the Association

2.2.1 The Association shall have such powers as are conferred on it by or under:

- (a) The SECP Act;
- (b) The SRO Regulations;
- (c) The Memorandum and Articles;
- (d) These Regulations;
- (e) The directions, decisions, notices, guidelines, clarifications and circulars issued by the Commission from time to time;
- (f) Any other law relevant for the time being in force.

2.2.2 Unless contrary intention appears, powers conferred on the Association by or under the Regulations and Articles shall be exercised in such manner as the Board may from time to time prescribe in this behalf.

2.2.3 Committees

- (i) The Board may delegate any of its powers to core committees consisting of such members of the Board or External Arbitration Committee Members as they think fit, however, the Chairman of such Committees must be an Independent Director of the Association. The Board, on its own motion or as may be directed or notified by the Commission, shall have the power and authority to amend the names, functions, constitution, and power of any committees constituted by it under the Articles or the Regulations. Notwithstanding the above, the Board may establish any other non-statutory committees, taskforces and working groups, from time to time, as it deems appropriate. The tenure, composition, scope and functions of such committees, taskforces and working groups shall be decided and amended by the Board as it may deem appropriate.
- (ii) Notwithstanding the above, the following shall be the core committees of the Board:
 - (a) Regulatory Affairs Committee (“RAC”);
 - (b) Human Resources and Remuneration Committee;
 - (c) Audit, Accounts Budget and Risk Management Committee; and
 - (d) Arbitration Committee.
- (iii) Human Resources and Remuneration Committee and Audit, Accounts and Budget and Risk Management Committee shall be

constituted in accordance with the Code of Corporate Governance as prescribed by the Commission from time to time.

- (iv) The composition of the Regulatory Affairs Committee (“RAC”) shall be as follows:
 - (a) The RAC shall comprise of five of three (3) Independent Directors and two (2) Member Directors.
 - (b) The Chairman of the RAC shall be an Independent Director. Provided that, the Chairman of the Board and Chairman of the RAC shall not be the same person.
 - (c) The appointments of the members of the RAC shall be made by the Board.
 - (d) The Member Directors will not have any voting rights on the RAC.
 - (e) An executive officer of the Association shall be appointed as Registrar of the RAC.
 - (f) The Chief Executive Officer will not be a member of the RAC but may be invited to the meetings of the Committee in an advisory capacity.
- (v) At any meeting of the RAC at least three (3) persons, present in person or through audio or video-link, out of which at least two (2) persons shall be an Independent Director and at least one person shall be a Member Director, shall form a quorum. In the event the Chairman of the RAC not being present at a meeting, any of the other two Independent Directors forming part of the RAC, shall preside as Chairman of such meeting.

2.2.4 Functions and Powers of the Regulatory Affairs Committee (“RAC”)

The RAC shall:

- (i) have the authority to exercise and carry out the regulatory functions of the Association as provided for under the SECP Act and regulation 7 of the SRO Regulations;
- (ii) review and suggest reforms in the code of conduct;
- (iii) formulate proposals for requisite regulatory reforms to introduce best practices, address evolving market trends and promote investor confidence;

MUFAP (SRO FUNCTIONING) REGULATIONS 2025

- (iv) develop standards of conduct and policies to introduce uniform business practices and ensure transparency and accountability and provide recommendations to the Commission;
- (v) develop an annual plan to undertake regulatory developments with defined roles and responsibilities, duly approved from the Board;
- (vi) be empowered to delegate the regulatory functional powers to the CRO and/or to other Authorized Officers, and also decide the role and responsibilities of the CRO and/or other Authorized Officers;
- (vii) suggest any amendments, modifications or omissions to the Regulations to the Board for the effective functioning of the Association;
- (viii) conduct hearings of any appeals against the decisions of the CRO as provided in Chapter XI of the Regulations;
- (ix) be empowered to make its sub-committees and panels, among its members, from time to time, as it may deem appropriate;
- (x) operate as per the terms of reference as approved by the Board from time to time;
- (xi) be empowered to outsource the on-site and/or off-site inspection of Regulated Persons by appointing any third party as an inspector as the RAC deems fit for such purpose, subject to approval of the Board;
- (xii) have a right to suspend the registration of a Regulated Person on the recommendation of the CRO;
- (xiii) assess performance of RAD in light of the regulatory plan and annual targets and take measures and, where necessary, make recommendations to the Board for improvements;
- (xiv) review the compensation and evaluate performances of the CRO in light of goals and objectives and recommend to the HR Committee;
- (xv) provide recommendations to the HR Committee for appointments and removal of the CRO in accordance with the procedure;
- (xvi) formulate and recommend the budget and staff allocation for RAD for approval of the Board;
- (xvii) prepare a summarized annual report of RAD on the activities, conclusions and recommendations of the last year and identify the

targets for next year along with any other matters, for the Board and the Commission;

(xviii) assign the duties, functions, and powers of CRO to any other officer of the RAD temporarily in the absence of CRO;

(xix) carry out any other function that may be mutually agreed upon by the RAC and the Board or as may be assigned by the Commission.

2.2.5 Functions of Human Resources and Remuneration Committee

Human Resources and Remuneration Committee shall perform its duties and functions in accordance with the Code of Corporate Governance as prescribed by the Commission from time to time.

2.2.6 Functions of Audit, Accounts and Budget and Risk Management Committee

Audit, Accounts and Budget and Risk Management Committee shall perform its Audit related duties and functions in accordance with the Code of Corporate Governance as prescribed by the Commission from time to time.

Risk Management Duties and Functions: The Audit, Accounts and Budget and Risk Management Committee shall identify and assess risks to the operations of the Association and the broader industry, provide advisory input on emerging trends, and support the implementation of SECP's risk management framework through education and awareness initiatives. The Committee shall submit its recommendations to the Board for further consideration.

