



NEWSLETTER

QUARTERLY NEWSLETTER



PAKISTAN STOCK BROKERS ASSOCIATION (PSBA)

has been established on February 3, 2020, and formally incorporated on July 27, 2020, as a Company limited by guarantee. PSBA aims to protect the rights of its members and to promote the Stock Brokerage Industry. PSBA educates its members on market structure issues while representing their interests with legislators, regulators, and other organizations. PSBA keep its members informed on industry trends and provide unique opportunities for its members to have a better understanding of the issue likely to affect their business. PSBA is committed to promoting its goodwill and fostering high standards of integrity in accord with its founding principle and playing an active role in presenting problems of its members and safeguarding their interests through constant dialogue with all the relevant authorities.

DISCLAIMER: THIS NEWSLETTER IS PROVIDED SOLELY FOR THE INFORMATION OF MEMBERS OF THE PAKISTAN STOCK BROKERS ASSOCIATION (PSBA). IT DOES NOT CONSTITUTE ADVICE. NEITHER PSBA NOR ANY OF ITS OFFICERS ACCEPT ANY LIABILITY, OR RESPONSIBILITY FOR THE ACCURACY, RELIABILITY, OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THE NEWSLETTER, AND READERS SHOULD RELY ON THEIR OWN INQUIRIES AND ANALYSIS IN MAKING ANY DECISION OR TAKING ANY ACTION THAT AFFECTS THEM.

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PSX is doing an assessment of switching to ONE share lot for trading in the ready market. In this regard; some interesting numbers, analysis, and a few of the global practices were presented which PSX thought of sharing first with the PSBA for a preliminary view before taking the full-scale public consultation route. This proposal brings many benefits, a few of the key ones are mentioned as follows:

- Investors who previously trade in the odd lots market where share prices are traded at a discount would now trade in the regular market, the price range difference shall also be removed,
- Frequent and sudden changes in the marketable lot (in/out), due to those being constituents of ETFs, can be avoided (Currently, 42 securities of 06 ETFs are trading in Lot size of one share, most of them are DFC eligible stocks),
- This change will bring PSX closer to the practices adopted by the global stock exchanges, where the trading unit is mostly ONE share,
- A smaller standard lot will make investments in high-priced companies more affordable for retail investors and help them build more balanced investment portfolios,
- Investors/Securities Broker will be able to pledge securities against margins and BMC in odd numbers instead of a standard marketable lot

PSBA is reviewing the proposal to address concerns if any, regarding whether One Share Marketable Lot should be re-implemented or not.

While reviewing the THIMS report format, PSBA identified the missing fields that are IN USE through NCHS but not available in the THIMS. PSX has accordingly been requested to make these fields available in THIMS before the NCHS is discontinued. In addition, PSBA has requested to introduce a single window/portal, for reporting purposes which shall be used by all SROs. This will enable the members to upload the required information into a single portal instead of reporting the same document to all SROs in order to avoid duplication of work.

1. Online Exposure
2. Symbol Position
3. Trade Rectification
4. Receipt of Cash above 25000
5. Order Rectification
6. Account Management
7. KATS Buy/Sell
8. Buy Statement
9. Sell Statement
10. A/c Balance Info (Old)
11. A/c Balance Info (New)
12. Pledged by UIN
13. Trade Rectification
14. Trade Rectification Trade Log Download
15. Short sell Modification
16. BMC Requirements Compliance Report
17. Payment /Delivery Orders
18. ODL Trade log Download
19. ODL Account Management
20. Profit Disbursement CMS
21. Future Contract
22. Cash Settled Future
23. Stock Index Future
- TFC (B. Bonds)



NOTIFY THE CHANGE IN BROKERAGE COMMISSION

CONSIDERING THE VARIOUS STEPS THAT HAVE BEEN TAKEN TO ENCOURAGE THE DIGITAL ONBOARDING OF CUSTOMERS AND ONLINE TRADING BY CUSTOMERS, PSBA CONSIDERED IT IMPORTANT THAT THE REQUIREMENT OF PSX REGULATIONS BE VISITED ACCORDINGLY. PSX, IN LINE WITH THE RECOMMENDATIONS OF PSBA, PROPOSED AMENDMENTS TO PSX REGULATIONS WHEREBY SECURITIES BROKERS WILL NOW BE REQUIRED TO NOTIFY ANY CHANGE IN BROKERAGE COMMISSION RATE TO THEIR CLIENTS AT LEAST 7 DAYS IN ADVANCE OF THE EFFECTIVE DATE. THE SAME IS ONLY REQUIRED TO BE COMMUNICATED TO THE CLIENTS INSTEAD OF GETTING THE AGREED TARIFF SIGNED BY THE CLIENT(S). THIS MATTER IS IN THE APPROVAL PROCESS.

