

WELCOME TO OUR QUARTERLY Newsletter



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Awareness Session on Capital Market

GUEST SPEAKERS

 Muzib Qureshi, CEO Darson Securities Limited	 Muzib Khan, CEO Pakistan Stock Broker Association	 Muzib Khan, CEO Institute of Financial Markets of Pakistan	 Muzib Khan, CEO Muzib Khan & Associates
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**10:30 AM
23rd Feb
Thursday**

**Main Auditorium,
Pakistan Stock
Exchange, Karachi.**

Darson Securities Limited
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@DarsonUpdates
f t i n

ILMA UNIVERSITY

INVESTMENT OPPORTUNITIES IN THE PAKISTAN STOCK MARKET

 Muzib Khan, CEO Muzib Khan & Associates	 Muzib Khan, CEO Muzib Khan & Associates	 Muzib Khan, CEO Muzib Khan & Associates	 Muzib Khan, CEO Muzib Khan & Associates	 Muzib Khan, CEO Muzib Khan & Associates
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Moderators

 Muzib Khan, CEO Muzib Khan & Associates	 Muzib Khan, CEO Muzib Khan & Associates
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**11:30 AM
THURSDAY
09 FEB 2023**

**Main Campus, Ilma University
Karachi**

**AWARENESS SESSION
STOCK MARKET & INVESTMENT**

WHAT YOU LEARN

- WHY WE NEED TO INVEST IN CAPITAL MARKETS
- THE BEST AND METHODS TO INVEST IN PSX
- HOW TO GENERATE REGULAR INCOME THROUGH DIVIDENDS
- GROW YOUR WEALTH THROUGH INVESTMENT IN STOCK MARKET

TUESDAY, JAN 17, 2023
Starting from 12 PM - 1:30 PM

SPEAKERS

Mr. Muzib Khan CEO, Muzib Khan & Associates	Mr. Muzib Khan CEO, Muzib Khan & Associates
Mr. Muzib Khan CEO, Muzib Khan & Associates	Mr. Muzib Khan CEO, Muzib Khan & Associates

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LET'S GROW WITH US

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MESSAGE FROM SECRETARY GENERAL

Welcome to the Pakistan Stock Brokers Association (PSBA). In service to our 125 members countrywide, we provide extensive professional development, active coordination, and a single platform to raise the voice for the issues of common interests.

As a member, PSBA gives you access to solutions for the most critical regulatory and operational challenges you face today while preparing you for the opportunities and challenges of tomorrow.

The Strategic Direction that we rolled out last year continues to drive us forward in how we deliver our services. With the help of our Executive Committee/Board leadership, various committees, and PSBA Secretariat, we will keep working to provide new solutions and resources to empower members to lead in the Stock Brokerage Business.

Not a member? Now is the perfect time to join! for your industry and organization's success. You can learn more about PSBA by visiting our website <https://psba.pk/>. If you would like to contact me directly about PSBA, please do not hesitate to do so.

I look forward to continuing the industry collaborations.

**BILAL FAROOQ ZARDI - Secretary General
bilal.zardi@psba.pk**



MEETING WITH CHAIRMAN SECURITIES & EXCHANGE COMMISSION OF PAKISTAN (Continuous engagement with market participants)

The Executive Committee and Secretary General PSBA had a meeting with the Chairman SECP and his team during their visit to Karachi. Proposals to facilitate the brokerage industry have been submitted requesting to provide ease of doing business, necessary simplification of regulatory requirements, and elimination of duplication to reduce costs and improve efficiency. It was also emphasized to utilize shared KYC mechanisms and digital onboarding facilities to increase the investor base in Pakistan.

[HTTPS://DPS.PSX.COM.PK/DOWNLOAD
/ATTACHMENT/202482-1.PDF](https://dps.psx.com.pk/download/attachment/202482-1.pdf)

ON THE REQUEST OF PSBA, THE SECP
IN ORDER TO FACILITATE THE MARKET
PARTICIPANTS FOR ENSURING
COMPLIANCE WITH THE NEW REGIME IN
A PHASED MANNER AND CONSIDERING
THE CURRENT ECONOMIC CONDITIONS
HAS EXTENDED THE TIMELINE FOR
ENHANCEMENT OF MINIMUM NET
WORTH REQUIREMENT FOR TRADING &
SELF-CLEARING BROKERS

ITEMS:

I. SAHULAT ACCOUNT:

- Increase the limit of investment through Sahulat Account
- Provide clarity on the risk assessment of Sahulat Account Holders