2.2.7 Arbitration Committee

Arbitration Committee shall perform its duties and functions in accordance with the Chapter VI of these Regulations.

2.2.8 Independent Directors

The Board shall, subject to approval of the Commission, elect the Independent Directors, who fulfils the Fit and Proper criteria prescribed under the SRO Regulations. Majority of the Board shall be Independent Directors who shall be elected in accordance with the mechanism provided in the Act and SRO regulations subject to the approval of the Commission.

2.2.9 Meeting Fees

The External Arbitration Committee Members and Independent Directors serving on the above committees may receive compensation in the form of a

meeting fee, as prescribed by the Board from time to time.

2.2.10 The Association may, on its own motion, issue directions, decisions, notices, guidelines, clarifications, and circulars from time to time, as may be deemed appropriate, for the effective enforcement, administration, and facilitation under these Regulations.

2.2.11 Notwithstanding the above, the Association shall issue directions, decisions, notices, guidelines, clarifications, and circulars as may be directed by the Commission.

2.3 Procedures

2.3.1 The Board or RAC may prescribe Procedures for the matters which the Board or RAC deems appropriate and considers necessary for the purpose of giving effect to and carrying out these Regulations. Provided that any such Procedures shall not be in contradiction with the Regulations or any laws, rules and regulations for the time being in force.

2.3.2 Any Procedure prescribed by the Board or RAC in exercise of the power prescribed under the above clause, shall be binding on Regulated Persons. Failure by any Regulated Person to comply with any part of the Procedures shall be deemed to be a contravention of the Regulations.

2.3.3 The Board, itself or upon recommendation of RAC, may make any changes, amendments, or modifications by whatever name called in the prescribed Procedures as deemed appropriate. Provided that a notice with reasonable time shall be granted to the Regulated Persons prior to implementing any changes to the Procedures.

2.4 Senior Management

2.4.1 Composition

The senior management officials shall be in accordance with the functional organogram prescribed by the Board from time to time.

2.4.2 Chief Executive Officer

The Chief Executive Officer (CEO) of the Association shall not assume the charge of office until the appointment has been approved by the Commission. The CEO shall be subject to the authority of the Board and shall generally supervise the business of the Association.

2.4.3 Chief Regulatory Officer

2.4.3.1 The Chief Regulatory Officer (CRO), including the acting CRO, shall be appointed by the Board with explicit terms and conditions and defined roles and responsibilities. The CRO shall be responsible for the RAD and shall perform such functions as are necessary for overseeing regulatory compliance matters. The CRO shall report to the RAC. Further, in case of vacant position, the CEO of the Association may be designated as acting CRO, however, the said position shall be filled within ninety days. When functioning in the capacity of CRO, the CEO shall report to the RAC with respect to all matters concerning the functions of the RAD.

2.4.3.2 The CRO shall:

- (a) manage, lead and control the compliance and regulatory functions of the Association;
- (b) develop and implement compliance policies, processes, code of conduct and Procedures to cover all aspects relating to the regulatory, operational, and statutory obligations of the Association and the Registered Persons;
- (c) review the Regulations from time to time and prepare proposals for making new regulations or carrying out amendments, modifications, or omissions in the existing Regulations for the approval of the RAC, Board, and the Commission;
- (d) submit a report to the RAC at least on quarterly basis, for the purpose of assessing compliance by the Regulated Persons with the Regulations and Procedures;
- (e) conduct or supervise on-site and/or off-site inspection and monitoring of the Regulated Persons' business activities;
- (f) redress complaints, disputes or grievances of investors in accordance with the Regulations, including having the authority to conduct hearing(s) before taking any action(s);
- (g) take disciplinary action(s) against Regulated Persons under the Regulations;
- (h) ensure enforcement of the Regulations, Procedures and the Code of Conduct;
- (i) recommend suspension of a Regulated Person to the RAC;

- (j) assign grades to the Regulated Persons which reflect their compliance status with the applicable laws. Such grades shall be assigned in accordance with a grading mechanism to be prescribed by the RAC and approved by the Board;
- (k) submit a comprehensive report on a quarterly basis to the Board and an annual report to the Commission regarding disciplinary action(s) taken during the respective periods, corrective actions taken and their status; and
- (l) perform any other task or role assigned by the RAC from time to time, the Board or the Commission.

2.4.3.2 The CRO shall satisfy the minimum qualification and experience criteria as prescribed by the Board from time to time.

2.4.3.3 The RAC shall put in place, a mechanism to ensure that the CRO performs functions in a transparent, equitable, and timely manner. The CRO shall be subject to periodical performance review by the RAC.

2.5 Fit and Proper Criteria for Directors and Senior Management Officials

The persons to be appointed as CEO, Directors and Senior Management Officials of the Association shall fulfill at all times the Fit and Proper criteria provided under Schedule 1 of the SRO Regulations.

2.6 Conflict of Interest

2.6.1 Each Director shall disclose to the Board or Committee before a meeting, any conflict of interest with respect to any item forming part of agenda of such meeting.

2.6.2 Directors shall not participate in any deliberation, decision making, proceeding, inspection or disciplinary action by the Association in the case of a conflict of interest.

Explanation: Save as otherwise provided in the Companies Act, a "conflict of interest" exists when a director's interest is inconsistent with or opposed to or gives the appearance of being inconsistent with or opposed to the Industry, Regulated Person, and investors interests. Such conflicts of interest may arise not only due to a direct interest, but also indirectly as a result of the interests of a member of his/her family or organizations affiliated with such Director.

For the purposes of this explanation:

“member of his/her family” refers to a Director’s spouse, lineal ascendants and descendants, and siblings.

