



PAKISTAN STOCK
BROKERS ASSOCIATION

ANNUAL REPORT

2022 - 2023

WE AS AN ASSOCIATION

The Pakistan Stock Brokers Association (PSBA) is a prominent organization within the financial sector of Pakistan. Established to represent the interests of stockbrokers and securities professionals, PSBA plays a crucial role in shaping the country's capital market.

HISTORY & FORMATION: PSBA has evolved into a vital institution in the realm of financial services. It was established in response to the growing importance of the Pakistan Stock Exchange (PSX) and the need for a unified platform for stockbrokers to voice their concerns, share best practices, and work collectively towards the development of the capital market.

ADVOCACY: PSBA actively engages with regulatory authorities, government bodies, and other stakeholders to advocate for policies and regulations that foster a fair and transparent capital market environment.

PROFESSIONAL DEVELOPMENT: PSBA is dedicated to enhancing the professional competencies of its members. It conducts seminars, workshops, and training programs to ensure that brokers adhere to the highest standards of ethics and expertise.

MARKET INTEGRITY: PSBA places a strong emphasis on maintaining market integrity and investor protection. It collaborates with regulatory bodies to establish and uphold rules and guidelines that preserve market stability.

RESEARCH & INFORMATION SHARING: PSBA conducts research and analysis to provide its members and the public with valuable insights into market trends, investment opportunities, and risk assessment.

COMMUNITY BUILDING: PSBA fosters a sense of community among its members, facilitating networking opportunities and promoting a spirit of cooperation within the industry.

CONTRIBUTIONS TO THE CAPITAL MARKET: PSBA has made significant contributions to the growth and development of Pakistan's capital markets. It has played a pivotal role in shaping the regulatory framework, introducing innovative financial instruments, and fostering investor confidence. As a result, the Pakistan Stock Exchange has witnessed increased participation, improved liquidity, and greater stability.

FROM THE CHAIRMAN'S OFFICE

I am delighted to welcome you to the Annual Book for 2023, a reflection of another remarkable year in the world of stocks and investments.

In the pages that follow, you will discover stories of growth and opportunity. Our stock market journey is a testament to the collective efforts of our Executive Committee and unwavering support of our members.

The 2023 has shown us that even in challenging times, the spirit of innovation and collaboration shines bright in our community. As we continue to navigate the ever-changing landscape, let us remember the core values that bind us: trust, transparency, and integrity.

The past year has seen unprecedented shifts. Together, we adapt and evolve, creating new avenues for prosperity.

While acknowledging the progress made, it is essential to recognize that challenges remain. Addressing the issue of financial inclusion and expanding the investor base are among our primary goals. By focusing on education and awareness campaigns, we can empower individuals to become informed investors and participate actively in the Capital Market.

We look forward for all stakeholders to collaborate closely and harness the collective strength of our industry. Together, we can overcome challenges, forge new horizons, and create a brighter future for Pakistan's Capital Market. Let us embark on this journey with optimism and determination, knowing that our efforts today will shape the prosperity of tomorrow.

Thank you for being a part of the Pakistan Stock Brokers Association. Your dedication and passion are the driving force behind our progress.

AQEEL KARIM DHEDHI

SENIOR VICE-CHAIRMAN

I am honored to address you as the Senior Vice-Chairman of the Pakistan Stock Brokers Association in the Annual Book 2023. As we reflect on the past year, we acknowledge the dynamism displayed by our industry in the face of numerous challenges. The year 2023 was marked by a series of unexpected events and uncertainties that tested our mettle. From economic fluctuations we faced unique and unprecedented obstacles. However, I am proud to say that the PSBA stood tall amidst the storm, emerging even stronger and more determined than before.

Through this trying period, we have remained committed to serving our members and protecting their interests. Transparency, trust, and integrity have been our guiding principles as we strive to create a level playing field for all market participants. We firmly believe that by upholding these values, we not only enhance the credibility of our industry but also foster a conducive environment for sustainable growth. As the Senior Vice-Chairman, I am inspired by the dedication and camaraderie with our community. Together, we have navigated the ever-changing landscape, adapting to the winds of change while staying true to our values.

In the coming year, it is crucial that we stay adaptable and responsive to the evolving landscape of global financial markets. Technological advancements are reshaping our way of doing business. Embracing these innovations and leveraging their potential will position us at the forefront, enabling us to deliver superior services to our clients.

Lastly, I extend my heartfelt gratitude to all members of PSBA for their support and dedication that have brought us to where we stand today.

DR. YASIR MAHMOOD

VICE-CHAIRMAN

This year has been an incredible journey of growth, resilience, adaptability for our Association. In the midst of rapidly changing world, we have come together as a united front, demonstrating unwavering dedication and determination. Our collective efforts have not only weathered the storms but have also laid the foundation for a brighter future.

PSBA stands as a beacon of trust and credibility in the financial sector. We have worked. It has worked tirelessly to uphold the principles of transparency, integrity, and investor protection. It is through these values that we foster a culture of confidence among market participants, attracting both domestic and international investors alike.

Financial literacy and education continue to be paramount in our mission. We must strive to empower individuals from all walks of life with the knowledge and understanding to make informed investment decisions. BY doing so, we contribute to a financially inclusive society, unlocking the potential for economic growth and prosperity.

The past year has reminded us that change is the only constant in the financial world. And together, we have embraced this change, turning into opportunities for innovation and progress.

Here's another year of growth, learning, and shared success.

ZAHID LATIF KHAN

SECRETARY GENERAL

First and foremost, I want to express my gratitude to our esteemed members, whose dedication and hard work have been the pillars of our success. Your unwavering commitment to excellence has propelled us forward, even in the face of unprecedented challenges.

The year 2023 has been a testament to our resilience and adaptability. We have embraced change and innovation to navigate the ever-evolving financial landscape. The progressive mindset has allowed us to not only survive but to thrive in the midst of uncertainty.

I believe that the strength of PSBA lies in our ability to collaborate and foster strong relationships within the industry. By working together, we can create an inclusive and prosperous market that benefits all stakeholders.

To ensure sustained growth, it is imperative that we prioritize financial literacy and education. By equipping individuals with the knowledge and skills needed to make informed investment decisions, we empower them to participate actively in the stock market, driving economic progress for our nation. Moreover, in an era characterized by technological advancements, we must embrace digitalization and leverage its potential to transform our operations. Streamlining processes, enhancing efficiency, and providing seamless services to our valued clients are essential for our continued success.

In our pursuit of excellence, we must never lose sight of the principles that underpin our Association.

I would like to extend my gratitude to the Securities and Exchange Commission of Pakistan, and all three SROs for their constant support.

Within these pages, you will discover stories of growth, resilience, and the pursuit of excellence.

In closing, I extend my heartfelt appreciation to each and every individual who has contributed to the success of PSBA.

Wishing another year of shared accomplishments and growth.