2. MARGIN FINANCING:

- To explore the possibilities of allowing margin financing to money market funds

3. COMPLIANCE WITH BROKERS REGULATIONS 2016:

- To enforce the requirement of section 16 (I) (n) of the Securities Brokers (Licensing and Operations) Regulations, 2016, whereby, all Securities Brokers must maintain the membership of the Association
- To extend the timeline for enhancement of the Minimum Net Worth requirement for the Trading & Self Clearing brokers

4. COMPLIANCE WITH AML/CFT REGULATORY FRAMEWORK:

- To finalize the recommendations/paper submitted by AML/CFT Working Group in December 2021 to seek further clarity from the Commission
- Filing of appeal by the aggrieved TRE Certificate Holders

5. To regularize Short Sell

6. Shareholding of National Commodity Exchange Building

7. Maintaining Minimum Net Worth by the Commodity Brokers

8. Utilization of Settlement Guarantee Fund if in case of an eventuality at PMEX

[https://www.secp.gov.pk/wp-
content/uploads/2023/01/Press-Release-Jan-4-
Chairman-SECP-for-continuous-engagement-with-
market-participants.pdf](https://www.secp.gov.pk/wp-content/uploads/2023/01/Press-Release-Jan-4-Chairman-SECP-for-continuous-engagement-with-market-participants.pdf)

PSBA and IFMP Seminar

PSBA in collaboration with IFMP conducted a one-hour seminar for the securities brokers to cover the topic of Economic Challenges and Stock Market Performace from - Global Perspective.

EXPOSURE MARGINS

BASED ON VARIOUS DISCUSSIONS WITH PAKISTAN STOCK BROKER ASSOCIATION (PSBA), IT WAS REQUESTED BY THE MARKET PARTICIPANTS THAT THE EXISTING MARGIN COLLECTION MECHANISM SHOULD BE RECONSIDERED REGARDING THE COLLECTION OF MARGIN DEMAND ON NETTED TRADES IN TERMS OF VOLUME IN THE SAME SCRIP ON THE SAME UIN AND SAME SETTLEMENT DATE/CONTRACT. NCCPL HAS SUCCESSFULLY IMPLEMENTED CHANGES ON THE POST-TRADE RMS SYSTEM IN READY/GEM MARKETS IN OCTOBER 2022 WHERE EXPOSURE MARGINS ARE COLLECTED ONLY ON THE DIFFERENTIAL AMOUNT OF NETTED TRADES. AND IT HAS NOW BEEN IMPLEMENTED FOR DFC TRADES AS WELL.

MEETING WITH THE CHAIRMAN AND OFFICIALS OF SECP ON THE NEW TRADING SYSTEM

The Chairman, of the Securities & Exchange Commission of Pakistan, Akif Saeed met with representatives of the brokerage industry to deliberate the successful re-launch of the New Trading System (NTS) at the Pakistan Stock Exchange (PSX). The Chairman was accompanied by Commissioner SECP, Mr. Abdul Rehman Warraich, and the SECP team, including Ms. Musarat Jabeen, Executive Director, Chairman's Secretariat, and Mr. Asif Iqbal, Head of Department, PRDD-SMD. The Chairman SECP and his team were apprised of the experiences, including the issues and challenges, faced by brokerage houses during mock tests of Jade Trading Terminal (JTT) and other ancillary systems that PSX has recently conducted to ensure successful testing of the functionalities and speed prior to going-live with NTS. The Chairman, SECP, stressed the importance of continuous collaboration and communication amongst all stakeholders for the successful re-launch of NTS at PSX. Further, he also ensured to provide the necessary support to all relevant stakeholders, as a timely and smooth launch of the NTS is critical for the introduction of new products, the development of the derivative market, and the overall progress of the capital market in Pakistan

PSX Amendments relating to defaulters counter

<https://dps.psx.com.pk/download/attachment/201269-1.pdf>

Pakistan Stock Brokers Association and Pakistan Stock Exchange had a meeting with Mr. Ashfaq Tola, Chairman Reforms and Resource Mobilisation Commission, and his team to discuss the PSX Federal Budget Proposals 2023-24.

BUDGET PROPOSALS

I. CAPITAL GAIN TAX – SECTION 37A OF IT ORDINANCE, 2001

The present rate of 12.5% is exorbitant and amounts to discouraging investment in Capital Market. To encourage investment in stocks for longer periods, there should be no tax where the holding period is equal to or exceeds 3 years.

