



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

PRESS RELEASE

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SECP cuts overregulation, introduces reforms for ease of doing business, investor protection, transparency and market development

ISLAMABAD, April 23: The SECP has been extensively engaged in the implementation of a vibrant and broad-based reform agenda for Pakistan's capital market. The recent multifaceted reform priorities have focused on facilitating ease of doing business, investor protection, market development and enhancing transparency.

The major reforms introduced so far include:

- Simplification of licensing regime for securities brokers with minimal submission requirements
- Increase in the number of securities acceptable against margin requirements to enable wider spectrum of possible collaterals to be furnished to the clearing house
- Modification of base minimum capital requirements to allow brokers to pledge PSX shares held by directors/sponsors of brokerage house, including shares recently released by central depository
- Measures for effective contingency planning of securities brokers have been introduced with required system developments at PSX to allow continuous access to the trading system by a broker in case of broker-specific disaster
- Previously applicable restrictions impairing execution of certain genuine NDM transaction have been removed
- Profit sharing arrangements on client balances stand simplified with profit on clients' unutilized balances with brokers to be shared based on principles of disclosure and mutual understanding.
- Requirement for limited assurance report has been discontinued and consolidated inspection mechanism is being introduced, which will do away with multiple audits and inspections of securities brokers being conducted by PSX, CDC, NCCPL and SECP;
- The advertisement process for securities brokers has been simplified;
- Issuers have been allowed to electronically submit accounts and other information/documents to PSX;
- CDC tariff structure for debt market securities has been drastically reduced.

It may also be added that a centralized KYC organization is in the process of operationalization. This will provide for only one-pager KYC form, eliminate process of KYC while opening multiple accounts with brokers/mutual funds, introduce consolidated account opening form for both trading and custody purposes, and bring in more transparency in the market through automated biometric and mobile number verification.

In addition, the limit allowed to foreign investors in PSX shares has been increased from 10% to 20%, opening up the stock market to foreign investment. Simultaneously, work is in progress to introduce new derivatives products and a relaxed set of market making regulations.

The reforms are aimed at encouraging growth and enhancing liquidity in the market while facilitating the brokerage industry through removal of any excessive regulatory requirements based on

international standards and best practices. The SECP stands committed to adopting a balanced and consultative approach in its role as regulator and facilitator to ensure stakeholders are on board with the reform agenda.