BILAL FAROOQ ZARDI

THE EXECUTIVE COMMITTEE



**MR. AQEEL KARIM DHEDHI
CHAIRMAN**

Mr. Dhedhi is the founder and Chairman of the AKD Group. Led by his vision, the group has evolved into a vibrant set of business enterprises operating in key sectors of Pakistan's economy, including financial services, telecom, infrastructure, manufacturing, and natural resources. Mr. Dhedhi strongly believes in the 'first mover advantage and this philosophy is clearly seen in many of his initiatives.



**DR. YASIR MAHMOOD
SENIOR VICE-CHAIRMAN**

Dr. Yasir Mahmood runs one of the renowned brokerage houses at the Pakistan Stock Exchange under his own name since 1992. The firm deals in both equity and fixed-income securities. Mr. Mahmood has done his MBBS from Allama Iqbal Medical College and MBA from Lahore University of Management Sciences. His Professional Courses include Securities Clearance, Settlement, Accounting, International Corporate Finance, Financial Analysis & Portfolio Management, and Management of Stock Exchanges & Securities Companies.

He has also served in various positions which include Convenor Public Relations Committee Lahore Stock Exchange (LSE), Director Central Depository Company of Pakistan, Vice-President LSE, President LSE, Director Pakistan Credit Rating Agency (PACRA), Director Lahore Electric Supply Company (LESCO), Chairman LSE, Director National Clearing Corporation of Pakistan, Member Consultative Group on Capital Markets, and Chairman LESCO.



**MR. ZAHID LATIF KHAN
VICE-CHAIRMAN**

Mr. Khan is the Chairman of ISE Tower REIT Management Company Limited formerly known as Islamabad Stock Exchange Ltd. He is the CEO of Zahid Latif Khan Securities (Pvt.) Ltd, one of the premier and leading brokerage houses of Pakistan for the past 23 years. He is also a director of the Pakistan Mercantile Exchange (PMEX) and has associated himself by being one of the TREC Holders of the Pakistan Stock Exchange to promote it in various educational institutions, chamber of commerce, and other trade bodies.

Additionally, he laid down an extensive network of securities branches in several parts of the country to enhance market outreach. He has also been nominated as the Convener of the Central Committee for Foreign Affairs of the Federal Pakistan Chamber of Commerce and Industry. In this position,



CHAUDHARY M. AFZAL
EC MEMBER

Chaudhary M. Afzal is the Chief Executive Officer of Rahat Securities Limited, a brokerage firm of the Pakistan Stock Exchange. Rahat has launched its stock brokerage business which has grown exponentially during the last 25 years under his leadership. He has been at the forefront of innovation in investment & trading products and related services. He has also served on the Board of Directors of LSE, as nominee director to the board of PACRA. He has been instrumental in the development of securities trading at the Stock Exchange that catered to the need of upcountry investors.



MR. AZNEEM BILWANI
EC MEMBER

Mr. Bilwani is a member of the Executive Committee of the Pakistan Stock Brokers Association. His 20 years of dedication to work have awarded him with a diversified experience in the financial sector, primarily in the Capital Market, along with vast exposure in the manufacturing and Information Technology segment. Mr. Bilwani, has led its companies to become one of the leading brokerage houses in Pakistan. His leadership, technological insight, and domain expertise have strengthened the culture of innovation and expanded the companies into new markets.



MR. HAMAD NAZIR KEHAR
EC MEMBER

Mr. Kehar is the Managing Director of Axis Global Ltd., a brokerage firm of the Pakistan Stock Exchange. Mr. Kehar has over 22 years of rich experience specializing in investment banking and corporate strategy and has spent his career advising institutions & corporations on diversification, market entry, financial restructuring, mergers & acquisitions, and capital raising. He has his Bachelor's degree in MIS from the University of Alaska and post-graduation certification from Harvard University.



MR. JAHANZEB MIRZA
EC MEMBER

Mr. Mirza is the Chief Executive Officer of S.D Mirza Securities (Pvt.) Ltd. His knowledge regarding the investment environment and the structure of the financial markets has made S.D Mirza Securities a successful Equity Brokerage House. He has also served on the Board of LSE, Central Depository Company, and PACRA. He is BBA in Finance from the University of Houston, USA.

Mr. Mirza is a dynamic, progressive, and visionary entrepreneur. His endless desire to achieve perfection in client satisfaction and his ability to manage human resource has made the company a leading Stock Brokerage House.



MR. MUHAMMAD ADIL GHAFFAR
EC MEMBER

Mr. Ghaffar is the Chief Executive Officer of First Equity Modaraba. He is a fellow member of the Institute of Chartered Accountants of Pakistan and the Institute of Corporate Secretaries of Pakistan. He is also an active member of NBFI & Modaraba Association of Pakistan and has also served as a Chairman there. He plays an active role with his legal expertise in the Corporate Sector, especially in the Capital Market.

He is well versed in the local capital market dynamics and international practices of securities market regulations and is considered a dedicated professional who is analytical and detailed. He has expertise in policymaking, and applicable rules/regulations at Pakistan Stock Exchange and serves actively in the issues that require immediate legal attention and expertise.



MR. MUHAMMAD MUNIR KHANANI
EC MEMBER

Mr. Khanani is the Chief Executive Officer of M. Munir M. Ahmed Khanani Securities Limited which provides a wide range of premier brokerage and financial services in the field of equity brokerage. A self-made businessman having a great proficiency in establishing the business organization and taking new startup ventures to heights of efficient brokerage. He has also served on the board of the Pakistan Stock Exchange as a Director and as a member of the Arbitration Committee there.

He is one of the most active members of the Exchange and plays an active role in addressing the issues faced by the Brokers Fraternity.



MR. NOMAN ABDUL MAJEED ADAM
EC MEMBER

Mr. Adam is an Executive Director at Adam Securities Limited holding vast experience of over 10 years in the Securities Market, International Markets, and Commodities. He, with all his expertise, has made the Company one of the leading brokerage houses of the Pakistan Stock Exchange. He also plays an active role in fulfilling corporate social responsibility, as well as remains engaged with the fraternity in order to provide all the required assistance to them. He also provides his active assistance to the Capital Market Entities to further develop the market.



BILAL FAROOQ ZARDI
Secretary General

Mr. Zardi is a dedicated professional who brings a range of professional, board-level, and senior management industry experience of over 10 years. He has expertise in business development, marketing, operations, corporate laws, secretarial practices, audit & finance, and legal matters of the Company. He plays an instrumental role with all of his expertise in corporate laws to address the issues the members face. He is well versed in the local capital market dynamics and international practices of securities market regulations and is considered a dedicated professional who is analytical and detailed. He has expertise in policymaking, and applicable rules/regulations at Pakistan Stock Exchange and serves actively in the issues that require immediate legal attention and expertise.

He has also served in various committees, formed to develop the Capital Market. He also holds his expertise in managing the teams and ensuring timely deliveries. He also provides his active assistance to the Capital Market Entities to further develop the market.



