



**3<sup>RD</sup> PUBLICATION**

# **QUARTERLY NEWSLETTER**

**JAN-MAR 2021**

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**DISCLAIMER:** This Newsletter is provided solely for the information of members of the Pakistan Stock Brokers Association (PSBA). It does not constitute advice. Neither PSBA nor any of its officers accepts any liability or responsibility for the accuracy, reliability or completeness of any information contained in the Newsletter, and readers should rely on their own inquiries and analysis in making any decision or taking any action that affects them



The Executive Committee of Pakistan Stock Brokers Association (PSBA), its members, and all the individuals involved are a very good team, a team that has fostered a “Winning Tradition” that incorporates the fundamental qualities.

The members at PSBA having strong backgrounds and opinions on various topics within the industry are extending their full cooperation in order to achieve the objectives of PSBA. Our team educates our members on meaningful market structure issues while doing their best to represent their interests with legislators, regulators, and other industry groups.

Our team takes pride in delivering first-class events even during these most challenging times. The feedback of our members is very positive, but we always search for ways to improve.

PSBA has also done an amazing job managing our collective responsibility to help others through our various initiatives. We will continue to expand on this, and all of the below-mentioned efforts. We have learned over time that relationships truly matter in our business. We hope that these collective efforts help contribute to the development of all of our members.

*PSBA EXECUTIVE COMMITTEE*



## ***MEETING WITH PROMINENT ASSOCIATIONS OF PAKISTAN AND OTHER CAPITAL MARKET ENTITIES***

PSBA held a meeting with the prominent associations and other capital market entities, namely Mutual Funds Association of Pakistan (MUFAP), NBFBI & Modaraba Association of Pakistan, CFA Society Pakistan, and Institute of Financial Markets of Pakistan (IFMP), to develop synergies and to have an interaction to work together for the development of the capital market. The event marked a combined effort for capital formation. The participants exchanged views on matters of mutual interests, including the development of the market, measures required to further strengthen the roles of the Association, and to facilitate the members more effectively.

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## ***MEETING WITH PAKISTAN STOCK EXCHANGE, NATIONAL CLEARING COMPANY AND CENTRAL DEPOSITORY COMPANY***

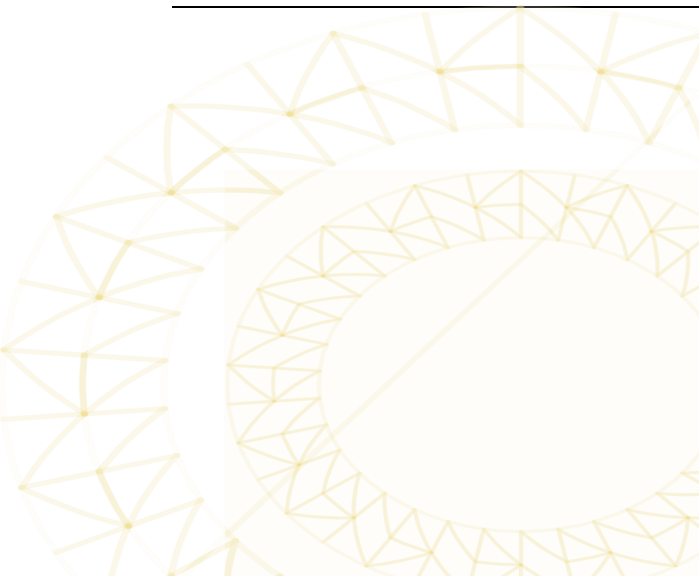
A meeting was held with all the three SROs to discuss the placement of names of delinquent customers on the website of the Exchange to save the members from the bad clients. The matter was first discussed over the 6<sup>th</sup> Executive Committee meeting to explore the avenues as to what is the best possible solution to save the members. In this respect, the provision is also available in Rule 18.12 of PSX Rule Book, for maintaining and placing, the list of delinquent clients of Securities Brokers on the website of the Exchange. And, the list of the same is also being maintained on the Exchange's website however, the utilization of this available feature is not being made effectively. The procedure was discussed in detail with the SROs and all the participants of the meeting were of the view that to make this more efficient we should encourage the members to share the data with the authorities enabling them to inspect to place the names upon completion of the formalities. It was also suggested that as an abundant precaution, the respective members may also place the names of their bad clients into their websites as well as publish the names by using the platform of social media so that the Brokers fraternity is saved.

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## ***MEETING WITH NATIONAL ASSEMBLY'S STANDING COMMITTEE FOR LAW AND JUSTICE***

PSBA held another exclusive meeting on the special invitation of the Chairman of the aforesaid Committee wherein the Committee was given a presentation concerning the regulatory framework of the Stock Market. The members of this august body gave a patient hearing to the representatives of the Association, appreciated the presentation, and assured to help & support this platform for the Capital Market (economy's backbone) to grow further. PSBA is in regular coordination with the representatives of the committee to achieve the desired results.