“organizations affiliated with such Director” refers to entities in which such Director or a member of his/her family is (i) the owner of or (ii) partner in or (iii) holding directorship; or (iv), directly or indirectly, holds or controls shares carrying not less than twenty percent (20%) of the voting power in that entity.

- 2.6.3 The provisions of clauses 2.6.1 to 2.6.2 shall *mutatis mutandis* apply to any persons appointed as members of the RAC and Arbitration Committee.

CHAPTER III

**REGISTRATION OF THE REGULATED PERSONS INCLUDING
REGISTERED SERVICE PROVIDERS**

3.1 Membership Fee

- 3.1.1 The annual membership fee, registration or re-registration fee, or any other fees for Regulated Persons, shall be applicable and payable as may be prescribed by the Board from time to time. Any such fees shall be non-refundable.
- 3.1.2 The Board may, from time to time, re-determine the types and amounts of fees, including the annual membership governance fee, to be payable by any class of Regulated Persons

3.2 Registration of Regulated Persons

Persons carrying on functions of the Industry and registered with the Commission shall apply to the Association for registration as a Regulated Person. The Board shall decide the matter of registration within thirty days of making such applications to the Association. If deliberation by the Board is necessary, this period may extend to a maximum of ninety days.

Provided that after the registration of Association under the provisions of SECP Act and SRO Regulations; the existing members of MUFAP shall continue to be members of Association and shall submit an undertaking (on legal paper) to the MUFAP that they shall comply with the requirements prescribed under these regulations, code, procedures and other notifications / instructions / directions, etc., issued by the MUFAP and the Commission from time to time.

3.3 Registration of Service Providers

- 3.3.1 Persons carrying on functions as distributors of mutual funds, pension funds or any other funds of similar nature by whatever name called, shall apply to the Association for registration as a Registered Service Provider. The Board shall decide the matter of registration within thirty days of making such application to the Association. If deliberation by the Board is necessary, this period may extend to a maximum of ninety days.
- 3.3.2 Single asset management company distributors shall apply for registration as Registered Service Providers with the Association after entering into a commercial arrangement with an asset management company.

3.3.3 Multi asset management company distributors shall apply for registration as Registered Service Providers with the Association after obtaining the securities and futures advisor license from the Commission.

3.4 Pre-requisite of registration

3.4.1 Any person applying for registration as a Regulated Person or as a Registered Service Provider, shall submit an application along with the prescribed fee and below undertaking to the Association that:

- (i) it has never been associated or convicted of any offence related with money laundering, terrorist financing and/or any other proscribed/prohibited/illegal activities related therewith; and
- (ii) it shall ensure compliance with the Regulations and the code of conduct prescribed by the Board from time to time.

3.4.2 Save as provided in clause 3.4.1, any person being an individual applying for registration under the Regulations shall satisfactorily pass the screening process as prescribed by the Board from time to time.

Notwithstanding anything contained above, the Board itself or any authorized officer may require the applicant to submit any additional documents or undertaking as deemed appropriate.

3.4.3 The Board shall also be empowered to issue time bound or conditional registration.

CHAPTER IV

CODE OF CONDUCT

4.1 Applicability of Code of Conduct

The code of conduct, as prescribed by the Board from time to time for any matter pursuant to Section 36D (5)(a) of the SECP Act and Rule 7 (1)(j) of the NBFC Rules 2003, shall be applicable to all the Directors (including Independent Directors), Regulated Persons, Registered Service Providers, the Association and their respective employees.

4.2 Implementation of Code of Conduct

Regulated Persons/ Registered Service Providers, Association and their respective employees shall:

- (i) widely disseminate the code of conduct to all persons and entities covered by it;
- (ii) make observance of the code of conduct a condition of employment;
- (iii) ensure compliance with the code of conduct by its directors, and officers;
- (iv) require that each officer and employee of the Regulated Person/ Registered Service Provider sign a statement that he/she has received and read a copy of the code of conduct and shall comply with the same in letter and spirit;
- (v) establish internal controls and compliance mechanisms with respect to implementing and enforcing the code of conduct, including assigning supervisory responsibility;
- (vi) designate officer with primary responsibility for monitoring compliance with power to fully investigate all possible violations and report to their respective boards;
- (vii) file regular returns, reports to the CRO, on a periodic basis regarding observance of the code of conduct and special reports as prescribed by the Board from time to time;
- (viii) maintain relevant books and records of all activities and transactions for at least ten (10) years. Such records shall be subject to review by the CRO or any other Authorized Officer; and

- (ix) dedicate adequate resources to ensure observance of the provisions of the code of conduct.

4.3 Observance of Statutes, Rules, and Regulations

Regulated Persons/ Registered Service Providers shall abide by the provisions of the statutes, rules, and regulations which may be applicable and relevant to the activities carried on by the Regulated Persons, including but not limited to, the Companies Act, the SECP Act, the Securities Act, 2015, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, Voluntary Pension System Rules 2005, Real Estate Investment Trust Regulations, 2022, Private Funds Regulations, 2015, the Regulations, code of conduct and other applicable laws, rules and regulations.

4.4 Disclosures

- 4.4.1 Regulated Persons/ Registered Service Providers shall prepare/submit compliance reports on periodic basis within ten (10) days of the close of the period, of overall compliance with the Regulations. Such report shall be submitted to the CRO on the prescribed format.
- 4.4.2 The Association and the Regulated Persons shall also comply with any reporting and disclosure requirements as prescribed by the Commission and Association, from time to time, including those specified in the SECP Act and SRO Regulations.
- 4.4.3 Association and its directors and employees shall not disclose to any person any non-public information relating to its Regulated Persons or their Customers save and except where such disclosure has been expressly authorized in writing by relevant Regulated Person or where such disclosure is required to be made to any relevant authority under any law or legal process.
- 4.4.4 Notwithstanding anything contained above, the Board shall formulate a policy to guard secrecy of data or information available with the Association from potential misuse including but not limited to theft.