Pakistan Stock Exchange Limited

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PSX held a gong ceremony to celebrate 20 years of commitment by the CFA Society Pakistan (CFASP) to promote excellence in the investment profession. The CFA Institute and CFASP have been working tirelessly to advance the highest standards of professional conduct, code of ethics, and professional excellence in investment and finance professions.

Mr. Nick Pollard, Managing Director, Asia Pacific, CFA Institute, Ms. Reseena Abdullah, Director, Partnerships & Client Solutions Asia Pacific, CFA Institute, Dr. Shamshad Akhtar, Chairperson PSX, along with senior representatives of CFASP, industry leaders and market participants from banks, brokerage houses, and businesses graced the event.



Awareness Sessions on Pakistan Capital & Commodities Market

Awareness Session on Capital Market with SZABIST Students

04 May 2023, Thursday | 11:30 AM



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04 May 2023, Thursday | 11:30 AM



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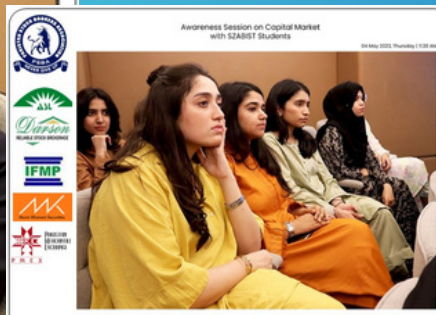
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Student and Faculty Members of Turbat University – Balochistan visited the Pakistan Stock Exchange



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PAKISTAN STOCK BROKERS ASSOCIATION, IN COLLABORATION WITH THE ADAM SECURITIES LIMITED, DARSON SECURITIES LIMITED, INSTITUTE OF THE FINANCIAL MARKETS OF PAKISTAN, AND MUHAMMAD MUNIR MUHAMMAD AHMED KHANANI SECURITIES LIMITED

CONDUCTED AN INVESTOR AWARENESS SESSION FOR STUDENTS OF ILMA UNIVERSITY. THIS EXERCISE WAS PART OF THE INDUSTRY AWARENESS PROGRAM OF PSBA TO DISSEMINATE INFORMATION AND SPREAD AWARENESS ABOUT FINANCIAL PLANNING, SAVINGS & INVESTMENT, AND THE FUNCTIONING OF THE STOCK EXCHANGE. THE STUDENTS WERE INFORMED ABOUT THE VARIOUS FUNCTIONS & OPERATIONS OF THE STOCK EXCHANGE ALONG WITH THE DIFFERENT ASSET CLASSES OF INVESTMENT AVAILABLE IN PAKISTAN. THE IMPORTANCE OF LISTING FOR CAPITAL RAISING AND INCREASING THE VISIBILITY & OVERALL IMAGE OF COMPANIES THROUGH LISTING WAS ALSO EXPLAINED TO THE STUDENTS.

<https://www.facebook.com/100063934156774/posts/pfbidO34D4w7gpeEVIZgZK8PrU45UyJRexhRxN3ZXVisNmtBdcBsiMb5ksN3BF4VLh6LUZcl/?app=fbi>

<https://twitter.com/psbassociation/status/1615589093727166464>

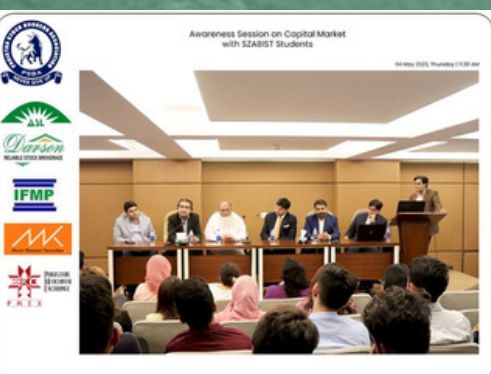


AWARENESS SESSION FOR THE STUDENTS OF ROOTS INTERNATIONAL SCHOOLS



<https://www.facebook.com/PSXAssociation/posts/pfbidOEQ22bMQHIZatZrFqnDS39WRkNkok5w3DeUnPqbvf9uq5Lks2He7h96mZURAvKcO4I>

<https://twitter.com/psbassociation/status/1621057245864947712>



VISIT OF ILMA UNIVERSITY FOR INVESTOR AWARENESS SESSION



Pakistan Stock Exchange signed an MoU with the Chartered Institute for Securities & Investment (CISI), UK, and the Institute of Financial Markets of Pakistan (IFMP), marking a landmark agreement for the enhancement of the Capital Market's human resources.

Mr. Bilal Farooq Zardi, Secretary General - PSBA, attended the event and congratulated the PSX and IFMP team for starting and formalizing this highly beneficial MoU between PSX, IFMP, and CISI.



A delegation from the Pakistan Stock Brokers Association and Institute of Financial Markets of Pakistan visited National Incubation Center Karachi to discuss investment opportunities in Pakistani startups with the management teams of NIC and IGNITE. It was decided that a close liaison will be established with both IGNITE and NIC to explore opportunities where all these organizations would work together to boost the startup culture in Pakistan. Ways to promote investor knowledge were also discussed. It was concluded that investor education is necessary to help the startup ecosystem in Pakistan to grow. It was further decided that follow-up meetings amongst all the stakeholders would be conducted to chalk out a plan of collaboration where all parties could work together to promote investor education. Mr. Bilal Farooq Zardi, Secretary General represented the Pakistan Stock Brokers Association. Mr. Mobashar Sadik CEO, was present from the side of the Institute of Financial Markets of Pakistan. Bilal Abbasi, GM of projects hosted the event from the side of IGNITE whereas Mr. Ahmad Junaid, Manager of Marketing and partnership, represented NIC. Our special thanks to Mr. Khurram Saleem joint director of special initiatives Ministry of IT and Telecom for organizing the meetup and sparing time for the entire activity.



AWARENESS SESSION FOR THE STUDENTS OF BENAZIR BHUTTO UNIVERSITY Z INTERNATIONAL SCHOOLS





CISI/PSX/PSBA/IFMP Informational Webinar

The Institute of Financial Markets of Pakistan (IFMP), and The Chartered Institute of Securities and Investments (CISI-UK) have joined forces to launch joint-certification programs with the support of the Pakistan Stock Exchange (PSX). The programs are called the International Certificate in Wealth and Investment Management (ICWIM-Pakistan) & The Certificate in Securities (Pakistan), designed to enhance capacity, skills, and integrity in Pakistan's financial markets, thereby instilling confidence in foreign investors. The webinar will address queries of all concerned providing necessary information regarding way of acquiring these internationally recognised qualifications.

- 4:00 PM Opening Remarks by Mr. Bilal Farooq Zardi, Secretary General/CEO PSBA
- 4:05 PM Welcome address by Mr. Jawad H. Hashmi, General Manager, Chief Market Operations Officer, PSX
- 4:10pm Collaboration between IFMP & CISI- An introduction by Mr. Mobashar Sadik, CEO IFMP
- 4:20pm CISI qualifications-Skill development with global recognition Presentation by Ms. Helena Wilson- Assistant Director Global Business Development- CISI
- 4:40pm Vote of thanks by Ms. Asma Elahi, Director Delta International
- 4:45pm Q&A



May 24th
16:00 - 17:00 PST



Recording... LIVE Facebook

You are viewing Helena Wilson, Chartered Inst...
View Options

What is Professionalism?