TIME PRIORITY PRINCIPLE FOR VOLUME ALLOCATION IN THE ORDER MATCHING PERIOD

IN THE INTEREST OF TIME AND IN ORDER TO EXPEDITE THE PROCESS OF IMPLEMENTATION OF THE NEW TRADING SYSTEM, PSBA GAVE ITS SIGN-OFF WITH RESPECT TO THE SHARED BUSINESS FUNCTIONALITIES IN THE FORM OF A COMPARISON DOCUMENT. IT IS ALSO AGREED THAT WE WILL GO WITH THE TIME PRIORITY PRINCIPLE FOR VOLUME ALLOCATION IN THE ORDER MATCHING PERIOD WITH THE NEW TRADING SYSTEM

Meeting with the Officials of the Federal Board of Revenue deals with Common Reporting Standard Reportings

A meeting was arranged by PSBA with FBR's Automated Exchange of Information (AEOI) authorities to discuss the recent Show Cause Notices served to the Lahore-based members with regards to non-enrollment and non-reporting, as required under Common Reporting Standard Rules within the specified timelines. PSBA and FBR had a very candid discussion to understand each other's views. The matter is still under discussion with the authorities as to how this reporting may be made meticulously.

Meeting with Chairman SECP

A meeting with Chairman SECP was held during his visit to Karachi where the PSBA and SECP teams discussed the following:

I) Sahulat Account:

PSX to perform the following:

- Submit a proposal to increase the limit of investment through the Sahulat Account.
- Provide clarity on the risk assessment of Sahulat Account holders.
- Submit a proposal on reducing the fields for Sahulat Account.

Further, SECP will review whether the PSBA proposal of not performing a risk assessment of Sahulat account customers due to low investment value is workable in light of FATF requirements.

II) Margin Financing Proposal: PRDD-SMD to reach out to SCD (SECP) to explore the possibility of allowing margin financing (MF) to money market funds.

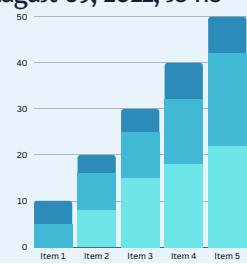
III) New Trading System (NTS): It has been agreed by the Chairman PSBA that the method proposed by PSX for volume allocation on the basis of time, and price in the pre-open session is fairer and should, therefore, be implemented in NTS.

IV) Trading and Clearing (TC) Brokers Licensing:

- PSBA to share the status of pending TC applications and the submission status of required documents.

V) Joint Investigation Team (JIT) Regime: It was proposed that a joint session of SROs and PSBA be arranged to reach a consensus on fee/charges-related issues.

Further, PSBA representatives stated that their proposal relating to the transfer of shares to existing sponsors was pending with SECP. However, they were informed that SECP had already issued an SRO notification, and the same has been shared with PSBA via email dated August 05, 2022, so no further action is required.



Online Account Opening Regime

PSBA had a quick session with PSX, CDC, and NCCPL on developments in the Online A/C Opening process, PSBA assured to extend its full support for further improvements. However, major developments have already been made in line with the suggestions of PSBA and Brokers Fraternity.

Meeting with the Officials of the Securities and Exchange Commission of Pakistan

A follow-up meeting was held with the relevant officials of SECP to discuss the following outstanding issues/amendments in the applicable Rules/Regulations:

- a) Introduction of Centralized Reporting Portal;
- b) Introduction/Implementation of the concept of Controlled Sub-Account; and
- c) BMC requirements for all three categories.

Positive feedback was shared by the team with the confirmation that the issues are being given due consideration.