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## **MEETING WITH MEMBER – INLAND REVENUE – POLICY – FEDERAL BOARD OF REVENUE**

The delegation of PSBA, in its visit to Islamabad, held a meeting with FBR wherein the following key points were discussed and submitted for their kind consideration for the upcoming budget:

1. Collection of Capital Gain Tax should be subject to adjustment of carry forward losses on a monthly basis
2. Amended securities definition in Income Tax Ordinance, 2001, should be in retrospective effect
3. Direct investors should be encouraged rather than penalizing in terms of Capital Gain Tax as compared to Mutual Funds
4. Withholding tax under Section 233 is presently at 12% where brokerage commission is paid by Institutions. This highest rate of 12% on gross income should be in line with the applicable rate to the Stock Exchange. Whereas, the rate of tax on any payments to PSX and PMEX is 3%.
5. Currently, CGT is 5% on the commodity market of PMEX. This is the same as the future market of PSX. Hence, it should be brought up in line with 5% in PMEX
6. Incentivize the investors by spreading Capital Gain Tax as per the following slab:
  - a) Sale within 1 year - 10%
  - b) Sale within 2 years - 7.5%
  - c) Sale within 3 years - 5%
  - d) Sale after 3 years - ZERO

Thereafter, the meeting was concluded with a request to keep in contact, and PSBA was advised to have further meetings during the consultation process with respect to the upcoming federal budget so that the capital market related taxation matter are briefly discussed, deliberated, and considered.

## **CONSULTATIVE SESSION ON PROFESSIONAL CLEARING MEMBER MODEL**

Central Depository Company of Pakistan (CDC) invited PSBA for a consultative session on the model of Professional Clearing Member. During the session, an overview was given to the participants on all three variants which will be available to Trading Only (TO) Brokers, including the "Complete PCM model", the "Prop-plus PCM model" and the model where TO will avail services of Trading & Clearing Member.

In the session, the members felt that the complete PCM model presented has the potential to attract a large number of TOs and even other categories of Brokers such as Trading and Self Clearing Members. One of the most commended features was the role of PCM in taking over the AML/CFT compliance obligation of the Brokers in option 1.

The views were exchanged and PSBA submitted its recommendations to make this model viable, cost-effective, and efficient in terms of technology, etc.



**PSBA FEDERAL BUDGET PROPOSALS  
FY 2021-22**

<https://psba.pk/budget-proposals>



[https://psba.pk/budget-proposals/](https://psba.pk/budget-proposals)



## 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: 021-92401278, E-mail: secretariat@psba.pk, Web: www.psba.pk, Fax: 021-92401279

### PRESS RELEASE

#### "MEETING WITH THE PROMINENT ASSOCIATIONS OF PAKISTAN AND OTHER CAPITAL MARKET ENTITIES"

January 6, 2021, Karachi: Pakistan Stock Brokers Association (PSBA) held a meeting with the prominent associations and other Capital Market entities here on Wednesday, January 6, 2021. The meeting was held to develop synergies and to have an interaction to work together for the development of the Capital Market.

Present amongst the hosts were Mr. Bilal Farooq Zardi, Secretary General (SG) PSBA, Mr. Hamad Nazir Kehar - Member Executive Committee (EC) PSBA, Mr. Muhammad Munir Khanani - Member EC PSBA, Mr. Noman Abdul Majeed Adam - Member EC PSBA. The guest included Mr. Malik Dil Aways Ahmed - CEO Darson Securities (PSBA Member Company), Ms. Mashmoona Zehra Majeed - CEO MUFAP, Mr. Mobashir Sadik - CEO Institute of Financial Markets of Pakistan, Mr. Muhammad Samiullah - SG NBF1 & Modaraba Association of Pakistan, Mr. Muhammad Sohail - CEO Topline Securities (PSBA Member Company), and Ms. Sarwat Ahson - Executive Director CFA Society Pakistan.

The meeting was held to introduce the newly established and registered Pakistan Stock Brokers Association. Further, the event marked a combined effort for the capital formation. The participants exchanged views on matters of mutual interests, including the development of the market, measures required to further strengthen the roles of the Association and to facilitate the members in a more effective manner.

Mr. Zardi, at the occasion, especially thanked the guests for their presence and said that we are happy to gather here to work closely with each other, to further the growth and development of the market. Mr. Kehar, on behalf of the EC members, while thanking the officials, said that, I fully appreciate the presence of our Capital Market entities represented by these officials so that we have a chance to discuss matters of mutual interest which is in benefit of our Capital Market. The meeting was of the view that, with each other's cooperation, we are confident that the Capital Market of Pakistan will be reaching its new heights.