Knowledge

Skills

Professionalism

Behaviour

BILAL FAROOQ ZARDI

Helena Wilson, Chartered Institute f...

Mobashar Sadik

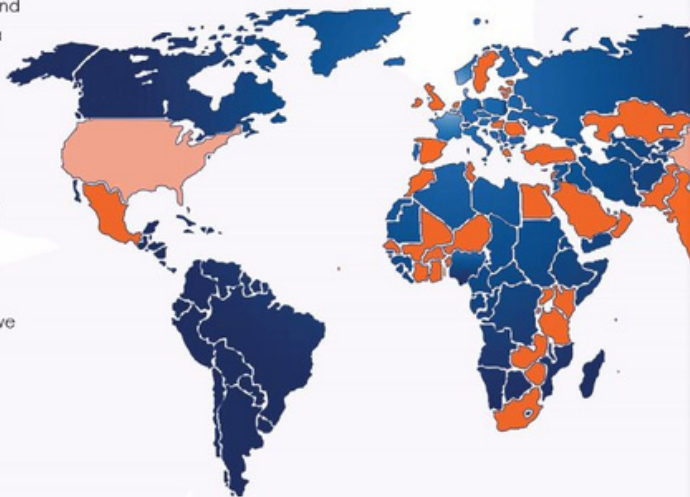
Mobashar Sadik

Jawad Hashmi

Global Regulatory Connections

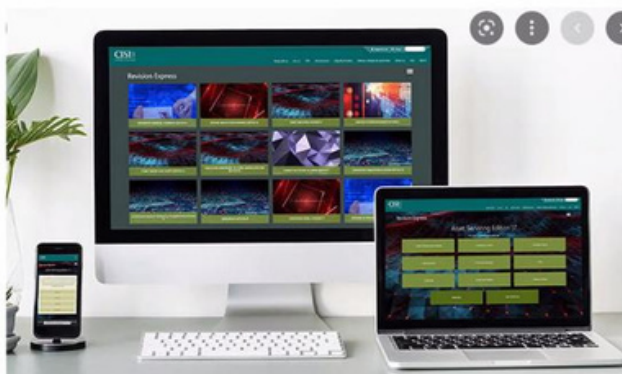
Formal links in 74 jurisdictions

- Anguilla
- Antigua and Barbuda
- Bahamas
- Bangladesh
- Bahrain
- Benin
- Burkina Faso
- China*
- Côte-d'Ivoire
- Cyprus
- Dominica
- Egypt
- Estonia
- Ghana
- Gibraltar
- Greece
- Grenada
- Guernsey
- Guinea-Bissau
- Hong Kong
- India
- Ireland
- Isle of Man
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kuwait
- Labuan
- Laos
- Latvia
- Lebanon
- Lithuania
- Luxembourg
- Malaysia
- Mali
- Malta
- Mauritius
- Mexico
- Montserrat
- Netherlands
- Niger
- Oman
- Pakistan
- Palestine
- Philippines
- Qatar
- Romania
- Rwanda
- Saint Lucia
- Saint Vincent and the Grenadines
- Saint Kitts and Nevis
- Saudi Arabia
- Senegal
- Seychelles
- Singapore
- South Africa
- Spain
- Sri Lanka
- Sweden
- Switzerland
- Tanzania
- Tunisia
- Turkey
- Thailand
- Togo
- UAE
- Uganda
- UK
- USA
- Zambia
- Zimbabwe



What are my studying options?

Self Study



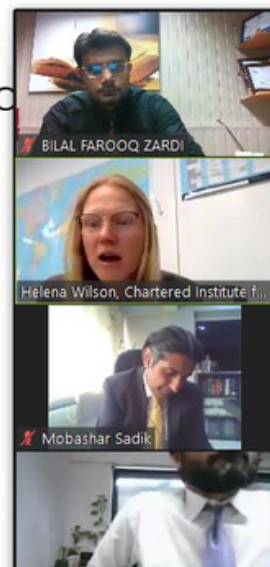
The CISI has a variety of help you prepare for your exam

Sample papers

Study tips

Exam information

Revision Express



CISI Professional Qualifications

- **SUPPORT EMPLOYABILITY**
- **Industry driven**
- Every exam syllabus produced and reviewed by panels of industry practitioners and experts.
- Questions are practitioner moderated to ensure they are up-to-date and relevant
- Benchmark qualifications across the financial services spectrum - operations, retail, wholesale, front, back and middle office.





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,
Off I.I. Chundrigar Road, Karachi.

Tel: 021-32401278, E-mail: secretariat@psba.pk, Web: www.psba.pk, Fax: 021-32401279

PRESS RELEASE

May 30, 2023

"Minister of State - Reforms & Resource Mobilization Commission and Pakistan Stock Brokers Association"

(Tuesday, May 30, 2023, Islamabad): The Honorable Minister of State, Reforms & Resource Mobilization Commission (RRMC), Mr. Ashfaq Tola held a meeting with the delegation of the Pakistan Stock Brokers Association (PSBA), comprised of Mr. Bilal Farooq Zardi- Secretary General, Mr. Hamad Nazir Kehar- Executive Committee (EC) Member, Mr. Muhammad Adil Ghaffar- EC Member and Mr. Muhammad Munir Khanani- EC Member, to discuss the budget proposals submitted by PSBA. The meeting was conducted to consider the proposals and suggest measures to boost the capital market.

The representatives of PSBA had a detailed discussion, outlining the challenges faced by the industry and suggesting measures to overcome them. The proposals included a list of suggestions aimed at boosting market participation, developing policies that are advantageous for investments, improving transparency, and lowering red tape & regulatory barriers.

The presentation impressed Mr. Tola, who expressed his willingness to collaborate with the business community in order to create policies, procedures, and a tax system that promote investment at the capital market which is a well documented and tax compliant sector of Pakistan.

Speaking on the occasion Mr. Zardi said that we are thankful to Mr. Tola for granting us a patient hearing and that PSBA is pleased to witness the positive response of his good authority. We are hopeful that the proposals will lead to the development of a robust capital market and create new avenues for investments, benefiting all the stakeholders. PSBA also expresses its confidence that the proposed measures, if implemented effectively, could help the government achieve its goals of boosting economic growth, attracting more investments, and creating employment opportunities.

The meeting ended on a positive note, with both the RRMC and PSBA representatives committed to working together to further the growth of the Pakistan Stock Market.

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Time: 04:45 PM - 05:45PM

02-JUNE-2023 Friday

PACRA

is holding a session on **BFR** for Securities Brokers in collaboration with **Pakistan Stock Brokers Association**

BFR: "Broker Fiduciary Rating" for Stock Brokers

Venue: PSX, Karachi

What is BFR?

