



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.

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PSBA/Notice-145

April 23, 2024

NOTICE FOR MEMBERS

PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX) **REGULATIONS IN RELATION TO CENTRALIZED COUSTOMERS** **PROTECTION COMPENSATION FUND (CCPF)**

Dear Members,

This is in reference to the notification PSX/N-364- dated April 23, 2024 (attached), whereby the comments have been invited by the PSX:

In this regard, the members are hereby requested to kindly submit your comments, if any, at psamail024@gmail.com latest by **April 29, 2024**, so that a consolidated response is submitted to the authorities for their consideration.

_____ sd _____
AKBER ALI
Officer - Secretariat

Copy to:

1. PSBA Website

INVITATION OF PUBLIC COMMENTS

**PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX)
REGULATIONS IN RELATION TO CENTRALIZED CUSTOMERS PROTECTION
COMPENSATION FUND (CCPF)**

This is to inform the public that the PSX, in exercise of the power conferred upon it u/s (7) of the Securities Act, 2015, is proposing amendments to PSX Regulations relating to the following matters:

- (A) Enhancement of per-claimant disbursement limit and introduction of per-broker limit under Centralized Customers Protection Compensation Fund Regulations of PSX.
- (B) Extension of the expiry date for contribution of levy in the PSX's Centralized Customers Protection Compensation Fund at the reduced rates and consequential continuation of Schedule of Regulatory Fee.

Following are the details of each of the above matters:

(A) ENHANCEMENT OF PER-CLAIMANT DISBURSEMENT LIMIT AND INTRODUCTION OF PER-BROKER LIMIT UNDER CENTRALIZED CUSTOMERS PROTECTION COMPENSATION FUND REGULATIONS OF PSX:

As per Chapter 24 [Centralized Customers Protection Compensation Fund (CCPF)] of PSX Regulations, disbursement of up to PKR 500,000 is permitted to be made to each approved claimant of a defaulted or forfeited securities broker from CCPF in case of shortfall.

In the interests of affected customers of a defaulted securities broker, PSX is proposing to apply a dynamic approach when it comes to disbursing funds from CCPF. According to the proposal, the existing per-customer disbursement limit is recommended to be enhanced from the existing maximum limit of PKR 500,000 to PKR 700,000. Besides, the per-broker limit of PKR 35 million is also proposed to be introduced.

At first, the per-customer limit of PKR 700,000 would be applied. If the aggregate amount to be disbursed based on per-customer limit is below PKR 35 million, then the differential amount would also be disbursed to the approved claimants. If the differential amount is insufficient to settle the remaining claims fully, then the same shall be paid on pro-rata basis. However, where the aggregate amount disbursed based on per-customer limit is above PKR 35 million, the per-broker limit of PKR 35 million shall not be applicable.

In view thereof, PSX is proposing amendments to Chapter 24 of PSX Regulations which are attached herewith as **Annexure A**.



(B) EXTENSION OF THE EXPIRY DATE FOR CONTRIBUTION OF LEVY IN THE PSX'S CENTRALIZED CUSTOMERS PROTECTION COMPENSATION FUND AT THE REDUCED RATES AND CONSEQUENTIAL CONTINUATION OF SCHEDULE OF REGULATORY FEE:

With effect from April 16, 2021, the levy collected from the securities brokers was required to be contributed to the CCPF at the rate of PKR 0.05 per PKR 100,000 value of trade as specified in Schedule-I of Chapter 24 of PSX Regulations.

The rates of contributions to be made in CCPF from the levies collected from securities brokers on their executed trades are mentioned in **Table-A** below:

TABLE-A

S. No.	Market Name	Column A	Column B
		Rates applicable from April 16, 2021	Rates applicable before April 16, 2021
		[in PKR per PKR 100,000 value of trade]	
1	Ready Market Trade	0.05	0.67084
2	Odd Lots Market Trade	0.05	0.93809
3	Deliverable Futures Contract Market - contract	0.05	0.93809
4	Cash-Settled Futures Contract Market - contract	0.05	0.93809
5	Stock Index Futures Contract Market - contract	0.05	0.93809
6	Squaring-Up Market – trade	0.05	0.93809
7	Negotiated Deals Market - transaction	Nil	Nil
8	Debt Market – Trades	Nil	Nil

The contribution from the securities brokers at the reduced rates to CCPF mentioned in Column A above was approved by the Securities and Exchange Commission of Pakistan (SECP) for three (3) years i.e. up to April 16, 2024 or such other date as specified by SECP, or in the case of balance of CCPF falls below the amount specified by the SECP, whichever comes first.

