



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,
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Bilal Farooq Zardi
Secretary General

Ref: PSBA/N1120-02

November 18, 2020

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

Subject: **SETTLEMENT AND UNBLOCKING OF SECURITIES**

Dear Sir,

This is with reference to the subject captioned above and considering the request of our members, we would like to convey as under:

The members have approached the Association to initiate the process of contemplating the matter with the management of National Clearing Company of Pakistan (NCCPL) to reach at a plausible solution with regard to the settlement and unblocking of securities where the Clearing Members (CMs) have settled money obligation including settlement obligation on a particular settlement date and Designated Time Schedule (DTS) issued by the Company pursuant to procedures.

Currently, on the settlement date, the transactions are being settled through the Settlement Mechanism in accordance with the purpose Regulations and Procedures defined thereto, and accordingly NCCPL passes instructions for the movement of Securities. However, in case of partial payments, NCCPL does not pass the instructions for the movement and continue with the blockage till the fulfillment of complete payment obligation and recovery of shortfall amount.

In order to provide necessary relief, we hereby propose that in case where a CM has settled its money obligation including settlement obligation and has paid money, payable to NCCPL within the DTS, greater than or equal to 70%, the securities may please be unblocked to the extent of its payment or 50% of the securities whatever the NCCPL deems fit so that after assuming the ownership of the securities the CM can arrange by whatever means, the remaining amount to fulfill its payment obligation towards the NCCPL and submits the shortfall amount. In this regard, another thing comes to mind that a window may also be introduced for the CMs enabling them to request for the unblocking of their own choice.

In case of any further discussion please feel free to contact the undersigned.

Regards,


Cc: Mr. Badiuddin Akber - CEO - CDC.



Mr. Bilal Farooq Zardi
Secretary General/Chief Executive
Pakistan Stock Brokers Association,
Mezzanine Floor, Trading Hall,
Stock Exchange Building, Stock Exchange Road
Off I.I Chundrigar Road,
Karachi.

NCCPL/OPS/DEC-21/08
December 06, 2021

Subject: SETTLEMENT AND UNBLOCKING OF SECURITIES

Dear Sir,

This is with reference to your letter no. PSBA/N1120-02 dated 18th November 2021 on the above cited subject matter.

In this regard, the NCCS Procedures specify the mechanism relating to release of the securities moved to the target CDS account in blocked status on a Settlement Date under different circumstances, Procedure 3.5.3 can be referred for details. Further, the settlement process is linked to a designated time schedule prescribed by NCCPL to ensure accuracy and consistency of operational activities. This mechanism covers various scenarios and provides a practicable approach to facilitate the Clearing Members, the course of action prescribed for different circumstances are briefly explained below:

1. For a clearing member having receivable from NCCPL on a Settlement Date, the securities are unblocked even in case of failed deliveries where the amount of credit due to the Clearing Member exceeds the amount of additional payment required to be made by the Clearing Members with respect to the failed deliveries. In case where the amount of credit due from NCCPL is less than the amount of additional collect, the Clearing Members are allowed to pay the additional amount anytime for unblocking of securities without having to wait for the time prescribed in DTS for collecting the additional amount.
2. Similar practice is adopted in case of a Clearing Member from whom payment is due to NCCPL on a Settlement date which is duly discharged but deliveries are pending, whereby the Clearing member can pay the amount of additional collect anytime for removal of blocked status applied on securities in the respective CDS account.

It can be construed from the above explained mechanism that NCCPL already extend support to its Clearing Members for unblocking of securities as per their convenience and business needs. However, only under the circumstances where the money obligation is not completely discharged, securities remain under the blocked status. As you are aware that settlement is carried out by NCCPL based on Delivery versus Payment (DVP) system whereby it settles securities on gross basis but money obligation is discharged on net basis. The DVP settlement system ensures that delivery will occur only if payment occurs. The system acts as a link between a funds transfer system and a securities transfer system so as to strengthen settlement process and eliminate the risk of securities transfer without payment. The settlement process is linked to a designated time schedule prescribed by NCCPL to ensure accuracy and consistency of operational activities.

NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED

8th Floor, Stock Exchange Building, Stock Exchange Road, Karachi-74000 Pakistan.

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It is also pertinent to mention here that since money obligation is netted at Clearing Member level, NCCPL could not determine or segregate the discharge of settlement obligation against the securities moved to the CDS accounts in blocked status for unblocking the same in case of partial payment. Further, even if this practical difficulty is resolved, any such release of security will work against the DVP settlement mechanism and will add to the risk in case of any simultaneous default by a Clearing Member whereby due to release of certain number of securities on partial settlement of money obligation, NCCPL may not have enough resource to manage and settle the default which will not be restricted to ready delivery contract market. Accordingly, it is considered prudent to continue with the existing mechanism.

We hope that the above explanation will clarify the matter, however, if you require any further assistance or discussion, please feel free to contact the undersigned.

Yours sincerely,

For and on behalf of
National Clearing Company of Pakistan Limited

Muhammad Asif
GM / Head of Operations

CC: Chief Executive Officer - Central Depository Company

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