PACRA's Broker Fiduciary Rating is an independent opinion on a broker's quality of management and client services, and sustainability of operations.

Why BFR?

- In case of a Trading and Self Clearing Broker which does not obtain Broker Fiduciary Rating, the limit of assets under custody shall be 15 times of its net worth and the assets under custody shall not include proprietary assets and the assets owned by its sponsors, directors and their close relatives.
- Trading and Self Clearing Broker maintains a minimum Broker Fiduciary Rating of BFR 2, as may be specified by the Commission, from a credit rating company licensed by the Commission and disclose such rating at all times on its website and all advertisements.

Benefits of BFR

Enhanced Credibility and Trust

- Assures clients of rigorous evaluation and financial stability.
- Demonstrates sound risk management practices and regulatory compliance.

Competitive Advantage

- Distinguishes the broker as financially strong and reliable entity.
- Attracts clients seeking brokers with solid financial standing.

Better Access to Capital

- Favorable BFR rating improves access to capital from financial institutions.
- Easier to secure loans, credit facilities, and financing for business operations and expansion.

Compliance with Regulatory Standards

- Obtaining a BFR rating demonstrates commitment to regulatory requirements.
- Builds improved relationships with regulators and reduces the risk of penalties or legal issues.

GET IN TOUCH

0346-2578624
021-35632601

Syed Ali Shah, PACRA
Karachi Office, PACRA

VENUE: Stock Exchange Building, Stock
Exchange Road, Karachi-74000, Pakistan.

www.pacra.com

Session on Broker Fiduciary Rating for Stock Brokers, conducted in collaboration with the #PACRA



The First International Islamic Capital Market Conference held on May 29, 2023



Meeting with the Chief Commissioner, Inland Revenue - FBR, to discuss the De-Registrations in light of the 18th Amendment in the Constitution.





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PSBA/Notice-100

June 6, 2023

NOTICE FOR MEMBERS

Joint Session by CDC, NCCPL, PSBA, and PSX on Centralized Gateway Portal (CGP)

Respected Members,

SECP Circular No. 06 of 2023 "Centralized Digital Onboarding Mechanism for all Asset Classes" dated April 19, 2023, formally mandates CDC to launch the Centralized Gateway Portal. Extract from the circular:

"In order to facilitate a uniform process for onboarding of customers, SECP hereby allows Central Depository Company of Pakistan Limited (CDC) to provide a Centralized Gateway Portal (CGP) for onboarding of 'individual' resident customers by the specified regulated intermediaries.

In continuation of a previous introductory session conducted jointly by CDC, NCCPL, PSBA, and PSX on June 13, 2022, we are pleased to announce that we are once again collaborating in holding a webinar session to brief the Broker Participants on the concept of Centralized Gateway Portal and the salient features of SECP Circular 06 of 2023.

The details of the session are as follows:

Date: June 07, 2023

Time: 04:00 PM

Organizers: CDC, NCCPL, PSBA, and PSX

Venue: Over Zoom

The Zoom Details are as follows:

Meeting ID: 304 678 0368

Password: CDC2022

Zoom Link: <https://us06web.zoom.us/j/3046780368?pwd=NC9tNHRCK29iNnQ3b2Qybnh1R3Zxdz09>

Thank you,

sd

AKBER ALI

Officer - Secretariat

Copy to:

1. PSBA Website



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SECRETARIAT

June 27, 2023

CHANGES IN THE FINANCE BILL 2023

CAPITAL MARKET

INCOME TAX ORDINANCE, 2001

a) Public Offering

In section 37A, in sub-section (1), for the second proviso, the following shall be substituted, namely: –

“Provided further that this section shall not apply to the disposal of shares –

- (i) of a listed company made otherwise than through registered stock exchange and which are not settled through NCCPL;
- (ii) through initial public offer during listing process except where the detail of such disposal is furnished to NCCPL for computation of capital gains and tax thereon under this section,

and the provisions of section 37 shall apply on such disposal of shares of a listed company or disposal of shares through initial public offer, accordingly.”;

Impact:

Through the Finance (Supplementary) Act, 2023, capital gains arising on the disposal of shares of a listed company that is made otherwise than through the stock exchange and which are not settled through NCCPL, were taxed under section 37 of the Ordinance. The said amendment had resulted in unwarranted tax implications on public offerings of listed securities.

Through an amendment made by the Finance Act, 2023, disposal of shares through initial public offer during the listing process will remain subject to tax under section 37A of the Ordinance provided the details of such disposal are furnished to NCCPL for the computation of Capital Gains and tax thereon.

a) Securities acquired prior to July 1, 2013

In the First Schedule, – (A) in Part I, – (1B) in Division VII, in the first proviso, for paragraph (ii), the following shall be substituted, namely: –

“(ii) the rate of 12.5% tax shall be charged on capital gain arising on disposal where the securities are acquired on or after the first day of July, 2013 but on or before the 30th day of June, 2022; and

(iii) the rate of 0% tax shall be charged on capital gain arising on disposal where the securities are acquired before the first day of July, 2013;”;

Impact:

At present, capital gains arising on the disposal of securities that are acquired before July 1, 2013, are subject to tax at the rate of 12.5%. Through the Finance Act, 2013, capital gains arising on the disposal of such securities will be subject to tax at 0%. The said amendment has resolved the unwarranted anomaly, that arose due to an amendment made through the Finance Act, 2022.

Disclaimer

This document is a snapshot of the changes – regarding the securities trade in the Stock Exchange – brought into Finance Bill, 2023 vide Finance Act, 2023. It is provided solely for the information of members of the Pakistan Stock Brokers Association. It does not constitute advice neither PSBA nor any of its officers accept any liability or responsibility. Readers should rely on their own inquiries, references, and analysis in making any decision or taking any action that affects them.



PSX & PSBA CORDIALLY INVITE YOU TO A
GATHERING TO PAY TRIBUTE TO &
SHARE MEMORIES OF



(LATE) MR. YASIN LAKHANI

ON
JUNE 20TH 2025 FROM 5:00 PM TO 6:10 PM

at
PSX Auditorium
3rd Floor, Admin Block
Stock Exchange Road, Karachi

RSVP
Mr. Saleem Ahmed
Contact: +92-21-35274317
Email: Saleem.ahmed@psx.com.pk

Guests arrival from 4:45 pm
Program starts at 5:00 pm (sharp)



GATHERING TO PAY TRIBUTE TO &
SHARE MEMORIES OF
(LATE) MR. YASIN LAKHANI



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(LATE) MR. YASIN LAKHANI



GATHERING TO PAY TRIBUTE TO & SHARE MEMORIES OF (LATE) MR. YASIN LAKHANI



GATHERING TO PAY TRIBUTE TO & SHARE MEMORIES OF (LATE) MR. YASIN LAKHANI



GATHERING TO PAY TRIBUTE TO & SHARE MEMORIES OF (LATE) MR. YASIN LAKHANI

Meeting with the delegation of Pakistan Mercantile Exchange to discuss industry matters and exchange ideas to work collaboratively to address its challenges and opportunities.