The rates of contribution by brokers in CCPF were reduced due to the following factors:

- Lesser utilization of CCPF due to lower/nil cases of defaults in recent past;
- No outflow from the CCPF on account of Management Fee;
- Higher treasury income due to expectations of better interest environment; and
- The size of the Fund at that time was over PKR 4 billion, which was higher than the minimum fund size and was entirely sustainable at its current level.

PSX is proposing to continue with the existing reduced rates of levy for contribution in the CCPF for a further period of 3 years i.e. up to April 16, 2027 on the similar terms and consequential continuation of Schedule of Regulatory Fee.

The proposed extension of time requires consequential amendments in “Chapter 24 of PSX Regulations” in relation to changing the year from 2024 to 2027. The proposed consequential amendments to PSX Regulations are attached herewith as **Annexure B**.

INVITATION OF PUBLIC COMMENTS:

In terms of Section 7(3) of the Securities Act, 2015, all interested parties are invited to provide written comments on the proposed amendments to PSX Regulations in relation to the above matters, which are attached herewith as **Annexure A** and **B** respectively. The comments can be submitted by **April 30, 2024** through such modes and in such manner as prescribed in the 'Guidelines for Submission of Comments' which are attached herewith as **Exhibit A**.



AJEET KUMAR

Chief Regulatory Officer

Cc:

1. The Executive Director/HOD (PRDD), SMD, SECP
2. The Chief Executive Officer, PSX
3. The Chief Executive Officer, CDC
4. The Chief Executive Officer, NCCPL
5. The Chief Executive Officer, PMEX
6. The Chief Executive Officer, E-Clear
7. The Chief Executive Officer, IFMP
8. The Secretary General, PSBA

“ANNEXURE A”

**PROPOSED AMENDMENTS TO CHAPTER 24 [CENTRALIZED CUSTOMERS PROTECTION
COMPENSATION FUND (CCPF) REGULATIONS] OF PSX**

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
<p>24.4. PROCEDURE FOR SETTLEMENT OF CLAIMS:</p> <p>24.4.2. The claims remaining unsatisfied after pro-rata sharing under sub-clause 24.4.1 shall be paid from the CCPF up to a maximum limit of PKR 500,000 per claimant whose claim has been admitted by the Exchange or actual amount of verified claim, whichever is lower.</p> <p align="center"><u>New insertion</u></p>	<p>24.4. PROCEDURE FOR SETTLEMENT OF CLAIMS:</p> <p>24.4.2. The claims remaining unsatisfied after pro-rata sharing under sub-clause 24.4.1 shall be paid from the CCPF up to a maximum limit of PKR 500,000 <u>700,000</u> per claimant whose claim has been admitted by the Exchange or actual amount of verified claim, whichever is lower.</p> <p><u>Provided where the aggregate amount to be disbursed from CCPF based on aforementioned per-claimant limit is lower than PKR 35 million, the differential amount shall be disbursed to the partially settled claimants on pro-rata basis.</u></p>	<p>In the interest of affected customers of the defaulted securities broker and with an aim to bring improvement in the claim settlement ratio, PSX is proposing to increase per-claimant pay-out limit from PKR 500,000 to PKR 700,000 along with the introduction of per-broker pay-out limit of PKR 35 million. The per-broker pay-out limit shall come into play in case the aggregate amount to be disbursed based on per-claimant pay-out limit is lower than PKR 35 million.</p>

****End of Proposed Amendments****

“ANNEXURE B”

PROPOSED AMENDMENTS TO SCHEDULE-I OF CHAPTER 24 OF PSX REGULATIONS

Chapter 24: CENTRALIZED CUSTOMERS PROTECTION COMPENSATION FUND (CCPF) REGULATIONS

**Schedule-I
LEVY COLLECTED FROM SECURITIES BROKERS AS CONTRIBUTION TO THE CCPF**

Market Name	Rate in Rupee	Basis	Mode	Collection Date
Ready Market Trade	0.05	Per Rs100,000/- value	Through Payment Order	On Every Settlement Day
Odd Lots Market Trade	0.05			
Deliverable Futures Contract Market-contract	0.05			
Single Stock Cash-Settled Futures Contract Market-contract	0.05			
Stock Index Futures Contract Market-contract	0.05			
Squaring-Up Market-trade	0.05			
Negotiated Deals Market- transaction	Nil			
Debt Market – Trades	Nil			

