PAKISTAN STOCK EXCHANGE

NOTICE

PSX/N-1218 **OCTOBER 13, 2021**

FOR ALL TRE CERTIFICATE HOLDERS / BROKERS

ONBOARDING OF CUSTOMERS BASED ON SHARED KYC INFORMATION

PSX is pleased to inform that in exercise of powers conferred upon it u/s 7 of the Securities Act, 2015, it has amended Clause 4.15 of Chapter 4 [Trading Right Entitlement (TRE) Certificate] of PSX Regulations, with the approval of the SECP.

As per the approved amendments, an account of a local customer, who/ which already maintains an account with a bank in Pakistan or any other company as may be authorized by the SECP (jointly referred to as Authorized Entity), can be opened by a broker on the basis of KYC information shared by such Authorized Entity on such terms and conditions as prescribed in the procedures specified from time to time.

For the purpose of opening of such account, the KYC information of such local customer shared by the Authorized Entity and any additional information, as may be prescribed in the procedures, shall be used in place of Customer Relationship Form or Sahulat Account Opening Form, as the case may be, and the requirement of filing the KYC Application Form will be dispensed with.

The procedures for opening of Trading & Custody Account of local customers, jointly specified by PSX, CDC and NCCPL, are attached herewith as **Annexure A** for information of all TRE Certificate holders/Brokers.

The above amendments have been incorporated in PSX Regulations, updated version of which is available under Legal Framework section of PSX website:
https://www.psx.com.pk/psx/regulations/legal-framework

PSX, CDC and NCCPL will jointly hold an awareness session for the brokers to give a complete understanding and explanation of operational and other related aspects related to onboarding of customers based on shared KYC information. The date and time of said session will be notified in due course of time.

All TRE Certificate Holders are advised to note the above.

AJEET KUMAR
Chief Regulatory Officer

Jawad H. Hashmi
General Manager, Trading & TREC Affairs

Cc:

1. *The Director/HOD (PRDD), SMD, SECP*
2. *The Chief Executive Officer, PSX*
3. *The Chief Executive Officer, CDC*
4. *The Chief Executive Officer, NCCPL*
5. *The Chief Executive Officer, PMEX*
6. *The Chief Executive Officer, IFMP*
7. *All Heads of Departments, PSX*
8. *PSX Website*

"Annexure A"

JOINT PROCEDURE OF PSX, NCCPL & CDC FOR OPENING OF TRADING & CUSTODY ACCOUNT OF LOCAL INVESTORS, UNDER PSX REGULATIONS 4.15.3, CKO REGULATIONS 15A & CDC REGULATIONS 6.2.2 BASED, ON THE KYC INFORMATION SHARED BY A BANK IN PAKISTAN OR ANY OTHER ENTITY AS MAY BE AUTHORIZED BY THE COMMISSION FOR OPENING OF ACCOUNT WITH A BROKER (VIA PUSH MECHANISM)

(I) LOCAL INVESTOR TO HAVE BANK ACCOUNT WITH ANY OF THE DESIGNATED BANKS IN PAKISTAN:

Local Investor will be required to have a Bank Account with any of the designated Banks (who have established links with CDC) in Pakistan. If Local Investor wishes to invest in Stock Market, Local Investor would also provide the following to the designated Bank:

a) Permission to share the Bank KYC/CDD details and documents with CDC for onward sharing with TREC holders/ NCCPL.
b) Consent on Terms & Condition for opening of Trading A/c with TREC holder and opening of Custody account.
c) Select a TREC holder with whom he / she wishes to trade. Bank portal will show the list of TREC Holders connected with CDC.

(II) BANK TO TRANSMIT THE DETAILS TO CDC:

Designated Bank will transmit all the details as mentioned in point (I) as well as Local Investor profile data and documents (see details in Encl.), to CDC electronically for onward processing and sharing with TREC holders and NCCPL. Designated Bank will also intimate the same to Local Investor through email alert.