#PMEX #PSBA #Industry Collaborations



INVEST IN OPPORTUNITY



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,
Off I.I Chundrigar Road, Karachi.

Tel: 021-32401278, E-mail: secretariat@psba.pk, Web: www.psba.pk, Fax: 021-32401279

PSBA/Notice-104

July 7, 2023

NOTICE FOR MEMBERS

BRIEFING SESSION ON PROPOSED AMENDMENTS TO PSX REGULATIONS

Respected Members,

This is in continuation to our notice PSBA/Notice-103 dated July 4, 2023, inviting comments on proposed amendments to its Regulations by the Pakistan Stock Exchange (PSX).

We are pleased to invite you to a briefing session on the said amendments. In this session, officials from the PSX will be present to provide you with a comprehensive overview of the proposed amendments, including their rationale, implications, and anticipated benefits.

This briefing session aims to facilitate an open discussion and address any concerns or queries you may have regarding these proposed changes.

Date: July 12, 2023

Time: 4:00 PM

Link: <https://us02web.zoom.us/j/88219564434?pwd=eDVSWFhpa082YnpabUtxZ0FwZGRXUT09>

Meeting ID: 882 1956 4434

Passcode: 901142

We encourage all members to attend and actively participate in this session to gain a deeper understanding of the proposed changes and offer valuable feedback.

Looking forward to your maximum participation.

Thank you,

sd

AKBER ALI

Officer - Secretariat

Encl: Above discussed amendments

Copy to: PSBA Website

One Share Marketable Lot:

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.

Review of THIMS (Reporting Portal)

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 nonreporting, 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.

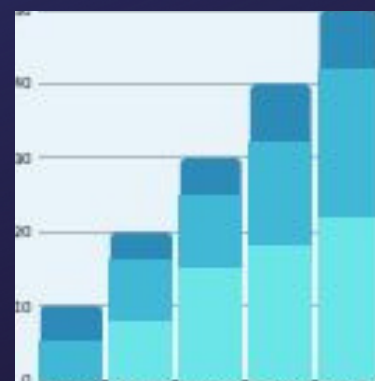
III) New Trading System (NTS): It has been agreed by the Chairman PSBA that the method proposed by PSX for volume allocation on the basis of time, and price in the pre-open session is fairer and should, therefore, be implemented in NTS.

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 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.

EXCLUSIVE SESSION ON AMENDMENTS TO PSX RULE BOOK

To meet PSBA's recommendations, PSX proposed amendments to its Rule Book regarding exclusion of CEOs, Directors, Sponsors, and Substantial Shareholders' securities from Base Minimum Capital (BMC) calculation.

NEW TRADING SYSTEM (NTS) UPDATE SESSION

PSX and PSBA jointly organized a dedicated training session for the New Trading Terminal (NTT) for the members

AMENDMENTS IN CDC REGULATIONS RELATING TO PLEDGING OF SHARES

The CDC Regulations have been amended in response to PSBA's recommendations. As a result, majority shareholders, sponsors, directors, chief executive officers, or their close relatives are not required to provide pledge authorization for each pledge transaction. To pledge securities, such persons must submit a written authorization and indemnity biannually.

REFORMS COMMITTEE CONSTITUTED BY SECP

During the joint session conducted by SECP and PSX with the brokerage industry, it was announced by SECP Chairman that a working group/committee that includes representatives from the brokerage industry, PSX, CDC, NCCPL, and SECP will be constituted to discuss the issues raised during the session as well as some additional concerns raised on different forums.

To that end, the PSBA Secretary General was nominated to serve on the aforementioned committee. Reform recommendations were submitted for the actionable items discussed in detail.

CONCLUSIVE SESSION ON THE CENTRALIZED GATEWAY PORTAL AND CONTROLLED SUB-ACCOUNT

It is important to acknowledge the difficulties our members face with maintaining sub-accounts in which a few are either out of contact with or not interested in maintaining them with the participants, and do not cooperate in transferring the available securities to another account. In this scenario, and in light of PSBA's proposal, necessary amendments have been made to the CDC Regulations, whereby, the CDC has introduced the concept of Controlled Sub-Account (CSA). As per the revised Regulations, such accounts shall be categorized as Dormant Accounts subject to the procedures to follow.

AMENDMENTS RELATING TO LIQUID CAPITAL BALANCE

While accepting a few proposals, the SECP made amendments to the Securities Brokers (Licensing and Operations) Regulations, 2016, relating to the computation of Liquid Capital Statements by the Securities Brokers.

MEETING WITH THE CHAIRMAN AND ADVISOR SIDH REVENUE BOARD

PSBA had a productive meeting with the SRB Officials with respect to the notices received by its members for the registration of their Equity Dealers. The legal status of these professionals was discussed in light of the applicable laws, wherein, the PSBA was assured that no further notices will be issued till the conclusion.

MEETING WITH CHAIRMAN SECP DURING HIS VISIT TO KARACHI

PSBA had a follow-up with the Chairman SECP and his team during the Karachi visit to discuss the pending items with them for their consideration and carry out necessary amendments to the relevant Regulations.

EXPOSURE VISIT OF FACULTY AND STUDENTS OF TURBAT UNIVERSITY

PSBA under the Investor Awareness Program arranged an exposure visit for the students of the Management Sciences and Commerce Department of Turbat University at the Pakistan Stock Exchange and also at Pakistan Mercantile Exchange.

VISIT OF THE SENIOR MANAGEMENT OF PAKISTAN MERCANTILE EXCHANGE TO PSBA

The senior management of PMEX led by its Managing Director, visited the PSBA to discuss on the joint efforts for the common interests of Stock and Commodity Brokers. Collaboration is in the process.



AMENDMENTS TO NCCPL REGULATIONS

In accordance with the PSBA's recommendations, NCCPL made amendments to its Regulations. Whereby, AI shall be able to submit multiple IBANs/mobile numbers in KIS against their customers that have completed their KYC process and have been issued a Unique KYC Number (UKN) by CKO. The feature also allows the selection of secondary IBAN/mobile numbers for each customer. Respective report for multiple IBAN/mobile number screen has been made available in KIS.