## **ONLINE WORKSHOP ON REGULATORY CHANGE MANAGEMENT**

In continuation of the efforts of the Pakistan Stock Brokers Association (PSBA) to raise awareness amongst its members on regulatory requirements, the PSBA, in collaboration with the Securities and Exchange Commission of Pakistan (SECP) and Institute of Financial Markets of Pakistan (IFMP), conducted an online workshop for its members on Regulatory Change Management. This workshop was focused on the following key points:

1. Standard Operating Procedures;
2. Development of Regulatory Change Management methodology;
3. Implementation of policies/procedures/tools for regulatory tracking; and
4. Staff training

## **MEETING WITH INSTITUTE OF BUSINESS ADMINISTRATION**

The delegation of the Association visited the city campus of the Institute of Business Administration - Karachi wherein an introductory meeting was held with Dr. Rameez Khalid, Director - Centre for Executive Education, IBA, and Ms. Sumera Muhammad, Manager - Skills Development Program. IBA gave a review on the recent projects being introduced for the corporate sectors and the following three programs were part of the discussions:

1. IBA Dispute Resolution Forum;
2. AML/CFT trainings and workshops; and
3. Family Business Structure.

IBA assured to extend its full support as per the needs of the members of the Association through experienced and qualified team members.

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## **SMS ALERT TO THE CLIENTS**

The SMS being sent to the clients has been revisited for some suitable changes to inform the clients that their shares are being pledged against their trading only, and not for any other purposes. Before the amendment, it was difficult for the members to inform their clients for the reason of this message of pledging.

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**IFMP** Institute of Financial Markets of Pakistan

**EXCLUSIVE COMPLIMENTARY WORKSHOP ON**

**Regulatory Change Management**

Rescheduled on Tuesday, 2nd February, 2021

Time: 4:15 pm to 5:45 pm  
Wa Zare

by  
**Mr. Salman Arshad**  
Additional Joint Director, Policy,  
Regulation and Development Department,  
Securities Market Division (SECP)

[www.ifmp.org.pk](http://www.ifmp.org.pk) [www.psbapakistan.com.pk](http://www.psbapakistan.com.pk)

## ***DISCUSSION ON OFF-MARKET OR NEGOTIATED DEAL MARKET TRANSACTIONS***

In pursuance of the notice published by Pakistan Stock Exchange seeking suggestions/recommendations of market participants in respect of the framework of Off-Market or Negotiated Deal Market Transactions. The Pakistan Stock Brokers Association while facilitating the members concerned and in order to discuss and understand the need for this revision in the framework held a meeting with the Exchange personnel so that the members are in a better position to give recommendations.

The member participants during the meeting, recommended the following:

1. If there is a need to amend the existing procedures/rules for NDM transactions, the whole mechanism including any other relevant rules should be revisited holistically rather than just revising the price/volume thresholds.
2. Trade rectification of executed NDM transactions may also be made available.
3. The maximum settlement cycle should be enhanced in line with the Deliverable Futures Contract (DFC) i.e. T+90 currently.
4. For daily settlement runs as per DTS, NCCPL should settle regular market trades simultaneously with the NDM trades. As informed by market participant, NCCPL settle NDM trades before settlement of the regular market trades.
5. In case of implementation of minimum price/volume threshold for the NDM transaction, the transaction beyond threshold would be executed in regular market which may be considered as 'pre-arranged trades' by the regulator(s).
6. Existing verification procedure is not adequate to suffice the essence of NDM transaction authenticity and transparency. It should be revisited.
7. NDM margins should be made optional.
8. The market participants should be in the loop till the finalization.

## ***MEETING WITH NATIONAL CLEARING COMPANY OF PAKISTAN AND IDENFO IN RESPECT OF AML COMPLIANCE SOLUTION***

PSBA held a detailed session with NCCPL and IDENFO to understand the model of IDENFO being offered in collaboration with NCCPL for the members to meet their compliance needs of AML/CFT Regulations. The requirements of the members were addressed to the team and the members emphasized that this model should be approved by SECP so that the members may opt for this offered model comfortably.

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## ***AWARENESS SESSION ON BROKER FIDUCIARY RATING (BFR) BY PACRA***

PSBA facilitated, The Pakistan Credit Rating Agency Limited (PACRA) to hold an awareness session, for the information and understanding of its members regarding the Broker Fiduciary Rating (BFR). The requirement has been introduced by the Securities and Exchange Commission of Pakistan (SECP) through amended Securities Brokers (Licensing and Operations) Regulations, 2016.

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## ***AWARENESS SESSION ON GUIDELINES ON ANTI MONEY LAUNDERING, COUNTERING FINANCING OF TERRORISM AND PROLIFERATION FINANCING (UPDATED JANUARY, 2021)***

PSBA in collaboration with SECP conducted an awareness session to discuss the key changes and improvements to help members in finding the relevant areas in the revised guidelines.