PROPOSAL

(I) It is proposed to bring down the current rate of 12.5% on the disposal of securities in the Deliverable Futures Contract (DFC) market of the Pakistan Stock Exchange (PSX) in line with 5% in Pakistan Mercantile Exchange (PMEX) as this futures market is the same as the DFC market of PSX.

(II) It is proposed that the ambiguity so created by the Finance Bill 2021 and 2022, regarding the holding period from 2013 to 2016, may please be addressed. And the tax rate may please be made 7.5% for the stated period as it used to be prior to the Finance Bill 2021.

(III) We propose to incentivize the investors by spreading CGT on other markets except for DFC as per the following slabs:

Where the holding period is less than a year

10%

Where the holding period is less than two(2) years but more than or equal to one(1) year

7.5%

Where the holding period is less than three(3) years but more than or equal to two(2) years

5%

Where the holding period is equal to three(3) years or more

0%

2. DEFINITION OF THE TERM SECURITY – SECTION 37A OF INCOME TAX (IT) ORDINANCE, 2001

The newly added section 37A (3B) has not resolved the issue, of how the holding period of a security is to be determined. The below explanation not only attends to that issue but also the issue of the term "security". In view of the nature of amendment in the form of "explanation" the question of its retrospective application also does not arise. Once the below explanation is added, the newly added section (3B) may be deleted as being redundant.

PROPOSAL

(I) To save Pakistan's Capital Market, an explanation (proposed below) may be got added to section 37A (3) of the IT Ordinance, 2001 so that the damage may be controlled. And, the newly added section (3B) may be deleted as being redundant.

EXPLANATION

"For removal of doubt, it is clarified that for the purposes of this section, the share of a company, disposed off in a tax year for which the company has the status of a public company, "becomes a security" with effect from the date of acquisition, irrespective of the status of said company at the time of the acquisition of the said share."

3. TAX ON DIVIDENDS – SECTION 5 OF IT ORDINANCE, 2001

The present tax rate on the dividend is confiscatory and has discouraged investment in stocks which in turn has slowed down the process of industrialization. Reducing the tax rate would generate more investment in stocks and thus more revenue for the Federal Government.

Furthermore, the dividend is paid out of the tax-paid income of the company, tax on the dividend amounts to triple taxation of the same income, therefore, the government should introduce a mechanism to remove triple taxation of the company's profits;

- a) Once in the hands of the company;
- b) Once in the hands of the sponsors; and
- c) Once in the hands of shareholders as dividends

PROPOSAL

(I) Rationalize the current tax rate on dividends to 10%.

(II) The tax rate is 25% in case of a person receiving a dividend from a company where no tax is payable by such company due to exemption of income or carries forward of business losses or claim of the tax credit, thus 50% for non-filers which is more than normal tax regime of 29%. It is therefore proposed that the tax rate is exorbitant for such a category, and may please be reduced.

4. TO INCREASE THE NUMBER OF UNIQUE IDENTIFICATION NUMBERS (UIN) IN THE STOCK MARKET AND CATER TO LOW-INCOME GROUPS, RETIRED, WIDOWS, AND ORPHANS

In Pakistan, the percentage of investment and savings to GDP is relatively very low. The number of current UINs (approx. 250k in a population of 220m) clearly reflects that some sweetener must be offered to increase the same. In order to encourage individuals to save/invest in equity markets, a tax exemption threshold may please be introduced. It is therefore recommended that the following threshold be offered in a tax year only for individuals:

- a) For Capital Gains of Rs.1 million; and
- b) For dividend income Rs.1 million.

This sweetener, to individuals only, will bring in more UINs, and slowly & gradually individuals will be in the tax net, and will pave the way to increase Pakistan's ratio of investment/savings to GDP.

MEETING WITH OVERSIGHT COMMITTEE MEMBERS TO DISCUSS THEMATIC REVIEWS OF TRADING ONLY SECURITIES BROKERS

The Chairman Oversight Committee thanked all the members for participating in the meeting and initiated the proceedings by giving the background on the matter of carrying out the Thematic Review/ Inspection of TO Brokers. The following procedures were agreed upon among the participants:

1. The Thematic Review Notice will be issued to TO Brokers under copy to ESL.
2. Considering the concerns raised by TO Brokers, the proposed requirement for obtaining the consent of TO Brokers and the consent form for authorizing ESL to share information of TO Brokers with JIT will be removed. However, the Thematic Review/Inspection Notice will be amended to include a provision to that effect.
3. The Inspection Team will obtain data/information from TO Brokers in relation to areas/functions performed by them.
4. The Inspection Team will obtain data/information directly from ESL in relation to areas/ functions performed by it under copy/intimation to the concerned broker.
5. The Inspection Team will obtain management comments from TO Broker in relation to observations relating to areas/functions performed by it.
6. The complete list of areas/functions performed by ESL shall be shared by it with TO Brokers/all others for their information and clarity from the beginning.
7. The Inspection Team will obtain comments directly from ESL in relation to observations relating to areas /functions performed by it under copy/intimation to the concerned TO Broker.
8. Observations highlighted by Inspection Team relating to trading accounts that are migrated to ESL will be shared directly with ESL and ESL will be coordinating for arranging the requisite data/ information from TO Broker in respect of such accounts/ observations.
9. Observations/Breaches relating to areas/functions performed by ESL will be documented in its name in the inspection finding report.
10. Observations/Breaches relating to areas/functions performed by TO Broker will be documented in its name in the inspection finding report.

The above-agreed procedures should be communicated to SECP for its information

In addition to the above-highlighted points, the TO Brokers informed that some of the brokers have been penalized in the past on account of incomplete information of some customers relating to KYC/CDD. They highlighted that brokers made efforts to contact those customers with the aim to obtain the updated/missing information however the customers neither respond to them nor they provide updated information. For those customers, TO Brokers stated that the broker's efforts should be assessed and documented in the report.

Minimum Information Security Standards for Compliance by Securities Brokers Proposed by PSX

PSBA Comments

1. Regarding routine testing and certification, it necessitates discussion with software vendors;
2. For removal of understanding gaps, also requires finalizing, with consultation, the audit's parameters and the guidelines, which the PSX team will use to review the application of standards; and
3. Holding market-wide awareness sessions for a larger audience.

Proposed Amendments in the NCCPL Regulations Concerning the Risk Management of the Deliverable Futures Contract Market

PSBA Comments

1. Since restricting it to categories A and B will not be well received by market participants and will also have negative effects, we at PSBA are of the considered opinion that the status quo should be maintained for the acceptance of DFC Eligible Securities as collateral. However, if it is necessary, Haircuts/VaRs may be adjusted after careful consideration and consultation in order to strengthen the risk management framework.

UPDATE ON NEW TRADING SYSTEM

Action Items:

- I. All participants agreed that no change in version till go-live and the observations which are not significant, are to be rectified Post-go-live. In particular, the following observations were discussed and it was agreed that one item will be changed post-go-live while the other is a configurational item that will be dealt with, operationally:
 - a. MBO window remains blank occasionally. However, the PSX team expects that the market will not experience this problem for active symbols in live trading. To confirm the same PSX team further highlighted that as experienced and confirmed by one of the TRECHs, in the previous meeting with PSBA, as soon as an order is placed by anyone in the Market for the particular symbol, the screen starts showing the orders. Further, for the screen to start working change symbol option can be used.
 - b. ETF NAV not available on Junior terminals
2. To continue with the same mock criteria for the second mock and urge brokers to verify their connectivity for not tested terminals. If needed, the mock criteria are to be revisited after the second planned Mock
3. Conformance test to be held on Saturday before go-live for end-to-end confirmation of live systems
4. PSX suggested continuing with the momentum, holding mocks, and Go-Live within Ramadan
5. Another option presented by PSX was to hold mocks in Ramadan and Go-Live just after Ramadan/Eid on 2nd May, so as to utilize the long weekend to give more time for migration and conformance test.
6. Taking into account the reservations raised by PSBA, PSX, and PSBA both agreed that further mocks would be postponed until after Ramadan in order to thoroughly and actively test the functionalities.
7. Following a detailed discussion on PSX presented options targeting to Go-Live; within Ramadan, on 2nd May or on 8th May 2023, the PSX team and PSBA RC mutually decided to schedule two "Minutes of Meeting"
March 22, 2023
market-wide mocks on April 27 and 29, 2023, as participation of all TRECHs in Ramadan would be a challenge. As a result, the first feasible date for the Go-Live was discussed, so that the teams could begin their preparations, as Monday, May 15, 2023 (tentatively), subject to the success of the mocks and the required approvals.
8. No mocks are to be planned in the holy month of Ramadan, however multiple mini-tests with a group of 25 to 30 each to be planned within Ramadan to primarily target the untested TRECHs and their terminals
9. PSX highlighted that there are still many terminals that have not been tested, however, are used almost on a daily basis in OTS live. TRECHs to ensure these get tested to avoid issues during Go-Live
10. As per the directive sent by SECP earlier, it was discussed to temporarily suspend trading activity for non-tested / non-compliant terminals. Upon receiving their NTS/JTT functional verification, the suspension will be reversed or no activation to be done for the first few days. PSBA indicated that they would discuss this internally and revert back after the first mock post-Eid.
11. It was agreed to give priority to the terminals working in OTS but are yet to be tested in NTS. PSX proposed that JTT must be installed and at least a few orders in each market placed on these untested terminals, to encounter minimal issues on the go-live day
12. PSX & PSBA/RC teams will hold a meeting the same day after MOCK on Saturday 29th April to discuss Mock results.