4.5 Whistleblowing or Reporting of Misconduct

In accordance with the Board-approved policy, where a person is aware of or has reasonable grounds to believe that a breach of the code of conduct or the Regulations has been committed or attempted to be committed, such person may report that instance to the Association along with supporting documentary evidence. The identity of such whistle-blower shall be kept confidential.

CHAPTER V

COMPLAINT MECHANISM

5.1 Complaints

5.1.1 Complaints, in respect of the Regulated Person/ Registered Service Provider's affairs, relating to any matters as given under, must be made in accordance with the Procedure for 'Complaints Handling' as prescribed by the Board:

- (i) a breach of the Regulations by a Regulated Person/ Registered Service Provider;
- (ii) a breach of the code of conduct;
- (iii) a breach of customer confidentiality;
- (iv) unsuitable investments or leveraging to a customer;
- (v) theft, fraud, misappropriation, forgery, misrepresentation, unauthorized trading, unauthorized selling and redemption of units;
- (vi) engaging in an undeclared occupation outside the Regulated Person;
- (vii) personal financial dealings with a Customer;
- (viii) any other relevant matter.

5.1.2 The Regulated Persons/ Registered Service Providers shall provide to their Customers with an electronic copy of the Association's 'Procedure for Complaint Handling' referred to in clause 5.1.1 above through email or any other digital means available. Provided further that Regulated Persons/ Registered Service Providers shall also display the 'Procedure for Complaint Handling' on their websites/portals and shall place a printed copy in their office(s) for public viewing.

5.2 Resolution of the Complaint

Upon completion of the Complaint proceedings in accordance with the 'Procedure for Complaint Handling' as prescribed by the Board from time to time, the CRO shall take a decision regarding the Complaint. If a Regulated Person/ Registered Service Provider is found to be non-compliant, the CRO shall take disciplinary action as provided in clause 9.2 of the Regulations.

5.3 Right to Appeal

If the Complainant or Regulated Person/ Registered Service Provider is aggrieved by the decision of CRO, such aggrieved person may file an appeal against such decision to the RAC within fifteen (15) working days of receipt of the decision of CRO.

CHAPTER VI

ARBITRATION

6.1 Arbitration

6.2 The Arbitration Committee

6.2.1 The Board shall constitute an Arbitration Committee consisting of five (5) members. The composition of the Arbitration Committee shall be as follows:

- (i) two (2) Independent Directors
- (ii) two (2) Member Directors
- (iii) one (1) External Arbitration Committee member

6.2.2 The Chairman of the Arbitration Committee shall always be an Independent Director. Provided that, the Chairman of RAC and Chairman of Arbitration Committee shall not be the same person.

6.2.3 The members shall be appointed by the Board in the Arbitration Committee in accordance with the criteria as prescribed by the Association.

6.2.4 The list of members in the Arbitration Committee shall be displayed on the website of the Association and updated whenever any change occurs. The list shall also contain the details of companies with which all members of the Arbitration Committee have any association. .

6.3 Reference to Arbitration

6.3.1 Whenever any dispute arises between Regulated Persons inter se, or between any of the Regulated Persons and their Customers subject to the Regulations, which are otherwise not settled amicably, such dispute may be referred to arbitration in accordance with the Procedure for Arbitration.

6.3.2 Notwithstanding anything contained above, the CRO may refer any matter to the Arbitration Committee as may deem appropriate subject to approval of the RAC.

6.4 Application for Arbitration

6.4.1 An applicant who intends to refer the dispute for arbitration shall pay the requisite fee as prescribed by the Board and approved by the Commission.

6.4.2 The application for arbitration may be rejected or dismissed if:

- (a) the applicant refuses, neglects or fails to comply with the provisions of any of the Regulations; or
- (b) the applicant refuses, neglects or fails to carry out any direction issued by the Arbitration Committee or Board; or
- (c) the application is not otherwise complying with the Regulations or lacking the adequate documentary evidence after providing reasonable time for submission of requisite documents and information; or
- (d) the subject in the dispute has arisen from a non-Association transaction or the transaction is otherwise illegal and not in accordance with the law.

6.5 Arbitration Procedure

- 6.5.1 All Arbitrations under the Regulations shall be in accordance with the Procedure for Arbitration.
- 6.5.2 The Arbitration Committee, by recording the reasons in writing, may decline to hear the dispute or may dismiss any case and refer the parties to their remedies at law.
- 6.5.3 All claims or disputes referred to the Arbitration Committee shall be decided by a majority of Arbitration Committee members and such decision shall be the award in the arbitration.

6.6 Award

The arbitration award shall be binding upon the parties.

6.7 Fees and Charges

The fees and charges for arbitration shall be specified by the Board and approved by the Commission and shall be payable by both parties in advance to the Association. Provided further that it shall be a condition precedent to the hearing of any reference that the specified fees and charges shall be paid in advance by parties to the reference.

- 6.7.2 Clause 6.7.1 shall not be applicable in case where a matter for Arbitration is referred by the CRO.

CHAPTER VII

REGULATORY AUDIT OF REGULATED PERSONS

7.1 Frequency of Audit

The regulatory audit of a Regulated Person shall be conducted once in every two (2) years under the Regulations. Notwithstanding the aforesaid, the CRO or RAC may require a special audit of a Regulated Person as deemed appropriate.

7.2 Panel of Auditors

7.2.1 The Panel of Auditors, eligible to conduct regulatory audit of Regulated Persons, shall be as prescribed by the Commission from time to time.

7.2.2 The RAC shall annually review the Auditors to ensure ongoing eligibility of auditors in line with the criteria provided in clause 7.2.1 of the Regulations.

