



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

PRESS RELEASE

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SECP introduces “trading only brokers” concept for expanding investor base

Islamabad, November 6: The Securities and Exchange Commission of Pakistan (SECP) has been undertaking a reform agenda to revitalize the capital market and promote expansion of investor base. It is felt that small and medium sized brokerage houses, alongside large ones, have a critical role to play in this regard.

Based on representations received from various stakeholders including small sized brokers and recommendations of the Stock Market Reforms Committee, the SECP has issued a concept paper to introduce categorization of brokers for addressing the issue of custody of client assets. This concept is in line with international best practices and tailored to local market requirements.

In the proposed regime, in order to provide maximum facilitation to small sized brokers, which would be categorized as Trading Only brokers and shall not retain custody of client assets, the minimum capital requirements for a brokerage licence are being reduced to Rs.15 million. Further, such brokers shall have the flexibility to have a satisfactory QCR rating auditor. These brokerage houses would be allowed to carry out transactions in all markets, including derivatives and leveraged products, with no restriction on number of branches.

Moreover, they would be allowed to provide securities and futures advisory services by charging a fee and sell/ distribute financial products and also act as consultants to the Issue. Several compliance requirements relating to client asset segregation, clearing membership, depository participant etc. shall not be applicable on Trading Only brokers and they would also not be subject to multiple audits/inspections during the year.

For promoting ease of doing business for small sized brokerage houses, the SECP had earlier removed the requirement to provide separate Net Capital Balance certificates which is now required to be made part of audited accounts of brokers. Requirement for auditors to provide limited assurance report of brokers has also been abolished.

Furthermore, two additional categories, i.e. Trading & Clearing broker and Trading & Self Clearing broker have been proposed which shall be subject to enhanced net worth, corporate governance, compliance and rating requirements as they would be retaining custody of client assets.

These steps are aimed at strengthening the brokerage industry, enhancing commercial viability of brokers, improving regulatory compliance and ensuring robust growth of the capital market. The SECP shall initiate a consultative process for finalizing the concept paper in the coming weeks. The concept paper is available at <https://www.secp.gov.pk/document/concept-note-for-new-broker-regime/?wpdmdl=36850>