### ***SECOND CONSULTATIVE SESSION ON PROFESSIONAL CLEARING MEMBER MODEL***

Followed by the first session, another session was held with the representatives of the Central Depository Company of Pakistan (CDC), the Pakistan Stock Exchange (PSX), and National Clearing Company of Pakistan Ltd (NCCPL). The discussion was around the following key points:

- It was decided that for all those TREC Holders who will be outsourcing complete business to PCM (prop + clients). PCM would not be charging any **minimum fixed charges** to such TREC Holders.
- For those TREC Holders who will be outsourcing only the client's business, will be charged a fixed fee by PCM i.e. Rs.75,000/-.
- It was also agreed that E-Clear will also work on a slab-based pricing model, where, with the increased volumes, a lesser amount will be charged to TREC Holders. Similarly, it was also agreed that the E-Clear pricing model would be negotiable depending upon the volume of business and other factors. PSBA also recommended that E-Clear should look into the possibility to offer customized offerings to TREC Holders who are only doing prop work and also should consider offering only KYC/AML related outsourcing services.
- PSBA members also voiced their opinion that the timeline set by SECP for the launch of PCM should be extended keeping in view the launch of the new trading system. Members of the association were of the view that Broker categorization may take effect from March as planned, however, actual commencement should be at least 3 months post the implementation of the new Trading system. It was decided that PSBA will directly take up this issue with SECP.
- It was also decided that PSBA and E-Clear will jointly organized sessions for TREC Holders at all three locations.

### ***MEETING WITH INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN (IFMP)***

PSBA on the special request of IFMP that to resolve the issue of certification for the professionals of Capital Market in an amicable manner, started discussions on the following lines:

1. No. of certified persons would be minimum 1 for Trading and Self Clearing and 0 for Trading Only member (Rest optional).
2. Concept of Papers/Examination be replaced with Seminars/Sessions to acquire the said certification.
3. The Fee would be Rs. 500/- and lump-sum payment for ten years be treated as lifelong payment.
4. Eligibility of grandfathering should be 14 years of school (Graduate) and 5 years of Capital Market Experience.
5. There won't be any change for the next 15 years.

**BUSINESS  
RECORDER**  
Founded by M.A. Zubair

PSBA chief congratulates Hammad Azhar

31 Mar 2021





## **HARA BHARA PAKISTAN CAMPAIGN**

PSX and PSBA took a great step forward in terms of their CSR activities while launching the Hara Bhara Pakistan campaign in line with the efforts of the Government of Pakistan to promote greenery and tree plantation in Pakistan. The event was held at the Exchange including the seeding of a plant by Chairman PSBA, Secretary General PSBA, Member EC, and MD PSX. The event was also covered by the media. The video messages were also recorded to appreciate the tree plantation efforts started by Prime Minister and PSX/PSBA.

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### **CASH RECEIPT REPORTING FOR RS. 25,000 AND ABOVE**

The Association had meetings with the Exchange on their invitation to discuss the issues relating to acceptance of cash from clients by the brokers. The point of discussion was as to what are the exceptional circumstances where cash acceptance becomes necessary for the members. The Association, on behalf of its members, made a detailed representation and briefed the Exchange authorities regarding the circumstances.

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### **JOINT SESSION ON PROFESSIONAL CLEARING MODEL (E-CLEAR) WITH CDC**

In line with the decision to organize a close session at all three locations. The Association held its first session for the Karachi-based members on the PCM working model.

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### **PRESS RELEASE**

March 30, 2021

#### **"CHAIRMAN PAKISTAN STOCK BROKERS ASSOCIATION MR. AQEEL KARIM DHEDHI FELICITATE MR. HAMMAD AZHAR"**

(Tuesday, March 30, 2021, Karachi): Chairman Pakistan Stock Brokers Association (PSBA), Mr. Aqeel Karim Dhedhi, on behalf of the Association, congratulate Mr. Azhar on an additional charge of Finance by the Honorable Prime Minister of Pakistan.

We are positive that with Mr. Azhar's vision and inspiration, the finance team will lead Pakistan to its new highs. Mr. Azhar with his excellent approach is also expected to use PSX for capital formation and promotion of trade & industry.

In view of Mr. Azhar's diversified exposure and his awareness of the role of the Stock Market in a country's economy, we anticipate that he will not only provide an investor-friendly environment at PSX but will also remove impediments hurting the Stock Market, in consultation with the market participants at his earliest.

We would be pleased to continue the constructive dialogue we have had with Mr. Azhar, for the capital formation and to promote ease of doing business.

We would also like to take this opportunity to invite Mr. Azhar, to visit PSX and to have an interaction with the Stock Brokers as we hope that this will lead to the revival of confidence amongst the investors.