7.2.3 No auditor shall be appointed to conduct the regulatory audit of a Regulated Person, if that auditor is conducting annual / other statutory audit or other assignment of such Regulated Person, at the time of selection for the audit. Such auditor shall not be allowed to accept any other professional engagement whatsoever of the Regulated Person till the issuance of audit report.

7.2.4 No auditor shall be appointed to conduct the regulatory audit of a Regulated Person if that auditor has conducted annual / other statutory audit of such Regulated Person at any time within the preceding two years from the date of proposed appointment.

7.2.5 No auditor shall commence audit under the Regulations of Regulated Person unless such auditor provides an undertaking to the CRO that the auditor is not conducting annual / other statutory audit or assignment for the Regulated Person who is considering appointment of such auditor.

Provided that, if an auditor fails to provide the aforesaid undertaking within the time given by the CRO, such non-compliances may be reported to the Board and other relevant authorities. .

Notwithstanding anything contained above, in case of failure on the part of concerned auditor, the matter shall also be reported to the ICAP and the AOB.

7.2.6 The Panel of Auditors shall be placed on the website of the Association.

7.3 In-House Audit Inspectors

In-house audit inspectors employed by the Association shall also be eligible to conduct audits of Regulated Persons. These inspectors shall meet the qualifications and standards set forth by the RAC and shall operate under the same guidelines and oversight as external auditors. The RAC shall ensure that in-house audit inspectors maintain independence and objectivity in their auditing functions.

7.4 Scope of Audit

The auditor shall carry out the audit of a Regulated Person under the Regulations in accordance with the scope of audit as prescribed by the RAC.

Notwithstanding anything contained above, the RAC if deems appropriate may enhance the scope of audit of a Regulated Person before completion of the Audit, and may also initiate audit multiple times within the limit of two years

7.5 Audit Process and Status of Compliances

7.5.1 The schedule for timing of audit of the Regulated Persons shall be disseminated by the CRO at the start of every financial year. The CRO shall intimate the selected Regulated Persons whose audit is to be conducted in accordance with these Regulations by 31st January and 31st July of each year of their selection for Audit.

7.5.2 In accordance with the schedule of audit disseminated by the CRO, the Regulated Person shall appoint an auditor from the Panel of Auditors and intimate the auditor's appointment to the CRO promptly within thirty (30) days of intimation to concerned Regulated Person.

7.5.3 If the Regulated Person fails to appoint an auditor within the time provided in clause 7.5.2 of the Regulations, the CRO shall appoint the auditor for such Regulated Person within such period as prescribed by the Board.

7.5.4 The Regulated Person, being audited, shall provide access to the information and documents as required by the auditor for the audit and cooperate with the auditor for timely and smooth completion of the audit and issuance of audit report.

7.5.5 The Regulated Person shall ensure completion of the audit and submission of audit report to the CRO within the time prescribed by the CRO.

7.5.6 The CRO may seek explanation and comments from the Regulated Person with regard to any non-compliance which is reported in the audit. The

Regulated Person shall provide explanation and comments within such period as provided by the CRO.

- 7.5.7 If a Regulated Person is directed to rectify non-compliance, such rectification must be carried out immediately and such Regulated Person shall be subject to a review, inspection, or special audit, as deemed appropriate by the CRO to confirm satisfactory rectification of non-compliances reported by the auditor.

7.6 Costs

The Regulated Person who is being audited shall pay all the fees, charges and costs associated with the audit directly to the auditor, except where the auditor is appointed by CRO pursuant to clause 7.5.3, in such case the Regulated Person shall deposit the said fees, charges and costs with the Association in prescribed manner, for onward payment to the auditor.

7.7 Disciplinary Action

Notwithstanding anything contained in the Regulations, any non-compliance or violations under this Chapter shall be subject to a disciplinary action under Chapter IX of the Regulations.

CHAPTER VIII

INSPECTION

8.1 Applicability

For the purpose of ensuring ongoing compliance with the Regulations, the RAD shall conduct continuous off-site review, inspection and monitoring of the activities of the Regulated Persons. In addition, the CRO may, by notice, require on-site inspection of any Regulated Person.

8.2 Notice

The notice of on-site inspection to be provided to a Regulated Person shall include:

- (i) scope of inspection;
- (ii) names of the person(s) authorized to conduct the inspection; and
- (iii) any other relevant information.

8.3 Disciplinary Action

Notwithstanding anything contained in the Regulations, any non-compliance or violations by a Regulated Person under this Chapter may be subject to disciplinary action under Chapter IX of the Regulations.

CHAPTER IX

DISCIPLINARY ACTIONS

9.1 Disciplinary Proceedings Against Regulated Persons and/ or Registered Service Providers

The CRO shall initiate disciplinary actions against a Regulated Person/ Registered Service Provider or report to the Commission / relevant authority if it is *prima facie* established that such Regulated Person/ Registered Service Provider has:

- (i) breached any provision(s) of the Regulations, the Code of Conduct or Procedures prescribed by the Association;
- (ii) failed to comply with a policy, procedure, notice, direction, circulars, decision or instruction of the Association or Code of Conduct;
- (iii) failed to provide any required information;
- (iv) provided incomplete, false, forged or misleading information to the Association;
- (v) failed to comply with the reporting requirement(s) within the time frame prescribed;
- (vi) refused or failed to comply with any decision of the CRO and/or RAC and/or the Board;
- (vii) failed to pay (in part or in full) any fee or penalty imposed upon it in accordance with the Regulations;
- (viii) failed to pay any money (in part or in full) which may be due to the Association relating to operational, and other administrative facilities within such time as may be prescribed by the Board;
- (ix) failed to co-operate with the CRO, Authorized Officer(s), or auditor(s) of the Association in connection with audits or inspections, whether on-site or off-site;
- (x) repeated non-compliances reported in audit or inspection which remain un-resolved for a consecutive period of three (3) months or such extended period as may be prescribed by the Board from time to time; or

- (xi) had its license, suspended by the Commission, or the Association is directed or advised by the Commission to suspend the registration of such Regulated Person.
- (xii) Upon becoming aware of any instance or circumstance indicating non-compliance by a Regulated Person, immediate and appropriate action shall be initiated. If such non-compliance relates to any regulatory laws administered by the Commission, the matter, along with all relevant evidence, shall be reported to the Commission without delay.

