



PAKISTAN STOCK BROKERS ASSOCIATION

(A company setup under section 42 of the Companies Act 2017)

Regd Office: Mezzanine Floor, Trading Hall, Stock Exchange Building, Stock Exchange Road,
Off I.I Chundrigar Road, Karachi.

Tel: 021-32401278, E-mail: secretariat@psba.pk, Web: www.psba.pk, Fax: 021-32401279

PSBA/Notice-136

February 26, 2024

NOTICE FOR MEMBERS

SUBJECT: STANDARD RANGE/SCALE OF BROKERAGE COMMISSION

Dear PSBA Members,

This refers to PSBA letter PSBA/S1223-04 dated December 28, 2023, (**attached**) seeking clarification from the Securities and Exchange Commission of Pakistan (**SECP**) regarding the brokerage commission on the rollover of Deliverable Futures Contracts (**DFC**) market.

In this regard, we would like to inform you that the SECP has provided the requested clarification (**reproduced below**):

Dear Sir,

This is with reference to your letter dated December 28, 2023 concerning the subject matter.

In this regard, the comments of Pakistan Stock Exchange(PSX) were sought and evaluated in light of the prevalent regulatory requirements. It was explained by PSX that under point 6 of the PSX Notice PSX/N-1258 dated October 9, 2019, the brokers are allowed to charge brokerage commission on one side if the transaction is squared up in the DFC market in the same contract. However, this rollover is not the one which shifts contract from one to another on trading system during overlapping period rather an in-house practice whereby brokers charge excessive commission in the name of weekly/periodic rollover of DFC in the same contract which is not executed in system rather shown only in client ledgers. Although charging of brokerage commission on weekly basis or on any other frequency instead of charging at once is the broker's commercial decision, it should not exceed the maximum limit of 2.5% in aggregate in the same contract. Also, in the interest of transparency and fairness, the customers should also be disclosed in advance the aggregate commission rate to be charged to them on account of in-house rollover which should not breach the maximum limit of 2.5%.

In view thereof, the brokers are advised to ensure compliance with the regulatory requirements in letter and spirit.

Regards,
SECP

We request all members to carefully review the clarification provided by the SECP to avoid any ambiguity.

Should you have any further queries or require additional information, please do not hesitate to reach out to us.

Yours sincerely,

sd
AKBER ALI
Officer - Secretariat

Copy to: PSBA Website

Standard Range/Scale of Brokerage Commission

"Zonish Inayat" <zonish.inayat@secp.gov.pk>

February 22, 2024 9:56 AM

To: bilal.zardi@psba.pk

CC: "Imran Inayat Butt" <imran.butt@secp.gov.pk>, "Asif Iqbal" <asif.iqbal@secp.gov.pk>, "Ajeet Kumar" <ajeet.kumar@psx.com.pk>

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This is with reference to your letter dated December 28, 2023 concerning the subject matter.

In this regard, the comments of Pakistan Stock Exchange(PSX) were sought and evaluated in light of the prevalent regulatory requirements. It was explained by PSX that under point 6 of the PSX Notice PSX/N-1258 dated October 9, 2019, the brokers are allowed to charge brokerage commission on one side if the transaction is squared up in the DFC market in the same contract. However, this rollover is not the one which shifts contract from one to another on trading system during overlapping period rather an in-house practice whereby brokers charge excessive commission in the name of weekly/periodic rollover of DFC in the same contract which is not executed in system rather shown only in client ledgers. Although charging of brokerage commission on weekly basis or on any other frequency instead of charging at once is the broker's commercial decision, it should not exceed the maximum limit of 2.5% in aggregate in the same contract. Also, in the interest of transparency and fairness, the customers should also be disclosed in advance the aggregate commission rate to be charged to them on account of in-house rollover which should not breach the maximum limit of 2.5%.

In view thereof, the brokers are advised to ensure compliance with the regulatory requirements in letter and spirit.

Best Regards,

ZONISH INAYAT | ADDITIONAL JOINT DIRECTOR

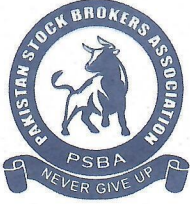
Securities Market Division | Policy, Regulation and Development Department

DIRECT: [051] 9195326 | FAX: +92 [51] 9100473



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BILAL FAROOQ ZARDI
Secretary General

Ref: PSBA/S1223-04

December 28, 2023

MR. ABDUL REHMAN WARRAICH

Commissioner – Securities Market Division
Securities and Exchange Commission of Pakistan
Islamabad.

Subject: **STANDARD RANGE/SCALE OF BROKERAGE COMMISSION**

Dear Sir,

This is concerning the recent reviews conducted by the Pakistan Stock Exchange (PSX) regarding the commission charges on the rollover of the Deliverable Futures Contracts (DFC) market.

The review indicates that there have been instances in the DFC where the commission charged by the concerned member(s) exceeded the 2.5% maximum limit, as specified by the PSX Rule Book and notified vide PSX/N-1258 dated October 9, 2019. While we understand the importance of regulatory frameworks to ensure fair practices, it is also crucial to consider the intricacies of each market segment.

Referring to the aforementioned notice, we would like to highlight that while it elucidates the aspects of rollover from one contract to another in point 6, the issue of rollover charges remains ambiguously addressed. This has inadvertently led to varying interpretations and, subsequently, divergent practices among market participants.

It is noteworthy that the market dynamics for DFC differ significantly from those of the ready market, with its service durations spanning 30, 60, and 90 days, and the ready market, which operates on a T+2 basis. Applying a one-size-fits-all methodology may not be equitable or justified. Hence, the rollover charges should not be accounted for on the same scale.

Accordingly, we kindly request your esteemed office to issue the necessary clarification to advise PSX not to consider rollover charges as a breach of any rules or regulations, taking into account the distinctive nature and duration of such services involving excessive time, resources, and necessary margins. Such a clarification would not only bring clarity to market participants but also ensure that the complexities of each market segment are adequately recognized and addressed.

Should you require any additional information or have any queries, please do not hesitate to contact us.

Thank you for your time and consideration.

Best regards,

Cc: **MR. AJEET KUMAR** – Chief Regulatory Officer – PSX.