Online Only Broker





Key Highlights

- A sub-category of Trading Only (TO) Brokers.
- New license category introduced for TRECHs desirous to offer customer onboarding, trade execution and support services completely online, using a digital platform.
- *Lower financial resource requirements.
- Lesser operational requirements and hence lower cost.

Brief Introduction of Online-only Brokers

- *With an initial TREC fee of PKR 1.25 Million, licensing fee of PKR 50,000 and a minimum net worth requirement of PKR 7.5 million, online-only brokers provide a more accessible entry point into the securities market, promoting competition and innovation.
- *They are designed to encourage new participants to enter the brokerage business by simplifying the licensing process and reducing fees.

Benefits of the Online Only Licensing Regime

- Lower Initial Licensing Fees.
- Single Member Company may also apply.
- No Clients' Assets Segregation Statement applies.
- No requirement of Statutory Audit within Category 'A' or 'B'.
- Trading through Digital Platform.
- May open Customer Facilitation Center.
- May undertake Securities & Futures Advisory Services.
- Maintain fixed PKR 1 Million as Base Minimum Capital (BMC).

REGULATIONS & INFRASTRUCTURE

Do's:

- Trading through Online mode only in compliance with PSX Regs.
 Chapter 09 "Internet Trading Regulations".
- Open Customer Facilitation Center.
- Undertake Securities & Futures Advisory Services.
- Maintain fixed PKR 1 Million as Base Minimum Capital (BMC).

Synergies/Benefits of offering brokerage with Investment Advisory

1 Enhanced Client Engagement:

Online-only brokers can leverage investment advisory services to engage clients more effectively, providing personalized insights and recommendations that enhance the trading experience.

2 Data-Driven Insights:

Online-only brokers can utilize advanced analytics and technology to provide data-driven investment advice, helping clients make informed decisions based on real-time market data.

3 Scalability:

Online-only brokers can easily scale their advisory services through digital platforms, reaching a larger audience without the constraints of physical office locations.

4 Cost-Effective Advisory Services:

Utilizing digital platforms allows online-only brokers to offer investment advisory services at a lower cost, making it accessible to a wider range of clients, including those who may not afford traditional advisory fees.

5 Increased Trading Activity:

By offering advisory services, online-only brokers can encourage clients to trade more frequently, as they receive tailored advice that aligns with their investment goals, leading to higher commission revenues.

6 Brand Differentiation:

Offering both brokerage and investment advisory services can help online-only brokers stand out in a competitive market, attracting clients looking for comprehensive financial solutions.

Breakdown of Costs Associated with Obtaining a Securities Broker License

| Broker Type | Initial Licensing Fee (In PKR) | Renewal Licensing Fee (In PKR) |
|--|-----------------------------------|-----------------------------------|
| Online Only Broker | 50,000 | 25,000 |
| Trading Only Broker Trading & Self Clearing Broker Trading & Clearing Broker | 100,000 | 50,000 |

Breakdown of Costs Associated with Obtaining a Securities Broker License

Minimum Net Worth Requirements:

Online Only Broker: PKR 7.5 million

Trading Only Broker: PKR 15 million

Trading & Self Clearing Broker: PKR 75 million

Trading & Clearing Broker: PKR 500 million

Minimum Liquid Capital Requirements:

Trading & Self Clearing Broker: PKR 10 million

Trading & Clearing Broker: PKR 15 million

Online Only & Trading Only Brokers: No requirement

Base Minimum Capital (BMC):

Online Only Broker: PKR 1 million

REGULATIONS & INFRASTRUCTURE

Don'ts:

- Engage in proprietary trading.
- Settle executed trades and keep custody of securities and money of its customers.
- Have trading terminal(s) in any office.
- Open Branch Office.

Checklist / Flow Chart to get a License

- ❖ Incorporation as Securities Broker company as per the Companies Act 2017.
- Apply for a Trading Rights Entitlement (TRE) Certificate from PSX by submitting pre-requisite documents & fees through PSX Notice No. PSX/N-397 dated May 3, 2024.
- Subsequent to receipt of TRE Certificate, a TREC holder must apply for a securities license from Securities & Exchange Commission of Pakistan(SECP) by submitting an application along with necessary documents & fees to PSX available on PSX websites i.e. www.psx.com.pk
- Upon scrutiny of the application at PSX end, it is sent to SECP for scrutiny and approval.
- ❖ If the application is approved by SECP, a license is provided to PSX which is forwarded to the respective TREC holder by PSX.













Professional Clearing Member - EClear

- Pakistan's first Professional Clearing Member (PCM) is incorporated under the formal name of **EClear Services Limited.**
- Providing complete "plug & play" style system to Brokers, so they do not require any infrastructure at their end.
- Any TREC holder can just connect to EClear and start it's brokerage business without any system or manpower requirements.
- As a PCM Eclear will offer custodial, clearing and settlement service to Trading Only / Online Broker. Eclear as a PCM shall not offer trading services thereby preventing conflict.

Services Offered



Online Trading Platform - OMS

Digital Onboarding of Investors

Risk Management and Back office system

- Clearing, Settlement and Custodial services
- Complete KYC and AML outsourcing services

Access to all leverage Markets (MT/MF/SLB)

Online Payment Facility

State of Art IT Infrastructure and BCP

Services offered

Professional Clearing Member - EClear



65 brokers have already on-boarded with Eclear Services Limited, and 5 more are currently in the process of on-boarding.

Providing Services currently from 3 location – Karachi, Lahore and Islamabad.

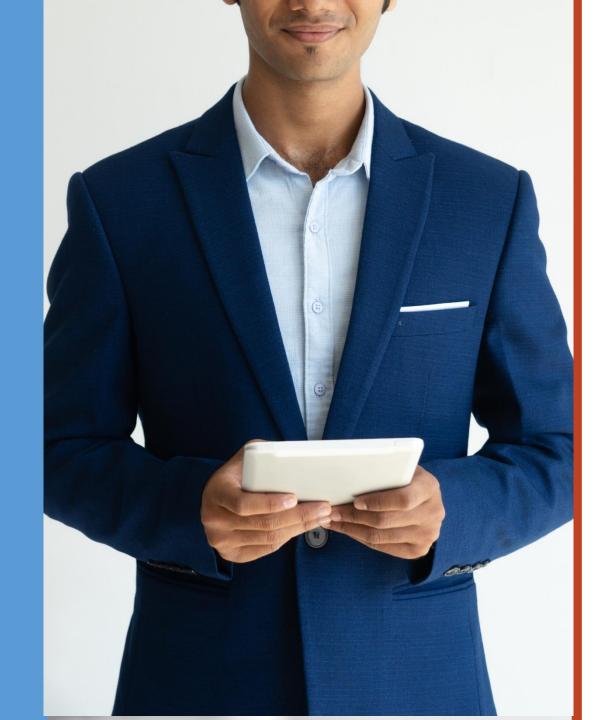
Associated Benefits Of Stake Holders

Benefits to Clients/Investors



- Enhance client confidence;
- Better asset protection;
- No worries in case of closure of business by broker;
- IT based solution with ease of operation;
- · Flexibility to work with multiple broker with single custody account; and
- Electronic system generated confirmations/alerts

Incentives for Online Only Brokers



Working Model of PCM



There will be two options available to TO Brokers for obtaining services from PCM, along with role & responsibilities:

Option 1: TO outsourcing all activities related to clearing, settlement & custody to PCM

Option 2: TO outsourcing only "client related activities" to PCM.

Questions/Suggestions/Feedback

Thank You!

Trading & TREC Affairs Department



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