



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: 021-32401278-79 E-mail: psamail024@gmail.com

August 12, 2020

MR. M. ABBAS MIRZA
GM & Acting Chief Regulatory Officer
Pakistan Stock Exchange Ltd
Karachi.

Subject: **MANDATORY REQUIREMENT FOR SUBMISSION OF
CLIENT'S ASSET SEGREGATION STATEMENT**

Dear Sir,

This is with reference to your notice PSX/N-846 dated July 24, 2020, wherein you have referred regulation 4.17.5 of PSX Regulations as follows:

“The Securities Broker within forty five (45) days of the close of its financial year shall submit an annual “Clients’ Assets Segregation Statement”, duly verified by its statutory auditor.”

You have mentioned a deadline of August 17, 2020, after which enforcement action will be referred to as per clause 20.8.3 of PSX Regulations.

Please allow us to reject outright the dead-line mentioned in your above-referred notice. Any and all rules or regulations, by whatever name called, which is in contradiction to the law of the state shall be *ab initio* void.

Different Sections of Companies Act, 2017, including but not limited to, Section 132 and 223, gives 120 days to a company within which financial statements, duly audited, shall be placed and the annual general meeting shall be held.

This requirement of Companies Act, 2017 cannot be reduced by any Regulation as the same would then be tantamount to be in contradiction of basic law of the land and therefore will always be *ab initio* void.

Furthermore, if you wish to play around with the word “verified” and “not audited” than even, stockbrokers are required to give the following information to external auditors, in order to get **verified certificate of Client’s assets segregation**:

1. Client wise CDC/Back office matching;
2. Bank statements;
3. Trial balance;
4. In house (unaudited) 30 June segregation. This includes pledging of shares with bank /NCCPL/PSX;
5. Clients Securities Balances; and
6. House Security Balances.

You will acknowledge that from the above details anyone can extract balance sheet and Profit & Loss account of any stockbroker, and particularly when it relates to a listed stock brokerage company, this tantamount to dilution of price-sensitive information even if it is for the purpose of certification.

Keeping in view the legal requirements of 120 days, as mentioned in the Companies Act, 2017, you are requested to re-visit your regulations.

Moreover, the current deadline i.e. August 17, 2020, may please be extended to enable the members to complete the audit process in accordance with the requirement of Companies Act, 2017. Needless to mention here that the Certificate of Net Capital Balance and Liquid Capital Balance is also linked with the audited accounts now, on the same lines as discussed above.

Please do not hesitate to contact the undersigned should you so desire.

Thanking you,

Best Regards,



BILAL FAROOQ ZARDI

General Secretary

Cell# 0300- 266 2516



PAKISTAN STOCK EXCHANGE LIMITED

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Ref. No. PSX/ 0-2015

August 13, 2020

Mr. Bilal Farooq Zardi,
General Secretary,
Pakistan Stock Brokers' Association,
Mezzanine Floor, Trading Hall,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: Mandatory Requirement for Submission of Clients' Asset Segregation Statement

Dear Mr. Zardi,

Reference is made to your letter dated August 12, 2020 on the subject matter received at the Exchange on August 13, 2020 after office hours.

At the outset, it may be noted that the regulatory requirement for submission of the Annual Clients' Assets Segregation Statement (CASS) duly verified by the statutory Auditor has been in place since many years and the Brokerage Houses have been complying with the same since its implementation.

Please note that preparation of CASS is different from that of the Annual Financial Statements, as the latter requires more comprehensive details. As for the verification of Clients' Assets Segregation, the information required is on a much smaller scale such as the ones mentioned in your aforesaid letter. The purpose of the said verification is to ascertain the segregation between house and clients' funds and securities in compliance with the regulatory requirement of clause 4.17 of PSX Regulations and the required information must be readily available in the Brokers' Back Office and Central Depository System.

It may also be noted that a significant number of Brokers have already submitted their annual verified CASS with the Exchange and therefore, it will be discriminatory to extend the date for others.

In view of the above, the request made on behalf of your members cannot be acceded and the timeline for submission of duly verified CASS shall remain the same, failing which, shall compel the Exchange to initiate disciplinary action(s) under clause 20.8.3 of PSX Regulations.

Moreover, it is requested that the Association may encourage its Members to develop strong compliance culture.

The above may be noted.

Yours Sincerely,


M. ABBAS MIRZA
GM & Acting Chief Regulatory Officer

Copy to:

1. The Executive Director / HoD, Broker Compliance Department, SECP
2. The Executive Director / HoD, PRDD, (SMD) SECP
3. The Chief Executive Officer, PSX