



# 5<sup>TH</sup> NEWSLETTER

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## **AMENDMENTS IN CDC REGULATIONS RELATING TO OPENING AN INVESTOR ACCOUNT IN THE NAME OF BROKERAGE HOUSE**

Central Depository Company (CDC) on the recommendations of the Pakistan Stock Brokers Association (PSBA) proposed changes in CDC Regulations relating to the heading. This change will allow TREC Participants to open an investor account with CDC for transferring of their securities held in House Account.

## **AGREEMENT TO BE MADE WITH INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN**

Followed by the discussions held with the Institute of Financial Markets of Pakistan (IFMP), the PSBA and IFMP reached the following conclusion in order to implement the certification program for the Stock Brokers.

1. Fundamentals of Capital Market (FCM) and Pakistan Market Regulations (PMR) certifications will be mandatory for CEO/MD, Chief Compliance Officer, and Head of Sales only;
2. Stock Brokers certification would be mandatory for all the sales staff\*.
3. Non-mandatory training sessions would be arranged for KAT/System/ trading terminal operators in partnership with PSBA. Participants would be given a certificate of attendance by IFMP.
4. Financial Analysts Certification will be mandatory for staff involved in the research function (Only applicable to brokerage houses involved in the research function). Analysts having CFA charter would be exempted from getting Financial Analyst Certification subject to the attainment of PMR certification.
5. Grandfathering exemption requirements to be relaxed as per the following criteria;
  - 16 years of education along with 2 years of relevant experience; or
  - 14 years of education along with 4 years of relevant experience; or
  - A person having seven years of relevant experience.
6. Registration fees of PKR 10,000/- will be entirely waived off for the certificates obtained till September 30, 2021
7. Certification fees would be charged at the rate of PKR 7,000/ certificate. The fees would remain the same for certification obtained from either the route of examination or through grandfathering.
8. Membership fees of PKR 5,000/- would be charged at a 50% discounted rate of PKR 2,500 per person. It may further be noted that the annual membership charges for employees of all the PSBA member organizations would remain at PKR 2,500/- till September 30, 2026
9. A grace period of 6 months would be given to each employee from the date of appointment to obtain all the necessary certification required under the rules.
10. Compliance with the Stock Broker Certification would be in a phased manner. 40% of the sales staff engaged in the sales function would be required to obtain SBC in the first year; 80 % of the sales staff would be required to obtain SBC in the second year; whereas 100% of the sales staff would get compliant to SBC certification in the third year.
11. Members interested in paying 10 years membership fee in advance would be given a 25% discount. A total amount of PKR 18,750/- would be charged instead of total dues of PKR 25,000 for 10 years membership.

\*Sales staff performing the sales functions is considered part of the sales team. Sales staff does not include personnel, employed for administrative, operations, and other staff members including the system/trading terminal operators.

## **MEETING WITH THE SURVEILLANCE TEAM OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

For a better understanding and clarity in respect to the permissible trades under section 132 of the Securities Act, 2015, an exclusive meeting was held with the representatives of the Commission. The meeting was to understand the trading practices from the regulatory as well as the aspect of market participants.

## **SESSION ON ANTI-MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM REGIME FOR SECURITIES BROKERS**

Afras & Co., a corporate and compliance consultant, organized an awareness session for PSBA members so that to help them in meeting the compliance challenges of the AML/CFT regime.

## **AWARENESS SESSION FOR UNDERSTANDING THE RISKS ASSOCIATED WITH INSIDER TRADING IN LIGHT OF THE SECURITIES ACT, 2015**

The Institute of Financial Markets of Pakistan (IFMP), organized an awareness session for PSBA members so that to understand the risks associated with Insider Trading in light of the Securities Act, 2015.

## **EXCLUSIVE MEETING WITH THE PAKISTAN STOCK EXCHANGE IN RELATION TO THE IMPLEMENTATION OF THE NEW TRADING SYSTEM**

In order to highlight the most important features required for the trading system and to ensure user acceptability testing, the PSBA, and Exchange Officials held an exclusive meeting to decide a way forward. The recommendations were shared by PSBA with a request to hold another MOCK session for the market participants to have a clear picture which will help us to decide whether it is the right time to implement. PSBA emphasized that in the absence of these basic features, the implementation would not be in favor of the market.

