



PAKISTAN STOCK BROKERS ASSOCIATION

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

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Bilal Farooq Zardī
Secretary General

Ref: PSBA/G0222-03

February 17, 2022

MR. SHARIQ NASEEM
Chief Executive Officer
E-Clear Services Limited
Karachi.

Subject: **DATA SYNC ISSUE IN KITS**

Dear Sir,

This refers to the subject issue dated February 8, 2022, wherein, it was reported by the Professional Clearing Members (PCM) to its clients that the required data is not updated in KITS (the only trading terminal provided to them).

Whereas, after a thorough investigation, it was revealed that the problem pertains to the CDC end. It was assured that the relevant teams are working on it for an early resolution, as well as it was confirmed that the problem will be resolved within 10 minutes.

As an alternate measure, KATS was to be provided within 15 minutes of the reporting of any error. Whereas, it took almost 2 hours and 15 minutes. Hence, opportunity loss to the PCM clients as they could not participate in the market. It is important to mention here that even in the presence of KATS, they were told to carefully sell out the positions as the merger of trades will take place after market hours.

Now, therefore, your good self is requested to kindly clarify that:

1. In such a case who will be responsible for this opportunity loss where the members could not participate for a considerable time period?
2. Is E-Clear fully equipped with the required State of the Art IT infrastructure to provide the clearing & settlement services to its clients?
3. Are appropriate measures in place to ensure Data Confidentiality?
4. What is the status of Developments of PCM's own OMS?
5. What is the status of the integration of third party OMS with their Back Office?
6. What is the status of the provision of leverage markets such as MTS/MFS for TO brokers?
7. Is a complaint tracking system in place to ensure accountability and efficient turnaround/response time?
8. Does E-Clear maintains an independent website?

Look forward to your positive response.

Regards,

February 18, 2022

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

Subject: Data Sync Issue in KITs

Dear Bilal,

Hope you are doing well. With reference to your letter PSBA/G0222-03 dated 17th February 2022, please note that you have rightly mentioned that a problem occurred in ESL system on 8th February 2022 because of which TO Brokers faced inconvenience and were not able to trade for a considerable time. ESL Management has taken strong notice of this incident, so please be rest assured that we are taking all the necessary steps to ensure that such incidents will not happen in the future.

However, you would also appreciate that PCM is a completely new and novel concept, so these are teething issues in the initial phases because every new concept & system mature in due course of time. We would again like to assure you that ESL is taking all necessary steps to ensure complete availability of its systems. In this regard, we would like to apprise you that recently we have performed a major enhancement in our system, and the same has already been implemented on the UAT version of the system which is available to TO Brokers for their feedback and will soon be deployed as LIVE system. You would also remember and appreciate that it was ESL who raised the issue of "Back up Trading system" with PSX as a result of which KATS as "Back up Trading system" is available to TO Brokers. We would like to acknowledge and appreciate the support of PSX in this regard.

You have mentioned in your letter regarding the late availability of KATS; please note that availability of KATS as Backup system was just recently implemented by PSX and since it was the first time that we switched to the "Back up Trading system", we took some additional Risk Management measures before switching which caused a bit of delay; however, we have now aligned ourselves with PSX, and hopefully next time in any such situation, we would be able to switch to KATS in less than 30 minutes.

You have also raised some specific queries in your aforementioned letter for which please find below the query wise responses:

- 1- Please note that even after implementing all the reasonable checks & controls, there might be reasons beyond the control of ESL or not attributed to any fault or error of ESL or any of its staff, due to which ESL system may malfunction. In such a case, ESL cannot be expected to take the responsibility of any losses which may occur or be suffered by any party, as the malfunction would purely be due to circumstances beyond its control or which could not have been envisaged beforehand. Here we would also like to state that no IT system or software can give absolute assurance of its error free operation; therefore, we have



to operate with cognizance of such bare facts. All IT vendors and service providers across the globe disclaim liability for events beyond their control or which could not be preempted, and ESL would naturally follow the global protocol only.

- 2- ESL is fully equipped to provide Clearing & Settlement services; however, you would acknowledge that such systems require time to get mature.
- 3- All Information Security related protocols have been implemented by ESL.
- 4- PCM's own OMS is under implementation and would be available soon to TO Brokers. However, please note that all the existing TO Brokers on boarded with ESL are successfully using KITS and have no major concerns. In this regard, we also conducted a survey and the results were quite satisfactory, and we have even submitted the results to SECP.
- 5- Connecting third party OMS with ESL system is under review, but currently we cannot provide any firm commitment on this. We also don't see much demand for this, so we would appreciate if you could confirm how many TO Brokers would like to use their own OMS with ESL system.
- 6- Provision of leverage products is under development by PSX/NCCPL and hopefully would be completed by March 2022.
- 7- Complaint Management Mechanism is in-place, and all complaints and queries are addressed with proper attention/resolution.
- 8- ESL does maintain an independent website www.eclear.com.pk

We hope that the aforementioned clarifications evince that ESL is taking all necessary steps to implement an error free and robust system; however, as mentioned above, new systems of this magnitude require time and patience to be implemented. We would continue working together with TO Brokers and PSBA as we did in the past.

We will continue to work in close coordination with PSBA, and your usual support is much required and much appreciated.

Regards,



Shariq Naseem
Chief Executive Officer