PAKISTAN STOCK BROKERS ASSOCIATION, IN COLLABORATION WITH THE ADAM SECURITIES LIMITED, DARSON SECURITIES LIMITED, INSTITUTE OF THE FINANCIAL MARKETS OF PAKISTAN, AND MUHAMMAD MUNIR MUHAMMAD AHMED KHANANI SECURITIES LIMITED

CONDUCTED AN INVESTOR AWARENESS SESSION FOR STUDENTS OF ILMA UNIVERSITY. THIS EXERCISE WAS PART OF THE INDUSTRY AWARENESS PROGRAM OF PSBA TO DISSEMINATE INFORMATION AND SPREAD AWARENESS ABOUT FINANCIAL PLANNING, SAVINGS & INVESTMENT, AND THE FUNCTIONING OF THE STOCK EXCHANGE. THE STUDENTS WERE INFORMED ABOUT THE VARIOUS FUNCTIONS & OPERATIONS OF THE STOCK EXCHANGE ALONG WITH THE DIFFERENT ASSET CLASSES OF INVESTMENT AVAILABLE IN PAKISTAN. THE IMPORTANCE OF LISTING FOR CAPITAL RAISING AND INCREASING THE VISIBILITY & OVERALL IMAGE OF COMPANIES THROUGH LISTING WAS ALSO EXPLAINED TO THE STUDENTS.

<https://www.facebook.com/100063934156774/posts/pfbidO34D4w7gpeEVIZgZK8PrU45UyJRexhRxnN3ZXVisNmtBdcBsiMb5ksN3BF4VLh6LUZcl/?app=fbl>

<https://twitter.com/psbassociation/status/1615589093727166464>



AWARENESS SESSION FOR FACULTY AND STUDENTS OF ILMA UNIVERSITY



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AWARENESS SESSION FOR THE STUDENTS OF ROOTS INTERNATIONAL SCHOOLS



<https://www.facebook.com/PSXAssociation/posts/pfbidOEQ22bMQJIZatZrFqnBS39WRkNkokSw3DeUnPqbf9uq5Lks2Ne7h96mZURAvKcQ4I>

<https://twitter.com/psbassociation/status/1621057245864947712>

VISIT OF ILMA UNIVERSITY FOR INVESTOR AWARENESS SESSION



Pakistan Stock Exchange signed an MoU with the Chartered Institute for Securities & Investment (CISI), UK, and the Institute of Financial Markets of Pakistan (IFMP), marking a landmark agreement for the enhancement of the Capital Market's human resources.

Mr. Bilal Farooq Zardi, Secretary General - PSBA, attended the event and congratulated the PSX and IFMP team for starting and formalizing this highly beneficial MoU between PSX, IFMP, and CISI.



A delegation from the Pakistan Stock Brokers Association and Institute of Financial Markets of Pakistan visited National Incubation Center Karachi to discuss investment opportunities in Pakistani startups with the management teams of NIC and IGNITE. It was decided that a close liaison will be established with both IGNITE and NIC to explore opportunities where all these organizations would work together to boost the startup culture in Pakistan. Ways to promote investor knowledge were also discussed. It was concluded that investor education is necessary to help the startup ecosystem in Pakistan to grow. It was further decided that follow-up meetings amongst all the stakeholders would be conducted to chalk out a plan of collaboration where all parties could work together to promote investor education. Mr. Bilal Farooq Zardi, Secretary General represented the Pakistan Stock Brokers Association. Mr. Mobashar Sadik CEO, was present from the side of the Institute of Financial Markets of Pakistan. Bilal Abbasi, GM of projects hosted the event from the side of IGNITE whereas Mr. Ahmad Junaid, Manager of Marketing and partnership, represented NIC. Our special thanks to Mr. Khurram Saleem joint director of special initiatives Ministry of IT and Telecom for organizing the meetup and sparing time for the entire activity.



AWARENESS SESSION FOR THE STUDENTS OF BENAZIR BHUTTO UNIVERSITY Z INTERNATIONAL SCHOOLS

