



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

Press Release

Broker-to-broker functionality at bonds automated trading system approved

Islamabad, March 16: As part of its mandate to develop the debt capital market in Pakistan, the Securities and Exchange Commission of Pakistan (SECP) has approved a regulatory framework to facilitate inter-exchange trades in listed term finance certificates (TFCs). A broker-to-broker (BTB) functionality has now been introduced at the Bonds Automated trading System (BATS).

Earlier last year, BATS was revamped along the lines of Bloomberg-based E-Bond with various system enhancements aimed at facilitating price discovery in listed debt instruments and price negotiation between market participants in line with international standards. This system, however, was equipped only to support trading between brokers/investors of a stock exchange where such TFCs were listed and did not facilitate inter-exchange trading in TFCs listed on other stock exchanges.

The newly approved BTB functionality will enable brokers to settle their inter-exchange trades directly with the National Clearing Company of Pakistan Limited, resulting in more efficiency and transparency in the trading and settlement process. A separate risk management system has also been provided for BTB-related trades. Under this risk management module all margin requirements will need to be fulfilled by the broker initiating the trade instead of broker through whom the trade has been executed. This will result in better capital management by brokers and enhance their trading capacity.

Considering the fact that as opposed to the equity market, majority of TFCs are not listed across the three stock exchanges, the new initiative of BTB functionality will not only facilitate investors trading in TFCs that are listed at different exchanges but will also assist in boosting trading activity in the debt market segment.

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