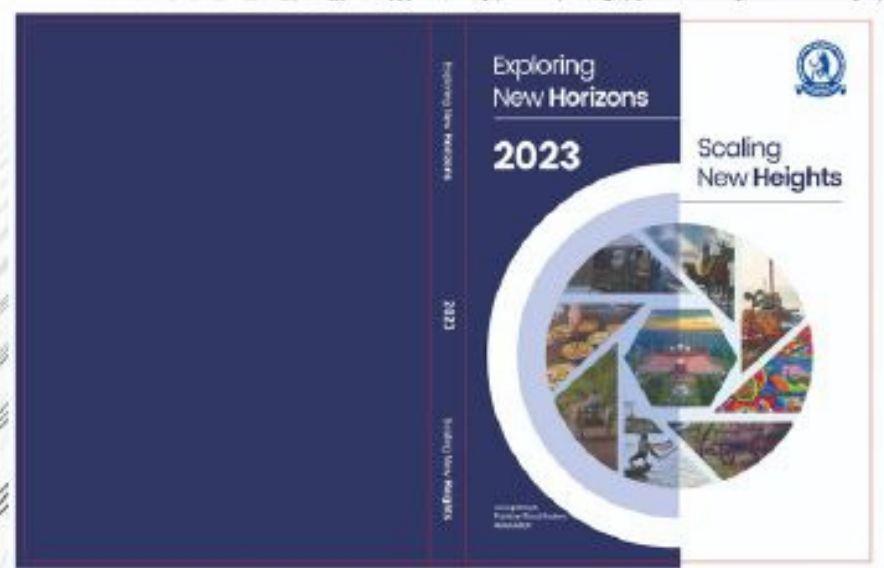
AMENDMENTS TO NCCPL CKO REGULATIONS

In accordance with the PSBA's recommendations with respect to improvements in the Margin Financing System "MFS". NCCPL made amendments, whereby accrued markup could be recovered by the Margin Financier from Margin Finantee at regular intervals before the maturity of the MF Transaction. This will facilitate the Financier by improving its liquidity position due to the periodic recovery of a markup over the term of the MF Transaction.

EXPOSURE VISIT OF FACULTY AND STUDENTS OF DOW UNIVERSITY

PSBA under the Investor Awareness Program arranged an exposure visit for the students of the Management Sciences and Commerce Department of Turbat University at the Pakistan Stock Exchange and also at Pakistan Mercantile Exchange.

PUBLICATION OF ANNUAL DIARY 2023



MEETING WITH CHAIRMAN SECURITIES & EXCHANGE COMMISSION OF PAKISTAN (Continuous engagement with market participants)

The Executive Committee and Secretary General PSBA had a meeting with the Chairman SECP and his team during their visit to Karachi. Proposals to facilitate the brokerage industry have been submitted requesting to provide ease of doing business, necessary simplification of regulatory requirements, and elimination of duplication to reduce costs and improve efficiency. It was also emphasized to utilize shared KYC mechanisms and digital onboarding facilities to increase the investor base in Pakistan.

[HTTPS://DPS.PSX.COM.PK/DOWNLOAD
/ATTACHMENT/202482-1.PDF](https://dps.psx.com.pk/download/attachment/202482-1.pdf)

ON THE REQUEST OF PSBA, THE SECP
IN ORDER TO FACILITATE THE MARKET
PARTICIPANTS FOR ENSURING
COMPLIANCE WITH THE NEW REGIME IN
A PHASED MANNER AND CONSIDERING
THE CURRENT ECONOMIC CONDITIONS
HAS EXTENDED THE TIMELINE FOR
ENHANCEMENT OF MINIMUM NET
WORTH REQUIREMENT FOR TRADING &
SELF-CLEARING BROKERS

ITEMS:

1. SAHULAT ACCOUNT:

- *Increase the limit of investment through Sahulat Account
- *Provide clarity on the risk assessment of Sahulat Account Holders

2. MARGIN FINANCING:

To explore the possibilities of allowing margin financing to money market funds

3. COMPLIANCE WITH BROKERS REGULATIONS 2016:

- To enforce the requirement of section 16 (1) (n) of the Securities Brokers (Licensing and Operations) Regulations, 2016, whereby, all Securities Brokers must maintain the membership of the Association
- To extend the timeline for enhancement of the Minimum Net Worth requirement for the Trading & Self Clearing brokers

4. COMPLIANCE WITH AML/CFT REGULATORY FRAMEWORK:

- To finalize the recommendations/paper submitted by AML/CFT Working Group in December 2021 to seek further clarity from the Commission
- *Filing of appeal by the aggrieved TRE Certificate Holders

5. To regularize Short Sell

6. Shareholding of National Commodity Exchange Building

7. Maintaining Minimum Net Worth by the Commodity Brokers

8. Utilization of Settlement Guarantee Fund if in case of an eventuality at PMEX

<https://www.secp.gov.pk/wp-content/uploads/2023/01/Press-Release-Jan-4-Chairman-SECP-for-continuous-engagement-with-market-participants.pdf>

PSBA and IFMP Seminar

PSBA in collaboration with IFMP conducted a one-hour seminar for the securities brokers to cover the topic of Economic Challenges and Stock Market Performance from - Global Perspective.

EXPOSURE MARGINS

BASED ON VARIOUS DISCUSSIONS WITH PAKISTAN STOCK BROKER ASSOCIATION (PSBA), IT WAS REQUESTED BY THE MARKET PARTICIPANTS THAT THE EXISTING MARGIN COLLECTION MECHANISM SHOULD BE RECONSIDERED REGARDING THE COLLECTION OF MARGIN DEMAND ON NETTED TRADES IN TERMS OF VOLUME IN THE SAME SCRIP ON THE SAME UIN AND SAME SETTLEMENT DATE/CONTRACT. NCCPL HAS SUCCESSFULLY IMPLEMENTED CHANGES ON THE POST-TRADE RMS SYSTEM IN READY/GEM MARKETS IN OCTOBER 2022 WHERE EXPOSURE MARGINS ARE COLLECTED ONLY ON THE DIFFERENTIAL AMOUNT OF NETTED TRADES, AND IT HAS NOW BEEN IMPLEMENTED FOR DFC TRADES AS WELL.

MEETING WITH THE CHAIRMAN AND OFFICIALS OF SECP ON THE NEW TRADING SYSTEM

The Chairman, of the Securities & Exchange Commission of Pakistan, Akif Saeed met with representatives of the brokerage industry to deliberate the successful re-launch of the New Trading System (NTS) at the Pakistan Stock Exchange (PSX). The Chairman was accompanied by Commissioner SECP, Mr. Abdul Rehman Warraich, and the SECP team, including Ms. Musarat Jabeen, Executive Director, Chairman's Secretariat, and Mr. Asif Iqbal, Head of Department, PRDD-SMD. The Chairman SECP and his team were apprised of the experiences, including the issues and challenges, faced by brokerage houses during mock tests of Jade Trading Terminal (JTT) and other ancillary systems that PSX has recently conducted to ensure successful testing of the functionalities and speed prior to going-live with NTS. The Chairman, SECP, stressed the importance of continuous collaboration and communication amongst all stakeholders for the successful re-launch of NTS at PSX. Further, he also ensured to provide the necessary support to all relevant stakeholders, as a timely and smooth launch of the NTS is critical for the introduction of new products, the development of the derivative market, and the overall progress of the capital market in Pakistan

PSX Amendments relating to defaulters counter

<https://dps.psx.com.pk/download/attachment/201269-1.pdf>

Pakistan Stock Brokers Association and Pakistan Stock Exchange had a meeting with Mr. Ashfaq Tola, Chairman Reforms and Resource Mobilisation Commission, and his team to discuss the PSX Federal Budget Proposals 2023-24.