## **MEETING WITH NCCPL OFFICIALS RELATING TO THE IMPOSITION OF PENALTIES AND FEES ON CAPITAL GAIN TAX (CGT)**

PSBA held a meeting with the official of NCCPL to discuss the CGT regime, its collection as well as fees and penalties thereon. The assertion was to highlight the roles of NCCPL in respect to the CGT which is to facilitate the members in this regard. The NCCPL has been entrusted for the computation, determination, collection, and payment of CGT to the government. And, the word entrusted has a clear meaning of assigning responsibility to someone by somebody. Since the members have not assigned such responsibility to NCCPL, therefore, they should not be charged for the same. Moreover, a bare reading of Chapter 28 of NCCPL Regulations states that the only obligation of NCCPL is to facilitate the members with regards to the CGT regime, then it cannot and should not observe penal actions against the members where the investor has failed to fulfill its obligations. The NCCPL will get back to us for further discussion.

## **MEETING WITH PSX OFFICIALS RELATING TO THE INCREASE IN SERVICE/MAINTENANCE CHARGES**

PSBA held a meeting with the relevant Exchange Officials to convey the concerns of its members regarding the increase in maintenance and service charges by PSX. The discussion was to apprise them that the cost of maintenance is more than 5 times as compared to other buildings in the surrounding. The Exchange Officials confirmed that they will further explore how we can facilitate the occupants. The meeting also decided that the breakups will be requested from the other building so as to reach an amicable conclusion and to further help the Exchange Officials to minimize the impact of the increase. The Exchange will also look into the numbers in different heads of expenses.

## **INTRODUCTION OF PORTAL BY SECP TO HAVE THE ACCESS OF INFORMATION OF BROKER'S CORPORATE CLIENTS**

In pursuance of the launch of the portal by the Securities and Exchange Commission of Pakistan (SECP) to expedite the bank account opening of registered Companies. SECP aims to provide the same facility to the Securities Brokers so that they can also access and verify the information directly from SECP relating to their corporate clients. This online portal provides real-time access to statutory records of companies, thus enabling to proceed with the documentation process without seeking physical copies from the concerned clients.

The Association on the request, shared requirements gathered from its members regarding the required documents.

## **MEETING WITH NCCPL OFFICIALS TO DISCUSS VARIOUS MATTERS**

On the special request of PSBA, the NCCPL Officials were requested for a short meeting so that the issues currently being faced by the members are addressed to them which includes as follows:

1. It was brought to the attention of NCCPL that the clients are being charged multiple times at the time of verification of mobile numbers due to the errors of operator/members' officials. There should be a barrier for maximum charges so that to facilitate the investors. The attempt should be limited to three times, thereafter the system should require to refresh so that the personal attention is made and the investor is saved from multiple charges. They noted the point to check the possibilities in the system.
2. It was mentioned in the meeting that currently the system allows putting one IBAN only in KYC Form. It was requested to them that the system should have the option to put multiple IBANs so that the clients have the option to give details of multiple IBANs for multiple accounts with the same broker or other brokers for dividend purposes. They informed that specific cases identified by a few of the brokerage houses are updated in the CDS system. NCCPL will evaluate and expedite the process of changes in the Regulations/System, wherever required.
3. Currently, in the system, basic fields are locked which requires approval of NCCPL to change the updated information of clients. It was requested to NCCPL that the fields, relating to the brokerage houses where they are responsible for KYC, should remain unlocked at all times so that the members may proceed with the updation without any prior approval. They informed that the current system for change in the information is in line with existing Regulations. They noted the point to further evaluate and initiate the changes in the applicable regulatory framework.
4. The content of the PSBA letter regarding the Settlement and Un-blocking of securities was also made part of the discussion where it was recapped that NCCPL should unblock the securities at the date of settlement if the member has settled its money obligation greater than or equal to 70% so that in an exceptional circumstance they are able to arrange the shortfalls. They confirmed that the matter has been discussed internally to find out the solution and forwarded to CDC as this will also require changes in the CDC system. They assured to request them to expedite the process to reach the best possible solution.

5. The matter regarding the tax treatment on bonus shares will be made part of the PSX's budget proposals. It was discussed.
6. It was also requested to make changes in the system to allow closure of employee's trading account while UIN shall remain active till the association of such employee with the brokerage house.
7. The following points were raised with a request to discuss the same with the Chief Risk Officer of NCCPL who could not attend due to some emergency:
  - (i) Exposure of closed DFC Contract should be released immediately instead of holding it for next 9 days;
  - (ii) Disbursement of 100% profit on settled trades on the DFC market should also be made immediately. Currently, it is 50%.