Provided that no disciplinary powers, under the Regulations, shall be exercised by the CRO or RAC unless such Regulated Person is provided with an opportunity of being heard. Provided further that, such hearing shall be conducted in accordance with Chapter X of the Regulations.

9.2 Nature of Disciplinary Actions

- 9.2.1 Notwithstanding anything contained in the Regulations, no disciplinary action whatsoever shall be initiated against a Regulated Person/ Registered Service Provider under the Regulations unless such Regulated Person has been provided an opportunity to make written and personal representations within the time prescribed in the show-cause notice which shall not be less than ten days. Such representations shall be made by an authorized officer(s) of the Regulated Person/ Registered Service Provider or any outside lawyer / consultant authorized to such representation.
- 9.2.2 Time extensions to make written and personal representation may be granted by the CRO or Authorized Officer.
- 9.2.3 The CRO may exercise any one or more of the following disciplinary actions against a Regulated Person/ Registered Service Provider:
 - (i) issue of warning or reprimanding the Regulated Person/ Registered Service Provider in writing to act more carefully and vigilantly and not to indulge in such non-compliance in future and repetition of such non-compliance in future shall be punished with penalties.
 - (ii) impose a penalty in accordance with schedule of penalties as prescribed by the Board.
 - (iii) recommend suspension of registration to the RAC.
- 9.2.4 Notwithstanding, any disciplinary proceedings being instituted against a Regulated Person/ Registered Service Provider or any conditions being imposed upon it or any of its rights being suspended, a Regulated Person/ Registered Service Provider shall continue to remain bound by the Regulations and the Procedures of the Association.

9.2.5 The registration of a Regulated Person may be suspended by the RAC, on recommendation of the CRO, by an order in writing, subject to an opportunity of being heard is provided to the concerned Regulated Person, under intimation to the Commission.

9.2.6 A suspended Regulated Person, during the term of suspension shall:

- (i) remain liable for any payments, fees, charges and costs (by whatever name called) owed or due by such Regulated Person to the Association under the Regulations;
- (ii) be notified as a 'Suspended Regulated Person' on the website of the Association;
- (iii) not be represented by the Association, in front of third parties, as a Regulated Person;
- (iv) be prohibited from marketing, selling, or distributing units of mutual funds or pension funds or any other funds by whatever name called to new or existing unitholders, except for the issuance of units against re-investment of payouts. Provided that, payouts and redemptions shall proceed as per the applicable laws;
- (v) be barred to open new branches or point of sale;
- (vi) be barred from access to and/or using any or all of the Association's facilities (including Association's web portal), except as may otherwise be permitted by the Association;
- (vii) not participate in any Board meeting, Committee meeting or any meetings of taskforces, panels, and working groups (by whatever name called) of the Association;
- (viii) not participate in any decision making related to the Industry.

9.2.7 The terms and conditions of any suspension, including the duration of the suspension, shall be decided by the RAC depending on the seriousness of breach by the Regulated Person and reasonable timeframe required to address and rectify the same.

Notwithstanding the above, the Board shall have the power to withdraw the suspension of a Regulated Person if it is proven to the satisfaction of the Board that the suspended Regulated Person has rectified the causes of its suspension.

9.2.8 The Board shall cancel registration of a Regulated Person where the license of such Regulated Person is cancelled by the Commission. Nevertheless, the Board shall be empowered to cancel the registration of a Regulated Person or a Registered Service Provider who is not licensed by the Commission.

9.2.9 Notwithstanding anything contained above, a suspended regulated person may file an appeal to the Board to review or withdraw its suspension.

9.3 Liabilities and Indemnification

9.3.1 The Regulated Person who shall for any reason have ceased to be a Regulated Person of the Association shall nevertheless remain liable for and shall pay to the Association all monies, which at the time of it ceasing to be a Regulated Person shall have been due from it to the Association;

9.3.2 The Association, its directors, employees, representatives or any other person or entity associated with the Association shall have no liability whatsoever for any losses, damages, claims, legal costs or other expenses that a Regulated Person/ Registered Service Provider may suffer or incur, whether directly or indirectly (including any loss of profit or any damage of reputation) by reason of any disciplinary proceedings instituted or disciplinary measures taken in accordance with the Regulations;

9.3.3 The Association, its directors, employees, representatives or any other person or entity associated with the Association shall have no liability whatsoever for any losses, damages, claims, legal costs or other expenses that a Regulated Person/ Registered Service Provider may suffer or incur, whether directly or indirectly (including any loss of profit or any damage or reputation) by reason of or in relation to an act done or omitted in good faith in performance or purported performance of any function, or in exercise or purported exercise of any power, conferred or expressed to be conferred by or under the Regulations.

9.3.4 The Association, its directors, employees, representatives or any other person or entity associated with the Association shall have no liability whatsoever for any losses, damages, claims, legal costs or other expenses that a Regulated Person/ Registered Service Provider may suffer or incur, whether directly or indirectly (including any loss of profit or any damage of reputation) by reason of events or circumstances or combination of events and circumstances beyond the reasonable control of the Association.