(III) AFTER RECEIVING THE INFORMATION/ DOCUMENTS FROM BANK, CDC WILL SIMULTANEOUSLY INITIATE THE FOLLOWING:

A. Transmit the data to NCCPL for creation of UIN/UKN:

1. Upon receiving of the information & documents from the Bank, CDC will electronically transmit (as per the mutually agreed mechanism) the required information & necessary documents to NCCPL.
2. NCCPL will create UIN for Local Investor on the basis of the information/documents received and in accordance with the UIN creation procedures of NCCPL.
   (Note: NCCPL will ensure that investor is local resident Pakistani before UIN creation).
3. NCCPL will display the information in Central Portal in save mode on a best effort basis. TREC Holder will verify, fill in any missing data and post the information.
4. NCCPL will confirm Designated Time Schedule ("DTS") regarding creating of UKN or inform any discrepancy in the information/documents to the respective TREC Holders.
5. Local Investor/TREC Holder have the option to complete the mobile number verification process within the timeline prescribed by CKO.
6. If all requirements are met in the Central Portal and KIS, NCCPL will issue Local Investor UKN as per the procedures.

7. NCCPL will send confirmation message to Local Investor after completion of UKN issuance process.
8. If the Local Investor UKN is already issued CDC with the consent of the investor will push the UKN to TREC Holder when sharing information/documents.

B. <u>Transmit the data to TREC Holder</u>:

1. Upon receiving of the information & documents from the Bank, CDC will electronically transmit the required information & necessary documents to TREC holder.
2. Upon receiving the information, TREC holder will perform their own due diligence of the Local Investor on the basis of the information and documents received from CDC and ensure compliance against all requirements of AML/CFT regulations issued by SECP from time to time.
   (Note: TREC Holder will ensure that investor is local resident Pakistani as part of due diligence process).
3. TREC Holder can reject Local Investor request if it does not meet the basic onboarding and KYC requirements and provide rejection status with reason to CDC. The rejection status with reason will be communicated to the Designated Bank who will intimate the Local Investor of rejection of request with reason.
4. TREC holder will be responsible to review and complete the Local Investor information populated in Central Portal by NCCPL on the basis information and documents pushed from bank and any additional information/documents obtained from the Local Investor.
5. TREC Holders will be responsible for opening of Trading and Custody Account of Local Investor.
6. TREC holder will send the details/credentials of trading to Local Investor and take necessary consent electronically on the tariff/commission structure and on any other terms, directly from Local Investor.

<u>Notes</u>:

(i) TREC holder will ask for any additional information from Local Investor directly if there is any due diligence issue in the information already available through Banks.
(ii) There will be no involvement/requirement of any physical/ paper based document/authentication from the Local Investor in the entire process.
(iii) There will be no need for any paper based form or agreement in the entire process.
(iv) Local Investor will request the concerned TREC Holder for any update in information. TREC Holder will use the existing CKO update process both normal/online portal of the NCCPL to update Local Investor information.
(v) TREC Holders shall comply with all requirements of AML/CFT regulations issued by SECP from time to time.
(vi) Moreover, it shall be the responsibility of the TREC Holders to ensure compliance with all legal, regulatory and compliance requirements as may be applicable upon opening of and maintaining the Trading and Custody accounts.

<u>Encl.</u>:

List of **information sharing** on which Banks will take consent from Local Investor is attached as **Exhibit A**.

"Exhibit A"

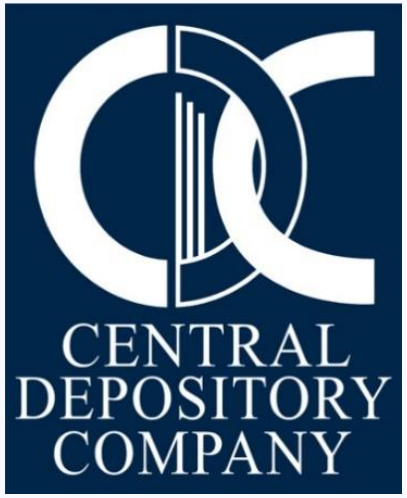
Fields	Documents
1. Full Name (as per identity document) 2. Father/ Spouse Name 3. Mother's Maiden Name 4. Date and Place of Birth 5. CNIC number along with date of issuance 6. Nationalities and Residencies (list all) 7. Email address 8. Phones: Cell number, Landline 9. Complete Mailing Address including Country of Residence 10. Profession 11. Source of Income (Salary, Business, investment income, etc.) 12. Account Holder IBAN	1. Original scanned CNIC 2. Proof of Profession and Source of Income/ Funds (e.g. scanned copy of job certificate, tax return, rent agreement, salary slips, etc.) 3. Proof of Residence (in case of difference from CNIC) 4. Copy of Signature Card 5. Zakat Declaration form

Notes:

(i) In case of joint holders, all aforementioned details/documents would be required of each Joint holder.
(ii) Banks may also provide any additional information in case the information is readily available with the Banks.