It was assured to discuss the highlighted points with Chief Risk and will get back for further discussion.

8. The meeting decided that both the organizations will have follow-up meetings to reach the solution and to make customer onboarding easier for the members.
9. It was also confirmed that the regulatory changes, in relation to sharing of KYC information, have been approved and we will soon hold a detailed session for the market participants so that to discuss the operating procedures. It was requested that before finalizing the model a prior meeting with PSBA should be held so that the issues, if any, are addressed before the implementation.

**Institute of Financial Markets of Pakistan**  
**IFMP**

**Discussion on Agreement between IFMP and PSBA**  
Regarding Certification Requirements and Concessions/Benefits being offered by IFMP

**Agenda of the Meeting:**

- Presentation on the updated certification requirement
- Review of the benefits extended to the members of PSBA under the agreement
- Certification procedure
- Any other item

Join Meeting by scanning QR Code

Join us for a zoom meeting on August 24th at 4pm  
Zoom Meeting Link: <https://bit.ly/2UDU7e>

## **SESSION ON REGISTRATION PROCESS WITH INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN**

In line with the agreement made with the Association by IFMP, IFMP held an awareness session to invite the applications from the professionals of the Capital Market. The discussion was based on a presentation on the updated certification requirement, a review of the benefits extended to the members of PSBA, and the certification procedure.

## **FORMATION OF WORKING GROUP**

In pursuance of the request of the Pakistan Stock Brokers Association (PSBA) and as advised by the Securities and Exchange Commission of Pakistan (SECP). The Pakistan Stock Exchange (PSX) has formed a Working Group (WG) with representation from the PSBA, selected brokerage firms, and the relevant officers from PSX, CDC, and NCCPL. The mandate of this WG is to review the existing AML/CFT/KYC requirements, compliance, documentation requirements, etc. This WG will also recommend a process with clarity of compliance requirements to be met under AML/CFT/KYC regime. The PSBA has invited the suggestion from its members with a request to also highlight practical difficulties being faced in compliance with the said regime and the audits thereon, so that we can discuss the same within this WG and submit recommendations to SECP, to overcome these issues while remaining within the Regulatory Framework.

## **AMENDMENTS IN CENTRALIZED KYC ORGANIZATION REGULATIONS 2017**

On the recommendations of the Association, the NCCPL made amendments in Centralized KYC Organization Regulations, 2017 to give effect to the following changes:

1. OTP will be expired after 168 hours instead of 48 hours;
2. After issuance of UKN requirement of acknowledgment/confirmation by the client thru SMS has been removed

## **MEETING WITH CENTRAL DEPOSITORY COMPANY OF PAKISTAN (CDC) DISCUSSION**

a) Waiver of Fees on Blocked Accounts

The CDC has kindly agreed on the waiver to be granted to all the accounts that are blocked.

b) Dormant Policy should be formed for inactive accounts

CDC has confirmed that they are looking into it so that a way forward is found.

c) Consolidated mechanism for multiple audits

Proposals have been drafted by the SROs to be shared with the Commission to get the required approvals.

d) Approval of proposed amendments in CDC Regulations to allow opening Investor Account in the name of Brokerage House

Approval is pending at Commission's end

## **FIRST ANNUAL GENERAL MEETING OF PSBA**

PSBA held its First Annual General Meeting in order to transact the agenda items as required under the law. Wherein, the members were addressed and briefed about the performance of PSBA during the concluding period. The members appreciated the achievements made by the Association during the period.

## **AMENDMENTS IN NCCPL REGULATIONS PERTAINING TO MARGIN FINANCING SYSTEM**

In pursuance of the recommendations of the Association, the NCCPL has made amendments in its Regulations to give effect to the following:

MF facility against a ready market net purchase on each trade and DFC market net purchase determined at the end of the contract shall be available till T+1 in a ready market and/or one day after the close of the DFC market contract period (hereinafter referred as T+1 jointly for ready market and DFC market) within NCCPL's Designated Time Schedule (DTS).

## USER GROUP OF TRADING ONLY BROKERS IN RELATION TO PROFESSIONAL CLEARING MEMBER (E-CLEAR)

Securities and Exchange Commission of Pakistan has formed a User Group based on Trading Only Brokers where the nominations were invited from PSBA so that the group may engage with E-clear to discuss and make the migration process easier and workable for such brokers.

