



PAKISTAN STOCK BROKERS ASSOCIATION

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

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Bilal Farooq Zard
Secretary General

Ref: PSBA/EClear0422-01

April 22, 2022

MR. SHARIQ NASEEM
Chief Executive Officer
EClear Service Limited
Karachi.

Subject: **DIFFICULTIES/ISSUES IN MIGRATION AND OPERATIONAL MATTERS**

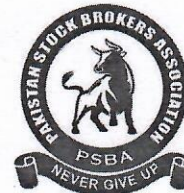
Dear Mr. Shariq,

This refers to our ZOOM meeting dated April 18, 2022, arranged by the Securities and Exchange Commission of Pakistan to discuss the subject matter in detail with Trading Only (TO) Brokers, EClear, and the Pakistan Stock Brokers Association (PSBA).

We are of the view that this interactive session was very productive, wherein, all the participants were given the opportunity to positively express their views and shared their experiences. It has served to find various issues and some priority areas were also identified to work on an immediate basis, as well as it was assured that all the concerns will extend their full cooperation to make EClear a thriving entity.

In the conclusion, we were requested by your good self to document the discussion, therefore, we are pleased to submit as under:

1. First and foremost, all the participants appreciated the cooperative behavior of the staff members of EClear, and acknowledged their efforts. In addition, shortcomings were also highlighted which we believe are mainly due to capacity issues, hence, induction of more staff members was suggested in order to cater to issues immediately having sensitive nature of business.
2. The recent incident of the wrong circulation of debit calls, through emails, to the clients, was first raised before the meeting which had resulted in clients 'panic, TO Brokers 'anxiety, and embarrassment also. The said email was followed by EClear's apology email to clients. It was acknowledged that it had caused big damage in terms of reputational and credibility loss. We appreciate that EClear admitted the mistake, tendered an apology, and assured the meeting that corrective actions/measures have been taken, like dual controls (double-checking), to avoid such mistakes in the future. However, the real solution to an error-free future is to automate the entire process and should be free from human intervention.
3. In a request repeated before the meeting regarding the opening of accounts, in all the settlement banks to avoid delays in getting credit, liquidity issues, and limitation of the trading capacity of the customer, therefore opportunity loss for them. EClear informed that it is following it up, but the current AML and KYC requirements, etc, are the main reasons for this delay, at the end of banks. It is requested that the offices of senior management may please be used to get the job done as soon as possible.
4. It was also raised that a Complaint Tracking System should be in place so that all the routine communication is automated & recorded, and the conveyed instructions require no further follow-up



through telephone calls, which causes delays. EClear informed that it is working on the software, which will be developed soon and all the queries/instructions will be handled systematically.

5. The coordination issues between EClear, CDC, NCCPL, and PSX were also highlighted. The tagging of new CDC accounts, opening of new accounts, tagging of UKNs, and CGT accounts, are not working. It is causing an unnecessary burden on brokers, delays, and a threat to loss of business. EClear assured a more concerted follow-up in this regard.
6. It was also pointed out that EClear should develop its website in order to provide access to the clients, to view their ledger accounts. We, therefore, request you to make available the ledger on the website in the shortest possible time.
7. In this regime, one of the most commended features is the role of EClear in taking over the compliance obligations of the TO Brokers. However, this area is still not clarified by the other Regulators as to what are the responsibilities of EClear and TO Brokers in this respect. SECP was also requested to take it up and decide to the issue, at the earliest. EClear also suggested a meeting of all the SROs so that the matter is resolved in the presence of all.
8. EClear is also requested to take up the matter with PSX that the BMC requirement for TOs is Rs.5 million only, but Rs. 8 million threshold is being enforced, currently due to non-closure of Participant accounts, for reasons beyond their control. Although, it was not discussed in this meeting but earlier it was discussed and agreed by EClear. However, it requires a follow-up with PSX to fix BMC at Rs.5 million.
9. It was also requested that all the TOs should be given unlimited access over KiTS to enable their clients to work online as per the agreed mechanism, instead of allowing limited access to three IDs. PSBA also stressed upon this issue that this requires an immediate follow-up with PSX and KiTS should be provided as it is designed.
10. EClear also updated that the development of its own Order Management System (OMS) is in pipeline, which will be more efficient, as compared with the KiTs and gateways of private vendors. This matter was discussed in detail and there were many suggestions from both sides. However, it was agreed that there will be more discussion on this issue, very soon and the way out, will be decided as to what is the best way forward to connect to multiple OMS operating in the market including but not limited to EClear's own OMS.
11. Due to the blockage of TO Broker's CM ID with NCCPL, the current online account opening platform used by them is no longer functioning. Therefore, the required measures may please be taken to provide an alternative platform for online account opening, tagged directly to EClear's ID with NCCPL.