9.4 Collection and deposit of Penalties

All penalties collected by the Association through powers exercised under the Regulations shall be deposited as may be directed by the Commission.

9.5 Reference to the Commission

- 9.5.1 Where the CRO and/or an Authorized Officer establishes that any provision of the laws or regulatory framework has been violated, which are not within the jurisdiction provided under the Regulations, by a Regulated Person, the matter shall be referred to the Commission, subject to approval of RAC.
- 9.5.2 If upon inspection and receiving the inspection findings or report of the CRO or an Authorized Officer, as the case may be, the RAC has reasons to believe that a Regulated Person, its sponsors, directors or senior management officials are no longer complying with the licensing conditions / framework, the matter shall be referred to the Commission.

9.6 Expulsion

Where a Registered Service Provider who is not licensed by the Commission fails or refuses to submit to or abide by or carry out any decision or direction of the CRO, RAC or the Board as the case may be, such person may be expelled from the Association by a resolution of the Board.

CHAPTER X

MATTERS RELATED TO DISCIPLINARY PROCEEDINGS / HEARINGS

10.1 Time Period to Dispose of Cases

All cases of Complaints or non-compliance Pertaining to any Regulated Person shall be disposed of within thirty (30) days of the date of first hearing by the CRO or any Authorized Officer, as the case may be.

Provided that such period may be extended for a further period of thirty (30) days, based on the cogent reasons to be recorded in writing by the CRO or any Authorized Officer.

Provided further that the CRO or Authorized Officer may adjourn the hearing as provided in clause 10.6 of the Regulations due to non-provision or non-availability of the information, documents, or explanations as required to conclude the disciplinary proceedings / hearing.

10.2 Authority of CRO to Conduct Hearings

The CRO or Authorized Officer shall have the authority to conduct hearing(s) in respect of any non-compliance by a Regulated Person.

10.3 Initiation of Hearing

10.3.1 An opportunity of hearing is to be provided to a Regulated Person and such opportunity shall be provided through a notice issued by the CRO and/or an Authorized Officer to all the relevant parties.

10.3.2 Before reaching the final decision, the CRO shall conduct hearing.

10.3.3 The notice of hearing shall include:

- (i) the description of the Regulated Person, as the case may be;
- (ii) brief description of facts;
- (iii) reasons of initiating action by the CRO and/or an Authorized Officer and the alleged non-compliance by the Regulated Person; relevant provisions of regulatory framework enabling CRO to initiate such action;
- (iv) place, date, and time of hearing and deadline within which the written statement or reply is to be provided;

- (v) the name, official address, phone number of the employee of the Association to whom Regulated Person shall contact in case of any query;
- (vi) reference to the relevant provision(s) of the regulatory framework which appear to have been breached or not complied with; and
- (vii) any other relevant information.

10.4 Service of Notice

The notice of opportunity of hearing shall be served to the Regulated Person in any of the following modes:

- (i) by sending it through courier service or registered post at its registered address; or
- (ii) by sending it through facsimile to the Regulated Person's or Complainant's facsimile number; or
- (iii) by sending it through email to such Regulated Person's or Complainant's email.

10.5 Right to Counsel

10.5.1 The Regulated Person shall have the right to be advised and accompanied by its legal counsel.

10.5.2 The hearing may be attended by the Regulated Person to whom the notice is sent in person or through an authorized representative.

10.6 Adjournments

The hearings shall be completed in one go, unless sufficient cause is shown by the concerned Regulated Person/Complainant which is beyond its control.

10.7 Notice Period

The recipient of the notice shall be called upon to submit within a period to be specified in the notice, from the date of service thereof, a written representation along with documentary evidence, if any, in support of the representation to the CRO and/or an Authorized Officer.

10.8 Right to Hearing

- 10.8.1 The CRO or Authorized Officer shall ensure that an opportunity of hearing is provided to the concerned Regulated Person to explain its stance and to put forth its arguments.
- 10.8.2 All records of pleadings, motions, recordings or transcripts of oral hearings or arguments, written direct testimony, other data, studies, reports, documentation, information, and other written material of any kind submitted during hearing, shall be maintained by the CRO and/or an Authorized Officer, and made available to the parties.
- 10.8.3 Hearing(s) shall be properly recorded and documented in writing by the CRO and/or an Authorized Officer.

CHAPTER XI

APPEALS

11.1 Appeal

- 11.1.1 All appeals filed under the Regulations shall be heard by the RAC except for related to suspension of the Regulated Person which shall be heard by the Board.
- 11.1.2 Any party being aggrieved by any decision of the CRO may file an appeal against such decision, within thirty (30) days of receipt of the decision of CRO by the concerned party and on payment of appeal processing fees as prescribed by the Board with the approval of the Commission. The appeal shall be filed, heard and decided by the RAC, the decision of whom in such appeal shall be final and binding on the relevant parties.

11.2 Form of Appeal

The Board shall prescribe a Procedure for all required matters pertaining to any appeal filed under the Regulations.

11.3 Authorized Representative

Where the CRO or any Authorized Officer of the Association is a respondent in an appeal and such Authorized Officer or CRO requires an authorized representative, such authorized representative shall always be a person who is officer of the RAD. No person from outside of the Association shall be appointed as an authorized representative to represent the CRO or any Authorized Officer in an appeal, however, allowed to seek guidance within the Association.

11.4 Presentation and Scrutiny of Appeal by Registrar

- 11.4.1 The Registrar shall endorse on every appeal the date on which he/she has received the appeal under this Chapter of the Regulations, or deemed to have been presented under that clause, and shall sign an endorsement to that effect.
- 11.4.2 If, on scrutiny, the appeal is found to be in order by the Registrar, it shall be duly registered and given a serial number.
- 11.4.3 If an appeal on scrutiny is found to be defective by Registrar and the defect noticed is of a formal nature, the Registrar may allow the appellant to rectify the same in his/her presence and if the said defect is not of formal nature, the Registrar may allow the appellant such time to rectify the defect as he/she may deem fit. If the appeal has been sent by post and found to be

defective, the Registrar may communicate the defects to the appellant and allow the appellant such time to rectify the defect as he may deem fit.

