



8 | APRIL – JUNE 2022

Financial *focus*

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Dear Readers,

I would like to present to you the 8th issue of our newsletter. At “Pakistan Stock Brokers Association (PSBA)” through our newsletter, we are happy to bring to you the latest happenings at PSBA to ensure that you all are updated with the activities of the Association.

I hope you enjoy reading this issue. We also have plans to add more exciting sections in the future and look forward to your feedback and comments.

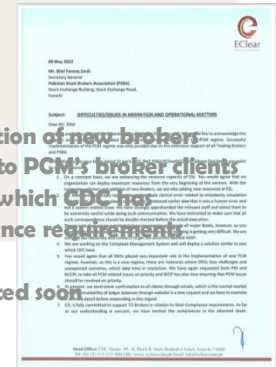
To all our readers, I wish you Happy Reading!

BILAL FAROOQ ZARDI
Secretary General

PROFESSIONAL CLEARING MEMBER (E-CLEAR) MEETING WITH SECP AND PSBA

PCM GAVE THE PRESENTATION, SUMMARIZED AS BELOW:

1. PCM, on a constant basis, enhancing the resource capacity with the increasing volumes and addition of new brokers
2. The account opening process has been initiated with all major banks to provide the best services to PCM's broker clients
3. Complaint Management System is under development and will be live soon as similar to the one which CDC has
4. PCM has assured to remain fully committed to supporting TO brokers in relation to their compliance requirements
5. PCM own OMS system is ready and will be made available for UAT very soon
6. PCM's own digital account opening solution, tagged with NCCPL, is ready and will be implemented soon



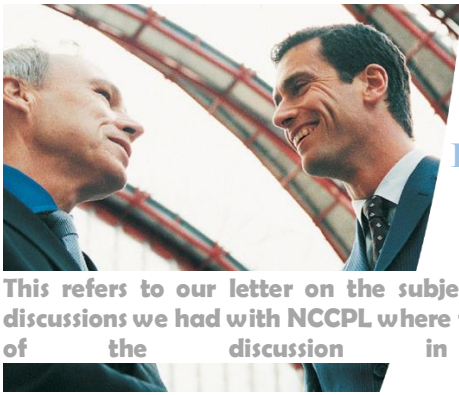
MEETING WITH CHIEF INLAND REVENUE AND SECRETARY BUDGET FBR

IN LINE WITH PSBA'S BUDGET PROPOSALS FOR 2022-23

1. DEFINITION OF THE TERM “SECURITIES” {Considering the interest of the Capital Market, and nullifying the adverse effect of the judgment on Capital Gain Tax on Listed Securities, an explanation is required to be introduced to section 37 (3) of the Income Tax Ordinance, 2001

“For removal of doubt, it is clarified that share of a company, disposed off in a tax year, for which the company has the status of a Public Company, becomes a “Security” for the purposes of this section, from the date of its acquisition, irrespective of the status of the said company at the time of acquisition of the said share”

2. The said meeting also follows the meeting with other FBR Officials including the Finance Ministry Office



EXPOSURE MARGIN REQUIREMENTS

This refers to our letter on the subject matter and subsequent discussions we had with NCCPL where the PSX team was also part of the discussion in both meetings.

The issue was first raised in January 2022, thereafter, at the beginning of Ramadan we had a detailed discussion in the presence of the PSX team. The ideal situation was to release the margins on a real-time basis. However, at the conclusion, it was decided that the exposures/margins will be released at day end, and the required changes will be made by NCCPL in its system.

Subsequently, to have the update, we had another meeting on Tuesday, May 31, 2022. At last, it has been agreed that NCCPL will make changes in its system and margins/exposure will be released on a real-time basis. The said system development will be done by end of June i.e. 30-06-2022.



REPORTING OF PROSCRIBED PERSON'S SROs BY UNSC AND SECP

Recommendation to SECP:

The list of proscribed individuals/entities that are mentioned in SRO provided by SECP through emails should be in searchable/readable/up-loadable format so that Securities Brokers who perform Manual Screening can search names of proscribed individuals/entities in their clients' database for screening purpose and can match with their back-office system. Further, the list of proscribed individuals/entities should also be updated on the website of NACTA so that Securities Brokers, who perform screening Manually from the NACTA website can have a complete updated list of proscribed persons for screening purposes.