Provided that with effect from April 17, ~~2024~~ **2027** or such other date as specified by SECP, or in the case of balance of Customer Compensation Fund falling below the amount specified by the SECP, whichever comes first, the following shall be applicable:

Market Name	Rate in Rupee	Basis	Mode	Collection Date
Ready Market Trade	0.67084	Per Rs100,000/- value	Through Payment Order	On Every Settlement Day
Odd Lots Market Trade	0.93809			
Deliverable Futures Contract Market-contract	0.93809			
Single Stock Cash-Settled Futures Contract Market-contract	0.93809			
Stock Index Futures Contract Market-contract	0.93809			
Squaring-Up Market-trade	0.93809			
Negotiated Deals Market- transaction	Nil			
Debt Market – Trades	Nil			

CONSEQUENTIAL AMENDMENTS TO THE SCHEDULE OF CHARGES

SCHEDULE OF CHARGES				
SCHEDULE FOR REGULATORY FEE				
Market Name	Rate in Rupee	Basis	Mode	Collection Date
Ready Market Trade	0.62084	Per PKR 100,000/- value	Through Payment Order	On Every Settlement Day
Odd Lots Market Trade	0.88809			
Deliverable Futures Contract Market- contract	0.88809			
Single Stock Cash-Settled Futures Contract Market-contract	0.88809			
Stock Index Futures Contract Market-contract	0.88809			
Squaring-Up Market-trade	0.88809			
Negotiated Deals Market- transaction	Nil			
Debt Market – Trades	Nil			
Note: The regulatory fee shall be subject to application of relevant sales tax as notified from time to time.				
<p>Provided that with effect from April 17, 2024 <u>2027</u> or such other date specified by the SECP, or in the case of balance of Customer Compensation Fund falling below the amount specified by the SECP, whichever comes first, the Regulatory Fee shall be discontinued.</p>				



“EXHIBIT A”

GUIDELINES FOR SUBMISSION OF COMMENTS

1. PSX invites the interested parties to provide their comments and views with specific reference to the subject matter of the proposed amendments to PSX Regulations notified in this Notice.
2. The comments can be submitted through any of the following modes:

Email	comments.rad@psx.com.pk
Mail	The Chief Regulatory Officer, Regulatory Affairs Division, 2 nd Floor, Administration Building, Pakistan Stock Exchange Building, Pakistan Stock Exchange Road, Karachi – 74000.

3. At the time of submission of comments, respondent is advised to provide the information, as per Table-A below, so that PSX may contact him/her for clarification or deliberation on the comments, if needed. Anonymous responses may be disregarded by PSX.

Table-A

TO BE FILLED BY THE RESPONDENT	
Name of respondent	
Name of company (if applicable)	
Designation (if applicable)	
Contact Number	
Email Address	

4. The respondent may request confidential treatment for his/ her identity and all or any part of comments due to their proprietary, confidential or commercial nature, by clearly marking the information in **Table-B** below:

Table-B

DISCLOSURE OF IDENTITY AND COMMENTS
Please check the box(es) if you wish to be remain confidential: <input type="checkbox"/> I wish to have my identity remain confidential. <input type="checkbox"/> I wish to keep all or any part of my comments confidential.

If respondent wishes to keep any part(s) of comments confidential, then he/she is required to clearly specify such part(s) of comments.

5. To ensure quality and promote transparency, PSX will publish the relevant comments of respondents and its management’s response thereon in the form of a **Response Paper** on its website, within a reasonable timeframe, after close of public consultation session, unless the respondent has made a confidentiality request.
6. Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, respondents should note that notwithstanding any confidentiality request, PSX will share all their response(s) with the Securities and Exchange Commission of Pakistan (Apex Regulator).
7. By submitting comments, respondents are deemed to have consented to the collection, use and disclosure of data that is provided to PSX, unless respondents wish to have their identity or comments remain confidential.