11.4.4 If the appellant fails to rectify the defect within the time allowed in clause 11.4.3, Registrar may, for reasons to be recorded in writing, decline to register such appeal and communicate the decision to the appellant within such time as may be prescribed by the Board from time to time.

11.4.5 An appeal against the order of the Registrar under 11.4.4 shall be preferred to the RAC within such time as shall be prescribed by the Board from time to time and the decision of the RAC thereon shall be final.

11.5 Fees

Every appeal in writing shall be accompanied with a fee as prescribed by the Board with the approval of the Commission.

11.6 Adjournments

11.6.1 The list of valid reasons for and duration of adjournments, shall be as prescribed by the Board from time to time. Where on the day fixed or any other day to which the hearing may be adjourned the appellant does not appear when the appeal is called on for hearing, the RAC may make an order that the appeal be dismissed:

Provided that the RAC may, upon an application submitted by the appellant giving sufficient cause for non-appearance, make an order setting aside dismissal order and restore the appeal on payment of such costs as it may, in the circumstances of the case, deem necessary.

11.6.2 Such dismissal of an appeal shall be notified to the appellant, the CRO against whose order the appeal is preferred and other respondent, if any.

11.6.3 The appellant or respondent seeking adjournment for a fixed date of hearing shall be required to give reasons along with evidence of his/her non-appearance or his/her authorized representative before the RAC.

11.6.4 Subject to the approval of the RAC, any party seeking more than two adjournments shall be liable to pay a special cost as prescribed by the Board.

11.7 Notice of Appeal to all Concerned

A copy of the appeal in writing and paper-book shall be served by the Registrar on the CRO and / or any other relevant party as the case may be as soon as they are received by the Registrar, by hand delivery, or by registered post or by courier as the case may be.

11.8 Date of hearing

The Registrar of the RAC shall notify the date, time and venue of hearing of the appeal to all the parties in such manner as the RAC may, by general or special order, direct.

11.9 Hearing of appeal and decision of appeal

11.9.1 On the day fixed for hearing, or on any other day to which the hearing may be adjourned, the appellant and respondent shall be heard. Hearings of appeal shall be conducted in accordance with the provisions of the Regulations and in the manner as may be prescribed by the Board from time to time.

11.9.2 The decision of the RAC shall be issued in writing within thirty (30) days of completion of the hearing of the appeal.

11.9.3 The decision of the RAC shall be final and binding on the parties to the dispute and upon their constituents.

11.10 Consequences of the Decision of the RAC

11.10.1 If a Regulated Person who had preferred an appeal against the decision of the CRO which imposed a penalty and such decision has been upheld by the RAC, the Regulated Person shall in case of a penalty, pay such penalty within seven (7) days of the announcement of the decision of the RAC.

11.10.2 The decision of the RAC shall be implemented and complied with by the parties in dispute within seven (7) days of its announcement. In the event a Regulated Person fails to do so, such Regulated Person shall be suspended in accordance with the Regulations.

11.10.3 The provisions as contained in this Chapter shall mutatis mutandis be applicable on an appeal filed by a suspended Regulated Person to the Board.

CHAPTER XII

MISCELLANEOUS

12.1 Reference to RAC

The Board may, as it deems fit and appropriate, refer any matter concerning the Association to the RAC for their consideration.

12.2 Screening, Training, Awareness and Investor Education

The Association shall conduct:

- (i) screening for employees and agents of Regulated Persons, Registered Service Providers, and such other persons as applicable;
- (ii) effective training certifications and educational programs for employees of the Regulated Persons, Registered Service Providers and Customers in general;
- (iii) awareness programs for the participants of financial services markets and/or corporate sectors including Customers in general.

12.3 Facilitation of Regulated Persons

The Association, as a self-regulatory organization and frontline regulator, shall also facilitate the Regulated Persons in developing products and provision of services and take measures for ease of doing business by the Regulated Persons.

CHAPTER XIII

AMENDMENTS AND MODIFICATION OF THE REGULATIONS

13.1 Amendments

13.1.1 The Association, may, amend, modify, or omit any part of the Regulations from time to time with the prior approval of the Commission. Notwithstanding the above, the Association shall, as directed by the Commission from time to time, amend, modify, or omit any part of the Regulations.

13.1.2 Any such amendment, modification, or omission shall be binding on the Regulated Persons.

13.2 Procedure for Amendment

13.2.1 New regulations or amendments may be initiated by the CRO and first be placed before the RAC. Thereafter, once approved by the RAC, the same shall be placed before the Board for approval.

13.2.2 After approval of the Board, the amendments shall be placed on the Association's website for obtaining Regulated Persons' comments for a period of fourteen (14) days except in cases where immediate implementation of the proposed amendments is required subject to approval of the Commission for waiver of inviting Regulated Person's comments.

13.2.3 If any changes are required to be made to the amendments in light of the Regulated Persons' comments, the same shall be placed again before the RAC for their consideration and approval, and thereafter, to the Board for their consideration and approval. Subsequently, after evaluating and incorporating suitable feedback of the Regulated Persons, procuring internal approvals, the amendments shall then be submitted to Commission for final approval.

13.2.4 Upon approval of the Commission, the amendments shall be notified and implemented with effect from the date as notified by the Commission.

13.2.5 Notwithstanding the above, the Commission is empowered to amend the Regulations or notify new regulations in exercise of its powers under section 36E(3) and (4) of the SECP Act.