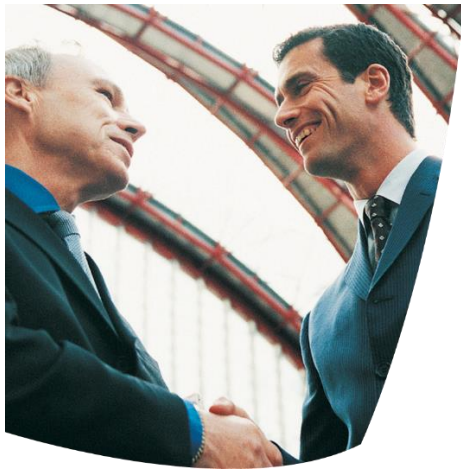
Recommendation to NCCPL:

Since the securities brokers are already reporting the existence/non-existence of clients while matching with the lists of proscribed persons/entities. The NCCPL should submit this compiled report to the Commission. It will save time for the brokers for the same reporting to be made to multiple authorities. The NCCPL, being a member of the AML/CFT Working Group has assured to check the possibilities

ONE-TIME FACILITY TO AVAIL MARGIN FINANCING AGAINST EXISTING HOLDING

NCCPL on the request of PSBA carried out amendments in NCCPL Regulations pertaining to the recording of Margin Financing against the existing holding of a client that has not been recorded in the MF model in the past. This is a one-time facility being provided by NCCPL to the brokers.





MEETING WITH CHAIRPERSON PSX

With reference to the PSX Chairperson meeting with PSBA. We would like to share the following progress in a few of the areas highlighted there.

1) **Number of fields for Sahulat Account:** An exercise was initiated by the SROs teams right after the meeting and as per the discussion so far we can expect a nearly 70% reduction in the data fields required for onboarding via Sahulat. We look forward to concluding this soon.

2) **Ease of compliance-related tasks for TOs:** A list of all compliance filings applicable to TREC holders is consolidated amongst SROs (and ESL) wherein each task is marked for its responsibility i.e. PCM/ESL or TO. The finalized list has been shared with all TOs as well as market-wide.

3) **Clarity w.r.t. AML/KYC Compliance:** The report finalized previously by the Working Group (WG) is now being updated with SECP and the SRO's comments and shall be shared with the WG soon.

4) **A meeting has been held with PSBA Management for clarification on high frequency and prop trading and the AML/KYC which are perceived to be key triggers for many notices and inquiries.**

ONLINE ACCOUNT OPENING/DIGITAL ONBOARDING

The Securities and Exchange Commission of Pakistan (SECP) has approved a regulatory framework to allow online account opening facility for investors of the capital market in Pakistan. PSBA joined hands with NCCPL on this initiative in close coordination and collaboration with its members.

This facility is expected to encourage more investors to participate in the securities market and extend the outreach of securities brokers.



AML/CFT WORKING GROUP

Clarity w.r.t. AML/KYC Compliance: The report finalized previously by the Working Group (WG) is now being updated with SECP and the SRO's comments and shall be shared with the WG soon. However, the list of documents to be obtained from the client has been finalized and is being shared with SECP to get it approved and notified by the Commission



PAKISTAN STOCK BROKERS ASSOCIATION

(A company setup under section 42 of the Companies Act 2017)
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PSBA/Notice-043

September 7, 2021

NOTICE FOR MEMBERS INVITATION OF COMMENTS/SUGGESTIONS/RECOMMENDATIONS FOR AML/CFT/KYC REGIME

Dear Members,

In pursuance of the request of the Pakistan Stock Brokers Association (PSBA) and as advised by the Securities and Exchange Commission of Pakistan (SECP), The Pakistan Stock Exchange (PSX) has formed a Working Group (WG) with representation from the PSBA, selected brokerage firms, and the relevant officers from PSX, CDC, and NCCPL. The mandate of this WG is to review the existing AML/CFT/KYC requirements, its compliance, documentation requirements, etc. This WG will also recommend a process with clarity of compliance requirements to be met under AML/CFT/KYC regime.

