

PAKISTAN STOCK BROKERS ASSOCIATION

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

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Bilal Farooq Zardi
Secretary General

Ref: PSBA/N1220-01

December 16, 2020

MR. MUHAMMAD LUKMAN
Chief Executive Officer
National Clearing Company of Pakistan Ltd
Karachi.

Subject: **PROPOSED AMENDMENTS IN NCCPL REGULATIONS 2015**

Respected Sir,

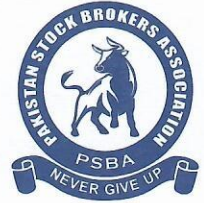
Thank you for your approval for the extension, sought to submit the comments, and for reviewing the system of Margin Financing (MFS) considering the proposals of market participants and the Association to make this product viable and an investor friendly.

The proposed amendments will certainly increase the activity in the said product which will ultimately be expanding overall liquidity in the market.

In addition, to the amendments made by National Clearing Company (NCCPL), we would further like to recommend the required changes that are left behind, which we believe will make an effective use of MFS as a product:

1. Presently, MFS is allowed on current purchases in Regular, Market, the proposed amendments will make this facility available for Deliverable Futures Market at the end of contract period and may also be extended to the MF participants on T+1. In addition, it is suggested to allow existing positions lying under the clients' sub-account to shift to MFS as well. This will also be avoiding a two step process being practiced in the current scenario. Furthermore, Negotiated Deal Market (NDM) transactions should also be allowed to shift to MFS.
2. The Broker Margin Financier (BMF) having net worth or capital adequacy level not less than PKR 150 million, holds a minimum long term credit rating of BBB+ or short term credit rating of A3 should be allowed to pledge 65% instead of 50% of the Margin Financed Securities to fulfill the margin requirements against the Exposure. Furthermore, Margin Financed Securities should also be allowed to be pledged with the banks at same 65% as this is the bare minimum investment amount of BMF hence there is no risk.
3. Previously, the MF transaction fee was 1.50 on an in and out of MFS transactions. Afterwards, NCCPL revised the said charges to 0.75 and multiplied it by no. of days of respective contracts which is exorbitant. It is therefore recommended to make the





charges on an in and out basis as it was formerly, to reduce the cost and most importantly, it should be charged on financier only.

4. In the field of charges, there should be an option where the BMF may put zero. Currently, it has to be a positive minimum percentage. This change will accommodate Islamic Institutions also to participate.
5. Currently, a rollover of MF transactions can be initiated only when a change in the mark-up rate is required. It should be at the discretion of BMF as to how and when a rollover should initiate in order to ensure the timely applicability of charges for the existing contract and to apply changes, if any.
6. Market wide position limit, 40% of free-float for each security should be increased to 100%.
7. The Withholding Tax should be charged on the net income earned on such financing. This will certainly help the product to further develop.
8. Contract of Margin Financing Facility should be executed between the Broker and Client only once, despite entering into a fresh contract every time when client executes new MF transaction.

In light of the above, it is requested to consider the above recommendations while proposing the amendments in the subject Regulations which will further boost the investors' confidence and will also increase the activity/volume in MFS.

Thanking you,

Yours sincerely,

Cc: Mr. Shauzab Ali - Commissioner SMD - SECP
Mr. Muhammad Asif - HOP - NCCPL
Syed Abdul Ahad Hasan - Senior Manager - CSS - NCCPL