We are confident that EClear will address the issues very positively with clear timelines for resolution of the same as discussed and decided.

Best Regards,

Cc: Mr. Asif Iqbal - Director/HOD - PRDD - SECP.

09 May 2022

Mr. Bilal Farooq Zardi
Secretary General
Pakistan Stock Brokers Association (PSBA)
Stock Exchange Building, Stock Exchange Road,
Karachi

Subject: DIFFICULTIES/ISSUES IN MIGRATION AND OPERATIONAL MATTERS

Dear Mr. Bilal:

Wishing you a very Happy Eid Mubarak. Hope this letter finds you well. We would like to acknowledge the support and coordination extended by PSBA in the implementation of the PCM regime. Successful implementation of the PCM regime was only possible due to the extensive support of all Trading Brokers and PSBA.

With reference to your letter dated 22 April 2022 (Ref: PSBA/EClear0422-01), please find below our point by point response:

1. On a constant basis, we are enhancing the resource capacity of ESL. You would agree that no organization can deploy maximum resources from the very beginning of the venture. With the increasing volumes and addition of new Brokers, we are also adding new resources in ESL.
2. ESL Management deeply regrets the unfortunate clerical error related to mistakenly circulation of debit calls. However, please note that as mentioned earlier ~~also~~ that it was a human error and not a system related issue. We have strongly apprehended the relevant staff and asked them to be extremely careful while doing such communication. We have instructed to make sure that all such correspondence should be double checked before the actual execution.
3. Please note that we have initiated Account opening process in all major Banks, however, as you have rightly mentioned that nowadays corporate account opening is getting very difficult. We are using all our resources and contacts to get the accounts opened ASAP.
4. We are working on the Complaint Management System and will deploy a solution similar to one which CDC have.
5. You would agree that all SROs played very important role in the implementation of new PCM regime, however, as this is a new regime, there are instances where SROs face challenges and unexpected scenarios, which take time in resolution. We have again requested both PSX and NCCPL to take all PCM related issues on priority and SECP has also now ensuring that PCM issues should be resolved on priority.
6. At present, we send client confirmation to all clients through emails, which is the normal market practice. Availability of ledger balances through website is a new request and we have to examine it in more detail before responding in this regard.
7. ESL is fully committed to support TO Brokers in relation to their Compliance requirements. As far as our understanding is concern, we have marked the compliances in the attached sheet.



However, primarily there should be a clear guideline issued by the SROs in this regard. ESL is ready to facilitate SROs in this regard.

8. BMC requirement is related to PSX. We fully support the point of view of TO Brokers, we will also request PSX to take necessary action in this regard. However, we would request PSBA to also address this issue directly with PSX.
9. Please note that KITS is the product of PSX. For PCM Brokers, who initially use to operate one terminal of KATS, PSX replaced it with one terminal of KITS. In case, any Broker is willing to take more terminals of KITS they may directly approach PSX.
10. As informed during the meeting, ESL's own OMS is now ready and will be made available for UAT very soon. We have decided to involve some senior TO Brokers in the UAT process to ensure that ESL's own OMS should be as per the requirements of TO Brokers and we hope that after the availability of our own OMS, all concerns raised related to KITS in point 9 above will also be addressed. As far as the connectivity with the third party OMS is concern, ESL would initiate that process after the successful implementation of its own OMS.
11. ESL's own digital Account opening solution, tagged with NCCPL is ready and will be implemented in May/June 2022.

We again would like to appreciate the support of PSBA and all the TO Brokers due to which the implementation of PCM regime was possible and we look forward to receive the same level of cooperation and support from your side.

Regards,



Shariq Naseem
Chief Executive Officer

CC: Mr. Asif Iqbal – Director/HOD – PRDD – SECP.