Shared KYC Project (SKYC)

An Joint initiative of the SECP, SBP, CDC, PSX and NCCPL



What is the SKYC Mechanism?

Who is eligible to open CDS Account via SKYC?

Only the following category of investors are eligible to participate in stock market investment through SKYC Project:

Only **Resident Individual Pakistanis**

Investor must have a bank account opened

Investor details in the bank records must be up to date

Shared KYC Process Flow

1

Investor initiates Stock Market Investment Request on the Bank Portal

2

Investor selects Broker, accepts T&Cs and gives consent to share KYC info with stock market entities

3

Bank shares investor KYC info and documents with CDC via API

CDC HUB

4

CDC Hub performs initial screening and pushes Information & docs onwards to Broker and NCCPL

Broker can Accept / Reject

5

NCCPL

Brokerage houses

Broker may conduct EDD based on information & documents (if required)

6

Information auto saved in CP2. Broker may manually enter missing information

Broker TAT is 48 Hours

7

Broker posts information in CP2 after necessary verification

8

Broker will open CDC Account and perform UIN tagging

9

Broker confirms account opening status to CDC / Client

10

Investor can start Trading

NCCPL issues UKN

Approved Procedure

The joint procedures for onboarding of customers based on Shared KYC Information jointly prepared by CDC, PSX & NCCPL which was approved by SECP. The procedures were notified by PSX via circular no. PSX/N-1218 dated October 13, 2021.

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Trading Department & Regulatory Affairs Division | UAN: +9221 111-00-11-22 | E-mail: info@psx.com.pk | Web: psx.com.pk

Circular

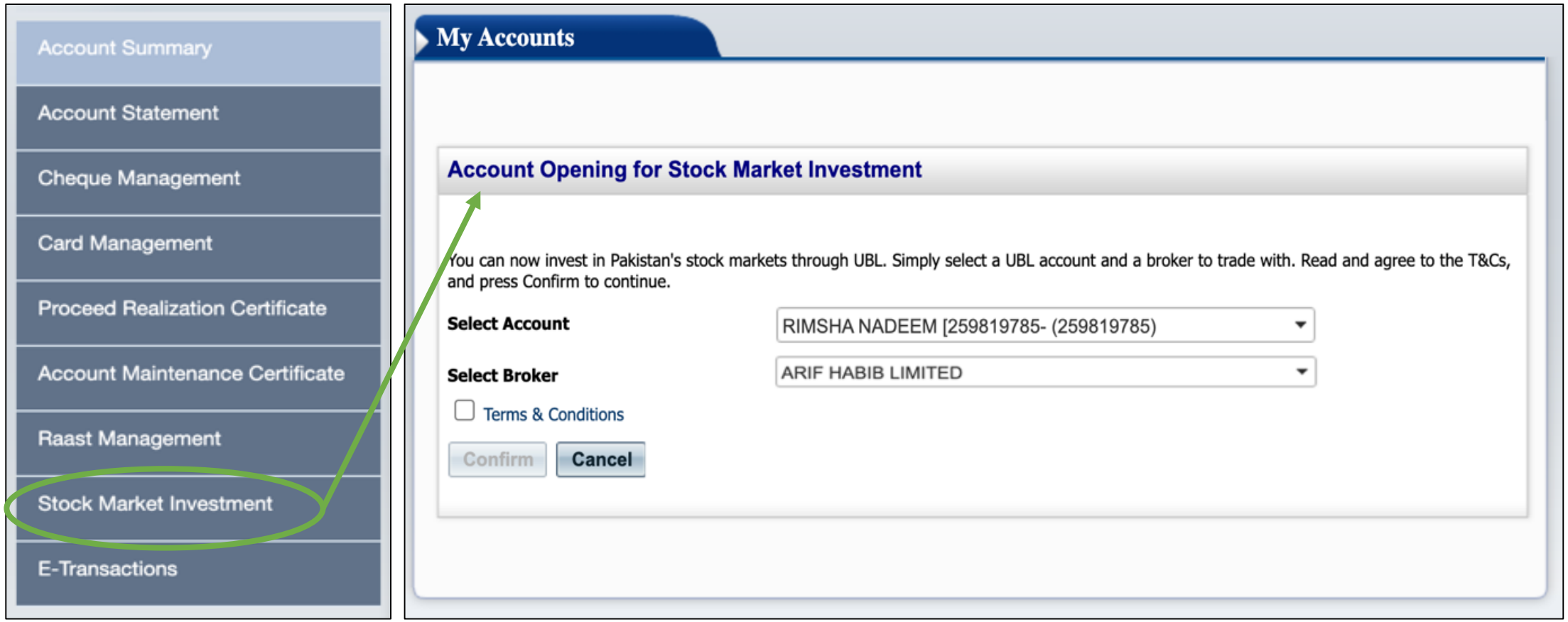
Note: Procedures *has already been shared with Stock Brokers*

