

## Regulatory Update: Requirements for AMC's Nominated Non-Executive Directors on the Board of its Brokerage Subsidiary

SECP through its Circular 14 of 2025 (dated October 23, 2025) has allowed Asset Management Companies (AMCs) to nominate their employees as **Non-Executive Directors** on the board of a Brokerage house subsidiary. This is subject to compliance with the following requirements by both AMC & brokerage subsidiary:

### Requirements for AMC

AMC to seek SECP approval for the proposed corporate structure of subsidiary brokerage house, incl. **Board composition**

AMC to ensure that its brokerage subsidiary has at **least 1/3<sup>rd</sup> independent directors**

AMC Investment Committee member **not eligible** for appointment as **brokerage subsidiary's Director**

Proposed brokerage subsidiary's **CEO, research heads, & traders** must be **independent of AMC**

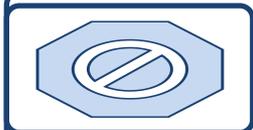
AMC-nominated directors to not receive any financial benefits other than **Board meeting fees**

AMC to formulate / implement **'Best Execution Policy'** and **'Broker Selection Policy'** with SOPs – for all brokerage transactions executed for AMC-managed funds & any related research compensation

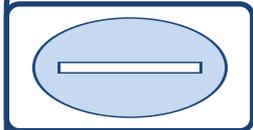
# Operational Requirements for Brokerage House



**Brokerage commission** to the subsidiary brokerage house must **not exceed PSX defined min. commission rate**



**Board-approved Chinese Wall policy** to be implemented to prevent non-public or sensitive information between AMC & brokerage house



**Segregation of front-office and back-office** systems used by both entities – must have strict controls, audit trails etc.



Brokerage to **not indulge in proprietary trading**



**Compliance and internal audit functions** of both AMC & brokerage subsidiary to **jointly monitor all transactions/information flow** between both entities



**Quarterly reporting** to be done by the Boards of both entities.