Exposure/Margin Requirements

A joint meeting was arranged by PSBA with NCCPL, PSX, and CDC on exposure requirements. The meeting was arranged to demonstrate necessary system development changes in Margin requirement at post-trade level where differential amounts arise on netted trades. The changes will initially be catered in Ready and GEM Markets so that Market Participants will become familiar with computation. However, changes in margin requirement for DFC Market will be implemented in phase 2.

Following points were discussed and finalized in the meeting regarding changes in existing margin regime on netted trades in terms of volume in same scrip on the same date by a UIN;

- No change in computation of Exposure amount (i.e. outstanding business) on pre-trade and post-trade in case of netted trades;
- No Exposure margin will be collected on post trade RMS system on netted trades of same scrip, same UIN and same settlement date in Ready and GEM Markets;
- No changes in OTS and NTS at PSX, therefore, the exposure margin demand on netted trades will remain intact on pre trade during the day and end of day creating position differences;
- In case of netted trades, surplus margins will be available for release on post -trade level at NCCPL. However, Broker shall require to monitor their position at pre-trade to make any decision.

MEETING WITH SECP

SECP INVITED PSBA TO DISCUSS THE MATTERS PERTAINING TO PROPOSED AMENDMENTS IN PROPRIETARY TRADING REGULATIONS;

2. INCLUSION OF TRADING & SELF CLEARING BROKERS, TRADING AND CLEARING BROKERS, AND PCM IN THE DEFINITION OF PUBLIC INTEREST COMPANY;

3. EVALUATION CRITERIA OF AUDIT FIRMS REGARDING INTRODUCTION OF PANEL OF AUDITORS.

PSBA IS ENGAGED WITH THE RELEVANT MARKET EXPERTS TO HAVE A PROPER CONSULTATION PROCESS FOR A CONSIDERED VIEW TO BE SHARED WITH THE COMMISSION.





MEETING WITH CHAIRMAN SINDH REVENUE BOARD

PSBA HAD A MEETING WITH CHAIRMAN SRB IN REFERENCE TO THE REGISTRATION OF DEALERS/AGENTS. WE HAVE BEEN ADVISED TO SUBMIT A PROPOSAL TO ENABLE THEM TO TAKE UP THE MATTER WITH FURTHER AUTHORITIES. TO COMPLY WITH THE SHOW CAUSE/NOTICES SERVED TO THE MEMBERS, APPROPRIATE RESPONSES ARE BEING ADVISED

MEETING WITH CHIEF INTERNATIONAL TAX, SECRETARY & CONSULTANT AEOI-FBR

In continuation with the previous discussions held with the FBR AEOI Officials, a follow-up meeting has been held with Chief International Taxes to decide a way forward with respect to the compliance of Common Reporting Standard Rules through a centralized system.

NEW TRADING SYSTEM – PROJECT UPDATE SESSION:

An update session was arranged by PSX with the Representative Committee to share the plan to move towards the launching of New Trading System (NTS) in pursuance to sign-off by PSBA on behalf of RC members. Whereas, the Roll-Back plan is yet to be decided by PSX team to which they will get back to PSBA.

JOINT SESSION WITH OVERSIGHT COMMITTEE

A joint session with the Securities and Exchange Commission of Pakistan and members of the Oversight Committee was arranged by PSBA to discuss the Joint Inspection Mechanism proposed by SROs, in light of the feedback of our members.

A detailed discussion was held with every aspect where PSBA pointed out that instead of introducing the new mechanism a status quo should be maintained.

While concluding the meeting, it was agreed that another meeting will be shortly arranged after consultation with SROs and a review of practices followed in other jurisdictions to devise an appropriate way forward to address the concerns highlighted in today's meeting.

MEETING WITH THE OFFICIALS OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

A follow-up meeting was held with the relevant officials of SECP to discuss the following outstanding issues/amendments in the applicable Rules/Regulations:

- a) Introduction of Centralized Reporting Portal;
- b) Introduction/Implementation of the concept of Controlled Sub-Account; and
- c) BMC requirements for all three categories.

Positive feedback was shared by the team with the confirmation that the issues are being given due consideration

1.1. SESSION ON COMMON REPORTING STANDARD RULES

Officials of FBR visited the Pakistan Stock Exchange on the special request of PSBA for an exclusive session to discuss the AEOI reporting under CRS.







Available at
<https://psba.pk/annual-books/>

Pakistan Stock Exchange

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