



PAKISTAN STOCK BROKERS ASSOCIATION

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

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Secretary General

Ref: PSBA/S0424-2

April 25, 2024

MR. ABDUL REHMAN WARRAICH

Commissioner – SMD

Securities and Exchange Commission of Pakistan
Islamabad.

Subject: **PROPOSAL FOR ALLOWING IN-HOUSE FINANCING**

Dear Sir,

This is in continuation to our letter dated August 18, 2020, addressed to the Securities and Exchange Commission of Pakistan (SECP) and to follow up on our recent meeting held on April 18, 2024, wherein we had a healthy discussion regarding the matter of allowing In-House Financing. During the discussions, you kindly advised us to submit a formal written proposal on the matter, hence we would like to present the same herewith.

The crux of our proposal advocates for the allowance of In-House Financing as it carries significant weight for several reasons, which we would like to elaborate on.

Firstly, it is important to note that under such a scheme, the entirety of the risk associated with financing transactions rests upon the broker.

Secondly, it is imperative to mention that fostering an environment conducive to In-House Financing does not undermine the core principles of transparency, investor safeguarding, and regulatory compliance. On the contrary, it provides an avenue for discussions on these pertinent aspects, thereby allowing brokers to align their services with the evolving needs as well as expectations of equity market investors.

Most importantly, (i) the provisioning of this facility will be through a reporting mechanism and/or window, in order to ensure transparent documentation of financing activities throughout the trading day; and (ii) for the brokers who meet all financial market compliance and regulatory standards (including the mandated ratings outlined in the Securities Brokers (Licensing and Operations) Regulations, 2016, in cases where deemed necessary).

In light of the aforementioned considerations, engaging in discussions with PSBA is a prudent step forward. Such deliberations would also facilitate in addressing the concerns and, where necessary, incorporate required amendments to the Regulations.

Thank you for your attention to this matter, and we anticipate the opportunity to contribute to constructive dialogue and progress on this front.

Regards,