



PAKISTAN STOCK BROKERS ASSOCIATION

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

Regd Office: Mezzanine Floor, Trading Hall, Stock Exchange Building, Stock Exchange Road,
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February 21, 2023

MR. FARRUKH H. KHAN
Chief Executive Officer
Pakistan Stock Exchange Ltd
Karachi.

MR. MUHAMMAD LUKMAN
Chief Executive Officer
National Clearing Company of Pakistan Limited
Karachi.

Subject: **MULTIPLE AUDITS/INSPECTIONS/REVIEWS**

Dear Sir(s),

This is with reference to the subject captioned above, we would like to draw your attention to the fact that a few of our members have received the following three audits back-to-back within three months:

1. Thematic Review on Securities and Exchange Commission of Pakistan (AML/CFT) Regulations, 2020;
2. System Audit as required under Pakistan Stock Exchange (PSX) Rule Book; and
3. Audit of Clearing Member as required under National Clearing Company (NCCPL) Regulations, 2015.

In this context, we wish to submit that the frequent audit notices issued by SROs have seriously affected the business of brokerage houses, especially when the report of the most recent JIT is still pending, completed by the same SROs and the audit scope is also similar to that of the most recent audit. The large cost, in the form of audit fees and staff members' engagement, associated with these audits, makes brokerage businesses difficult to sustain in these hard times.

It is important to mention here that due to the increased level of regulations, compliances, and audit requirements, 300-plus brokerage houses have already shut their businesses and we may expect more if we continue to follow the current practice. Needless to state that Pakistan is the only country where the number of brokers is going down rapidly. As over-regulation of any industry is almost always responsible for a host of unintended consequences, often exacerbating the original problem or creating new problems that are bigger than the ones it was meant to correct. It creates red tape, ignores the day-to-day realities of running a business, and places tremendous burdens on small businesses at a time when we need them most. The regulators and lawmakers must acknowledge that every industry has a range of institutions of varying sizes that operate in different ways.

In light of the foregoing, we humbly request your authority(ies) to put an end to this pattern that violates not only the business norms, standards, and basic principles of policies, but also the constitutionally guaranteed freedom of trade, business, and profession. Our stock market needs it now more than ever.

We look forward to a favorable consideration and working in collaboration for the common objective of market development and growth of the brokerage business, which is a necessity for not only the revenues of the Capital Market Entities but for the Stock Market as a whole.

Thanking you,

BILAL FAROOQ ZARDI
Secretary General

Cc: **MR. ABDUL REHMAN WARRAICH** – Commissioner SMD – SECP.
MR. BADIUDDIN AKBER – Chief Executive Officer – CDC.
MR. AJEET KUMAR – Chairman Oversight Committee – PSX.