In this regard, the members are requested to kindly submit the recommendations and highlight the practical difficulties being faced in compliance with the said regime and the audits thereon, so that we can discuss the same within this WG and submit recommendations to SECP, to overcome these issues while remaining within the Regulatory Framework. The submission would be at psamail024@gmail.com by C.O.B September 8, 2021.

Looking forward to positive participation.

What does this mean for securities brokers?

The online account opening process that starts from an interface available on the website of the securities brokers providing this facility needs to be seamless from start to end in order to provide a good experience to investors by enabling them to open their account in the most convenient, transparent and hassle-free manner. Therefore, a robust, simple, and investor-friendly software application for securities brokers to provide the Online Account Opening Facility is essential for achieving the desired objectives.



REPRESENTATIVE COMMITTEE OF NEW TRADING SYSTEM (NTS)

The Committee has reached the following conclusion:

- That the entire focus should be on JTT only, to make it a complete mirror of the existing KATS/TWS so that all the same features are provided to the users as of the existing terminal. The entire focus should be solely on JTT and making it as close as to the existing KATS/TWS. NTT should be discussed at a later stage.**

SESSION ON KEY REGULATORY REQUIREMENTS

PSBA, PSX, CDC, and NCCPL jointly arranged an awareness session, on **Key Regulatory Requirements** applicable to the members under the relevant **Regulatory Framework**. The session was widely attended by the members and the relevant staff.

MARKETING AND PRODUCT & DEVELOPMENT INITIATIVES

PSX joined hands with PSBA to make a joint effort for the development and growth of the stock market as well as the stock brokerage business. On a related note, a joint effort is being made on certain tax-related matters



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PSBA/Notice-065

May 25, 2022

NOTICE FOR MEMBERS

AWARENESS SESSION FOR SECURITIES BROKERS ON KEY REGULATORY REQUIREMENTS

Followed by the request of PSBA, PSX, CDC, and NCCPL have arranged a joint AWARENESS SESSION for its members at **4:45 PM on Friday, May 27, 2022, at PSX Auditorium (3rd Floor)**. During the session, the team will provide briefing and guidance on Key Regulatory Requirements applicable to the Securities Brokers under the relevant Regulatory Framework.

Therefore, the members are kindly requested to ensure the participation of relevant staff in the above-mentioned awareness session.

Alternatively, the following is the zoom invite for those who wish to join remotely.

SAHULAT ACCOUNT WITH SIMPLIFIED KYC

In line with the efforts to promote Ease of Doing Business, the PSBA has proposed the removal of the requirement of "Risk Categorization" as the Sahulat Account is only for the identified "Low Risk" Customers. In addition to that, we have proposed the fields to be revisited as there are only nine fields relevant for the Sahulat Account instead of 30+. We have been assured that the changes proposed by PSBA will be discussed and finalized in coordination with other SROs and as per the existing practices of other Financial Markets.



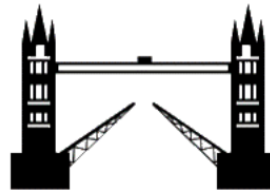


INTRODUCTION OF CENTRALIZED GATEWAY PORTAL

CDC in collaboration with PSBA is once again gearing up to launch another mega project for the betterment of the Capital Market namely the Centralized Gateway Portal for simplified and universal onboarding, covering all asset classes under the Securities and Exchange Commission of Pakistan (SECP) umbrella. This project will not only eliminate the need for repetitive KYC procedures but will also extend value-added features such as a Single Wallet for all asset classed and consolidated portfolio tracking.

The Gateway Project

Concept and Design



1

INTRODUCTION OF SHARED KYC PROJECT

Through this initiative, resident Pakistani investors having a local bank account can initiate an onboarding request for Stock Market Investment without their physical presence and without the need to submit any data or documents physically. It is a completely digital process. The SROs have moved to the full implementation with all Banks and Brokerage Houses.

Shared KYC Project (SKYC)



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