BUDGET PROPOSALS

1. CAPITAL GAIN TAX - SECTION 37A OF IT ORDINANCE, 2001

The present rate of 12.5% is exorbitant and amounts to discouraging investment in Capital Market. To encourage investment in stocks for longer periods, there should be no tax where the holding period is equal to or exceeds 3 years.

PROPOSAL

(i) It is proposed to bring down the current rate of 12.5% on the disposal of securities in the Deliverable Futures Contract (DFC) market of the Pakistan Stock Exchange (PSX) in line with 5% in Pakistan Mercantile Exchange (PMEX) as this futures market is the same as the DFC market of PSX.

(ii) It is proposed that the ambiguity so created by the Finance Bill 2021 and 2022, regarding the holding period from 2013 to 2016, may please be addressed. And the tax rate may please be made 7.5% for the stated period as it used to be prior to the Finance Bill 2021.

(iii) We propose to incentivize the investors by spreading CGT on other markets except for DFC as per the following slabs:

Where the holding period is less than a year

10%

Where the holding period is less than two(2) years but more than or equal to one(1) year

7.5%

Where the holding period is less than three(3) years but more than or equal to two(2) years

5%

Where the holding period is equal to three(3) years or more

0%

2. DEFINITION OF THE TERM SECURITY - SECTION 37A OF INCOME TAX (IT) ORDINANCE, 2001

The newly added section 37A (3B) has not resolved the issue, of how the holding period of a security is to be determined. The below explanation not only attends to that issue but also the issue of the term "security". In view of the nature of amendment in the form of "explanation" the question of its retrospective application also does not arise. Once the below explanation is added, the newly added section (3B) may be deleted as being redundant.

PROPOSAL

(i) To save Pakistan's Capital Market, an explanation (proposed below) may be got added to section 37A (3) of the IT Ordinance, 2001 so that the damage may be controlled. And, the newly added section (3B) may be deleted as being redundant.

EXPLANATION

"For removal of doubt, it is clarified that for the purposes of this section, the share of a company, disposed off in a tax year for which the company has the status of a public company, "becomes a security" with effect from the date of acquisition, irrespective of the status of said company at the time of the acquisition of the said share."

3. TAX ON DIVIDENDS - SECTION 5 OF IT ORDINANCE, 2001

The present tax rate on the dividend is confiscatory and has discouraged investment in stocks which in turn has slowed down the process of industrialization.

Reducing the tax rate would generate more investment in stocks and thus more revenue for the Federal Government.

Furthermore, the dividend is paid out of the tax-paid income of the company, tax on the dividend amounts to triple

taxation of the same income, therefore, the government should introduce a mechanism to remove triple taxation of the company's profits;

- a) Once in the hands of the company;
- b) Once in the hands of the sponsors; and
- c) Once in the hands of shareholders as dividends

PROPOSAL

(i) Rationalize the current tax rate on dividends to 10%.

(ii) The tax rate is 25% in case of a person receiving a dividend from a company where no tax is payable by such company due to exemption of income or carries forward of business losses or claim of the tax credit, thus 50% for non-filers which is more than normal tax regime of 29%. It is therefore proposed that the tax rate is exorbitant for such a category, and may please be reduced.

4. TO INCREASE THE NUMBER OF UNIQUE IDENTIFICATION NUMBERS (UIN) IN THE STOCK MARKET AND CATER TO LOW-INCOME GROUPS, RETIRED, WIDOWS, AND ORPHANS

In Pakistan, the percentage of investment and savings to GDP is relatively very low. The number of current UINs (approx. 250k in a population of 220m) clearly reflects that some sweetener must be offered to increase the same. In order to encourage individuals to save/invest in equity markets, a tax exemption threshold may please be introduced. It is therefore recommended that the following threshold be offered in a tax year only for individuals:

- a) For Capital Gains of Rs.1 million; and
- b) For dividend income Rs.1 million.

This sweetener, to individuals only, will bring in more UINs, and slowly & gradually individuals will be in the tax net, and will pave the way to increase Pakistan's ratio of investment/savings to GDP.

MEETING WITH OVERSIGHT COMMITTEE MEMBERS TO DISCUSS THEMATIC REVIEWS OF TRADING ONLY SECURITIES BROKERS

The Chairman Oversight Committee thanked all the members for participating in the meeting and initiated the proceedings by giving the background on the matter of carrying out the Thematic Review/ Inspection of TO Brokers. The following procedures were agreed upon among the participants:

1. The Thematic Review Notice will be issued to TO Brokers under copy to ESL.
2. Considering the concerns raised by TO Brokers, the proposed requirement for obtaining the consent of TO Brokers and the consent form for authorizing ESL to share information of TO Brokers with JIT will be removed. However, the Thematic Review/Inspection Notice will be amended to include a provision to that effect.
3. The Inspection Team will obtain data/information from TO Brokers in relation to areas/functions performed by them.
4. The Inspection Team will obtain data/information directly from ESL in relation to areas/ functions performed by it under copy/intimation to the concerned broker.
5. The Inspection Team will obtain management comments from TO Broker in relation to observations relating to areas/functions performed by it.
6. The complete list of areas/functions performed by ESL shall be shared by it with TO Brokers/all others for their information and clarity from the beginning.
7. The Inspection Team will obtain comments directly from ESL in relation to observations relating to areas /functions performed by it under copy/intimation to the concerned TO Broker.
8. Observations highlighted by Inspection Team relating to trading accounts that are migrated to ESL will be shared directly with ESL and ESL will be coordinating for arranging the requisite data/ information from TO Broker in respect of such accounts/ observations.
9. Observations/Breaches relating to areas/functions performed by ESL will be documented in its name in the inspection finding report.
10. Observations/Breaches relating to areas/functions performed by TO Broker will be documented in its name in the inspection finding report.

The above-agreed procedures should be communicated to SECP for its information

In addition to the above-highlighted points, the TO Brokers informed that some of the brokers have been penalized in the past on account of incomplete information of some customers relating to KYC/CDD. They highlighted that brokers made efforts to contact those customers with the aim to obtain the updated/missing information however the customers neither respond to them nor they provide updated information. For those customers, TO Brokers stated that the broker's efforts should be assessed and documented in the report.

Minimum Information Security Standards for Compliance by Securities Brokers Proposed by PSX

PSBA Comments

1. Regarding routine testing and certification, it necessitates discussion with software vendors;
2. For removal of understanding gaps, also requires finalizing, with consultation, the audit's parameters and the guidelines, which the PSX team will use to review the application of standards; and
3. Holding market-wide awareness sessions for a larger audience.

Proposed Amendments in the NCCPL Regulations Concerning the Risk Management of the Deliverable Futures Contract Market

PSBA Comments

1. Since restricting it to categories A and B will not be well received by market participants and will also have negative effects, we at PSBA are of the considered opinion that the status quo should be maintained for the acceptance of DFC Eligible Securities as collateral. However, if it is necessary, Haircuts/VaRs may be adjusted after careful consideration and consultation in order to strengthen the risk management framework.

2023