List of Information and Documents

Fields	Documents
1. Full Name (as per identity document) 2. Father/ Spouse Name 3. Mother's Maiden Name 4. Date and Place of Birth 5. CNIC number along with date of issuance 6. Nationalities and Residencies (list all) 7. Email address 8. Phones: Cell number, Landline 9. Complete Mailing Address including Country of Residence 10. Profession 11. Source of Income: Salary, Business, investment income, etc. 12. Account Holder IBAN	1. Original scanned CNIC 2. Proof of Profession and Source of Income/ Funds (e.g. scanned copy of job certificate, tax return, rent agreement, salary slips, etc.) 3. Proof of Residence (in case of difference from CNIC) 4. Copy of Signature Card 5. Zakat Declaration form

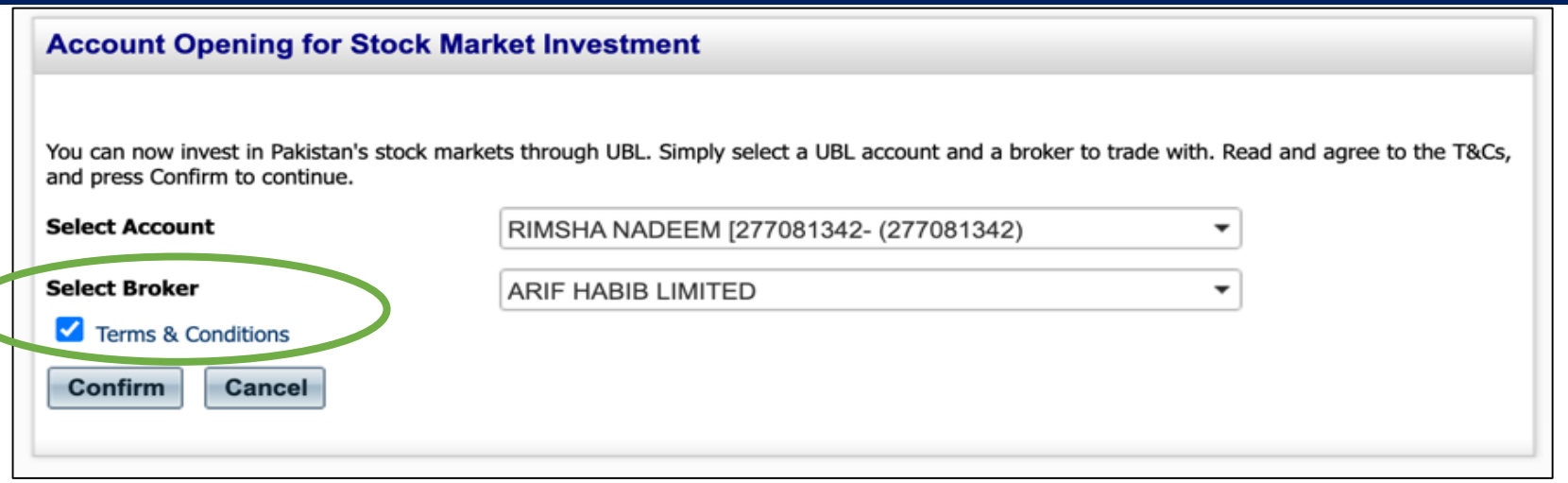
UBL Customer Journey

Step 1

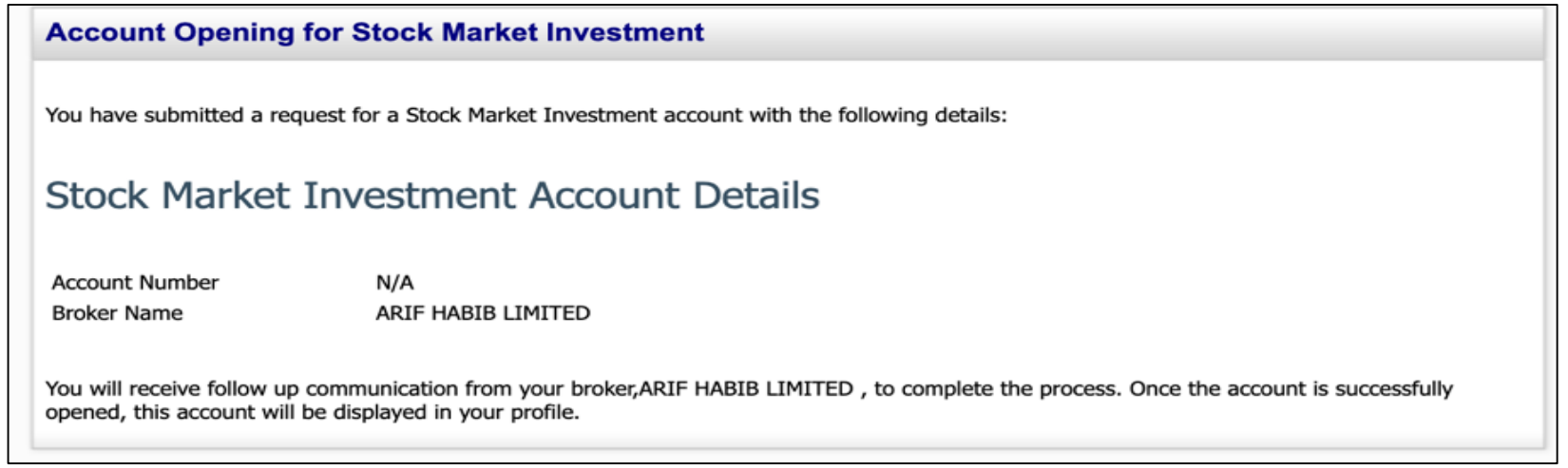


UBL Customer Journey

Step 2

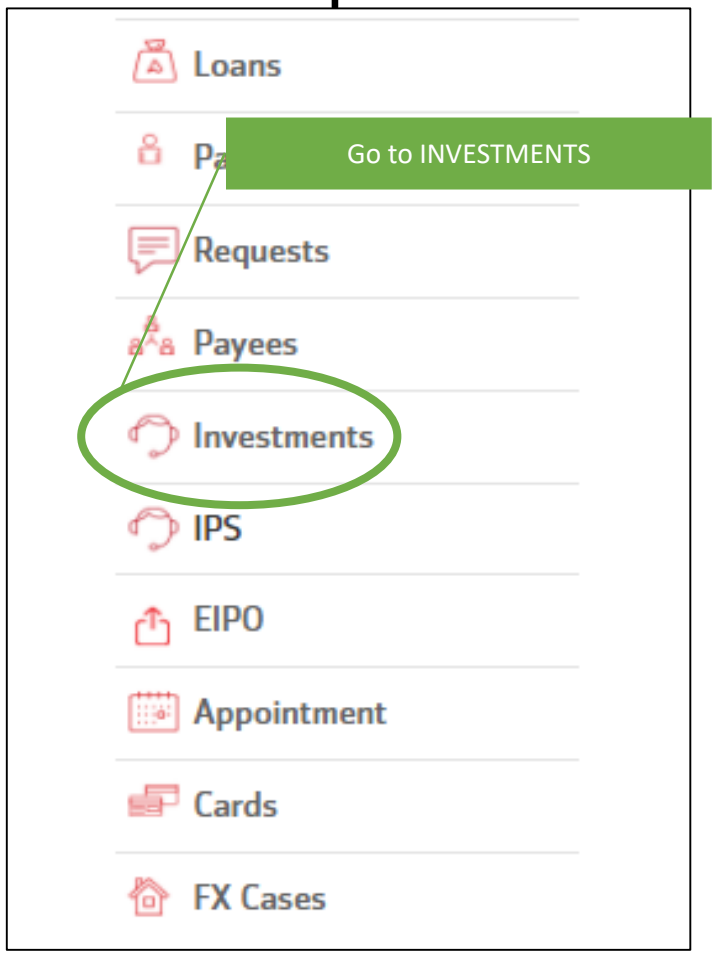


Step 3

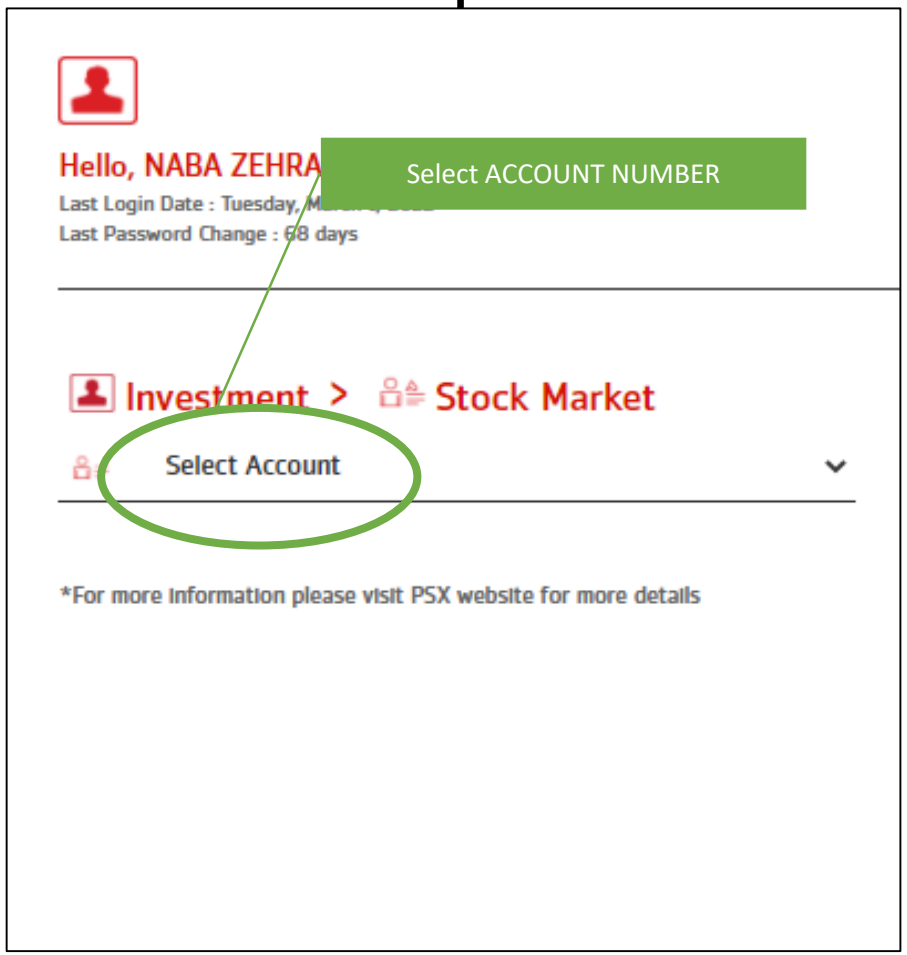


Bank Alfalah Customer Journey

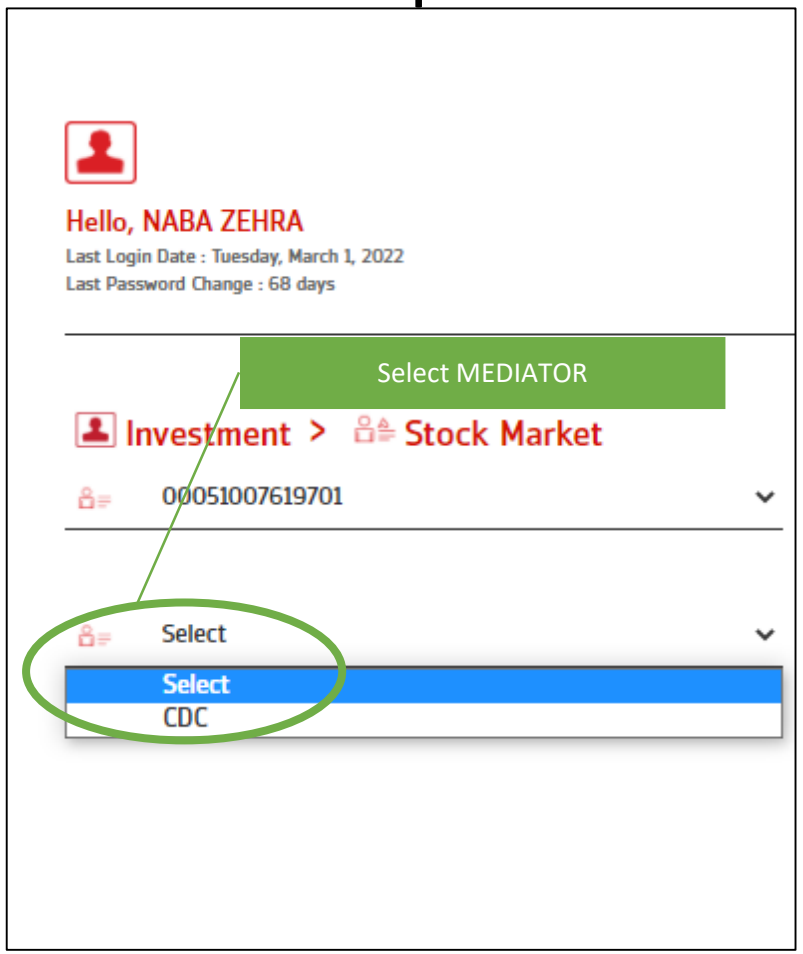
Step 1



Step 2



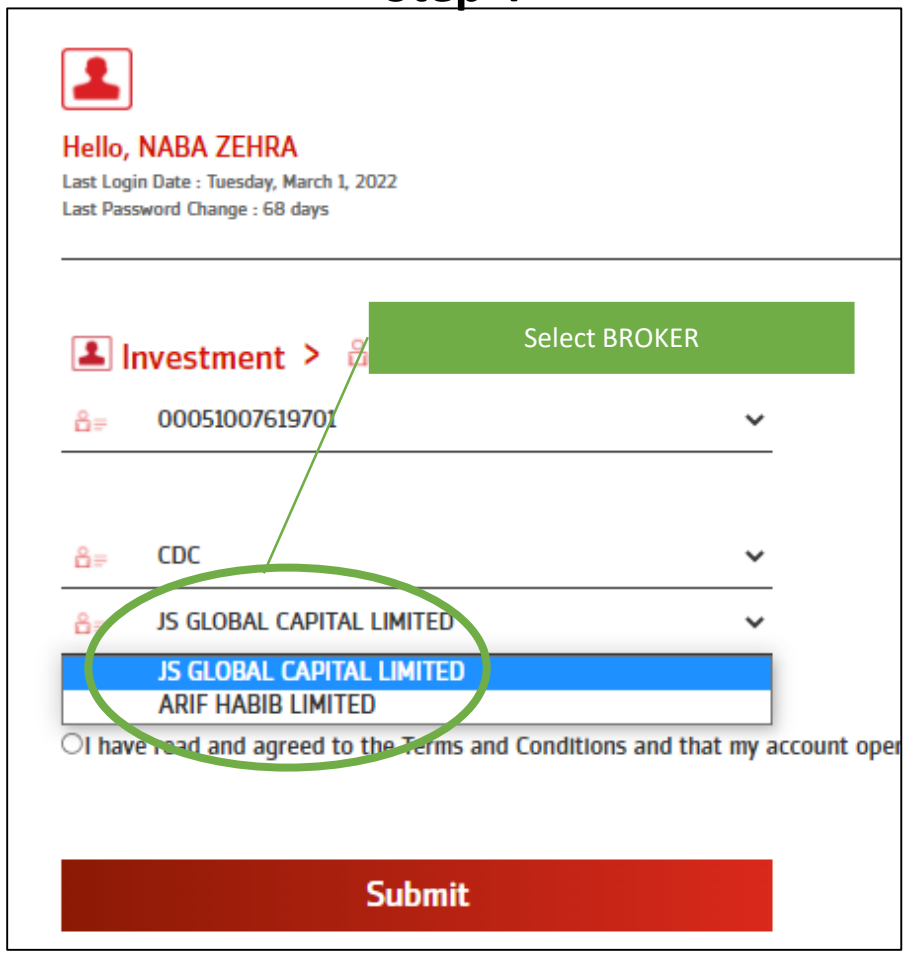
Step 3



CENTRAL DEPOSITORY COMPANY

Bank Alfalah Customer Journey

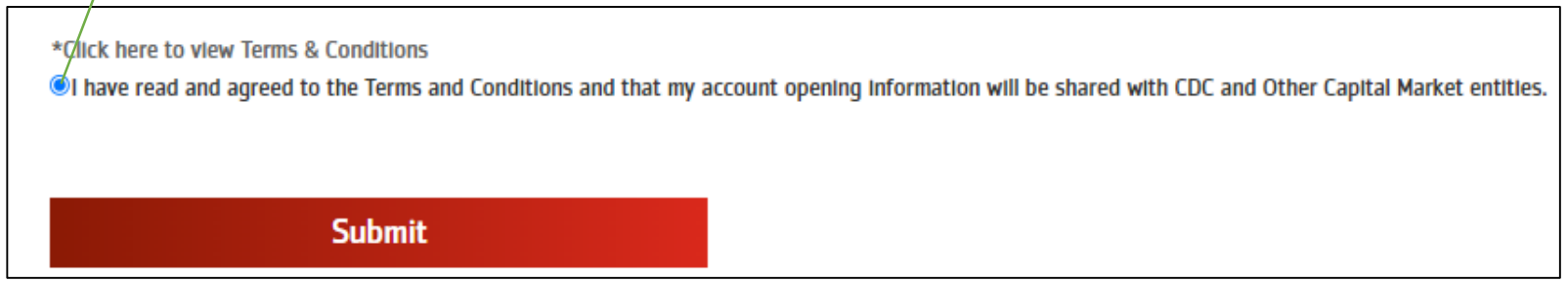
Step 4



Step 5

Agree to the TERMS & CONDITIONS

then SUBMIT



CENTRAL DEPOSITORY COMPANY

Current Status

