



PAKISTAN STOCK BROKERS ASSOCIATION

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

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March 20, 2024

NOTICE FOR MEMBERS

Centralized Gateway Portal (CGP) Awareness Session Dated March 7, 2024

Respected Members,

Reproduced hereunder is the Securities and Exchange Commission of Pakistan (SECP) email dated March 20, 2024, with a request to circulate the same for the information and record. We once again request all our members to kindly establish the connectivity with CGP as soon as possible.

Dear Sir,

This is with reference to the subjoined email, whereby Karachi-based TREC holders were invited to an awareness session on CGP arranged by CDC in collaboration with PSX, NCCPL and PSBA on March 7, 2024 at 4:00 p.m. in the PSX Auditorium. In this regard, CDC and PSBA issued notices and flyers (copies enclosed) to invite the GEO(s) of TREC Holders and respective compliance teams to attend the scheduled session. The respective teams of PSX, NCCPL, CDC, and PSBA were also invited to attend this session to enhance its effectiveness and utility. These efforts resulted in a notable turnout of TREC Holders, indicating their strong engagement and participation. For the session, an official from SECP along with two representatives from CDC provided an overview encompassing the background, concept, modalities, AML/CFT requirements, and compliance regulations pertinent to digital account opening, with a specific focus on the Centralized Gateway Portal (CGP). The main features of CGP are as under for information:

- Straight Through Process of onboarding mechanism in a simplified and standardized manner
- Immediate One-time basic verification of customer i.e. CNIC, IBAN, and mobile number
- Third-party verification under Regulation 24 of SECP AML/CFT Regulations, 2020
- White labeling option – to connect with CGPs' web link for onboarding of customer
- Multi-profiling option is available for customers to open different accounts
- Uniform and standardized risk categorization and risk profiling for each customer
- Prescribed a list of indicative documents to facilitate market participants and to prevent excessive documentation required at the time of opening of account
- Enhanced investment limit for Sahulat Account up to Rs.1 million
- Screening for customers from proscribed lists including PEP, NACTA & UN Sanctions
- Sharing of information with other asset classes i.e. securities brokers, mutual funds, and the insurance sector to open accounts through online consent from the customer
- Centralized repository for all data and documents for account upgradations
- To improve efficiency, reduce turnaround time for onboarding customers to 3 working days
- Connectivity with specified asset classes including customers of GDS

In light of the perceived benefits of CGP, the participants have appreciated the significant developments in customer onboarding that have facilitated in opening of accounts simply and easily, especially the instant OTP generation, user-friendly interface of CGP and auto-filled information of existing and CNIC information in the account opening form.

At the end of the session, multiple queries and questions were answered by the speakers. Details of some queries along with clarity have been laid down below for information:

- **Compliance with AML /CFT Regulatory Framework:**
 - It was clarified that NCCPL and CDC are categorized as 'Third Party' entities under AML/CFT Regulations. Consequently, once CNIC verification is completed by these entities, market participants are not obligated to conduct additional verification through their own NADRA Verisys facility.
 - Following the implementation of the digital account opening facility, including CGP, market participants are no longer required to retain a copy, whether physical or digital, of the customer's CNIC in their database. This is because CDC and NCCPL are maintaining a database of the same information.

- During inspections or upon receiving summons from the Honourable Courts or Law Enforcement Agencies; market participants are allowed to request NCCPL and CDC to seek digital copies of Verisys and present them to the relevant authorities, ensuring compliance with regulatory requirements and orders.
 - The risk profiling and rating of customers conducted by CGP are designed to facilitate market participants. Upon review and application of AML requirements, market participants may choose to rely on CGP's ratings, opt for Enhanced Due Diligence, or adjust the rating accordingly. However, market participants need to document the reasons or justifications for any deviations from CGP's ratings for future reference.
 - It was further emphasized that customer verification by CDC and NCCPL constitutes third-party involvement, including tentative risk profiling, rating, and document collection as per the indicative list of documents shall facilitate the market participants in onboarding of customers.
- **Onboarding of Customers:**
 - It was highlighted that despite the availability of various digital account opening options such as Online, Local KYC Sharing, RDA for Non-Residents, and CGP, for market participants to onboard customers, all attendees were advised and reached a consensus to leverage these options to increase the capital market investor base, ultimately benefiting all stakeholders involved.

The session was followed by a Q & A segment, which saw active participation from Mr. Bilal Zardi, General Secretary of PSBA, who addressed several inquiries. He conveyed his appreciation for the reforms implemented by SECP and CMIs, recognizing their significant contribution to enhancing regulatory frameworks. Furthermore, Mr. Zardi commended SECP and CMIs for hosting the awareness session for market participants, underscoring its importance in fostering industry knowledge and compliance.

However, it was observed with grave concern that, despite the fact that the session was scheduled after market hours, there was minimal participation from the senior management of TREC Holders in the session aimed at updating them on recent reforms introduced and implemented by the SECP and the CMIs. In response to this, the SECP expects active participation from senior management in such sessions, encouraging them to raise queries and issues at such collaborative forums.

SECP further emphasizes the importance of stakeholders, particularly senior management, being well-informed about the requirements of the current regulatory framework. Further, it is reiterated that Pakistan has recently shifted from a 'Grey list' to a 'Low Monitoring List', and Pakistan needs to demonstrate continued commitment to all technical and effective regulatory compliances. SECP team emphasized that the brokers being the main capital market stakeholders should play their active role to retain this status. Furthermore, they must stay regularly updated on regulatory reforms being considered and implemented by the CMIs and the SECP. This proactive approach ensures the continued growth and stability of the capital market, benefiting all stakeholders involved.

Regards,

Hafiz M. Wajid Wahidi | Additional Joint Director

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1. PSBA Website