S. No.	Broker	Status
1	Arif Habib	Live
2	JS Global Capital	Live
3	K-Trade / KASB	Live
4	AKD Securities	Live
5	Foundation Securities	Live
6	Abbasi & Company	Live
7	Zahid Latif Securities	Live
8	Munir Khanani Securities	Live
9	Y.H securities Limited	Live
10	FDM Capital	Live
11	Cedar Securities	Live
12	BMA Capital	Live
13	Alfalah CLSA Sec	Live
14	NEXT Capital Limited	Live
15	AHM Securities	On SIT
16	Spectrum Securities	On SIT
17	Topline Securities	On SIT

S. No.	Banks	Status
1	Samba Bank	Live
2	Bank Alfalah	Live
3	UBL	Live
4	JS Bank	Live
5	Bank of Punjab	Live
6	Bank Al Habib	Ready for live
7	Allied Bank	UAT in process
8	Meezan Bank	UAT in process

Awareness Sessions

Target Audience	City	Date
TREC Holders	Karachi	December, 2021
Pakistan Stock Broker Association (PSBA)	Karachi	January, 2022
TREC Holders	Karachi	February, 2022
TREC Holders	Lahore & Islamabad	March, 2022

Issues Highlighted in Pilot Project

Bank related issues

- Data received is not in line with supported documents provided by the Banks.
- Incomplete account holder's name is provided by the Banks

'Lead Option'

to be discussed

Broker / Other stakeholders related Issues

- Certain special characters (such as "&" "(" ")" in the address field and "'" "-" "." In the Name field) are not accepted by Stock Brokers and NCCPL.
- Brokers tend to hold the cases without any reason. As a result of that, TAT as per the procedure is not followed.
- Information is not properly verified while posting in CP2

Awareness Plan

STATIC POST

Investor requires to perform 2 steps

Within 2 days

CENTRAL DEPOSITORY COMPANY

TUTORIAL VIDEO

Marketing Through Banks

CENTRAL DEPOSITORY COMPANY

What does a broker need to do to join SKYC?

1. Send request to join SKYC on dedicated email address of CDC (Sharedkyc-support@cdcpak.com)
2. Develop APIs to connect with CDC
3. Perform SIT & UAT
4. Go Live

Thank You!

For any queries and feedback feel free to contact us at the following addresses:
Sharedkyc-support@cdcpak.com