



## PSX RESPONSE PAPER

[With reference to PSX Notice No. PSX/N-664 dated June 02, 2021]

***Proposed amendments to PSX Regulations in relation to allowing opening of trading account of local customers who/which maintain an account with a bank in Pakistan or any other entity as may be authorized by the Commission***

August 13, 2021

### 1. INTRODUCTION:

- 1.1 PSX publishes 'Response Paper' on its website after close of consultation process on proposed amendments to PSX Regulations. The Response Paper sets out PSX's response to the comments received on the proposed regulatory amendments.
- 1.2 PSX vide notice No. PSX/N-664 dated June 02, 2021 invited public to submit their comments and feedback on the proposed amendments to PSX Regulations in relation to various matters including allowing opening of trading account of a local customer based on KYC information shared by designated bank in Pakistan, latest by June 09, 2021. Readers may peruse such notice by clicking the following link:  
<https://www.psx.com.pk/psx/resources-and-tools/listings/public-comments>
- 1.3 PSX received comments from 5 respondents who consented to reveal their identity along with comments. PSX is thankful to these respondents for submitting comments:

S. #	RESPONDENT'S NAME	DESIGNATION	COMPANY
I	Mr. Fida Ali Mirza	Company Secretary	MCB Bank Limited (MCB)
II	Mr. Bilal Farooq Zardi	Secretary General	Pakistan Stock Brokers Association (PSBA)
III	Mr. Tanzeel ul Rehman	Head of Risk Management & Compliance	JS Global Capital Limited (JS Global)
IV	Mr. Faizan Hanif	Head of Compliance	Arif Habib Limited (AHL)
V	Mr. Muhammad Sohail	Chief Executive Officer (CEO)	Topline Securities Limited (TSL)

- 1.4 Comments received along with responses of PSX are mentioned below:

COMMENTS	RESPONSES OF PSX
<b>(I) COMMENTS BY MR. FIDA ALI MIRZA, COMPANY SECRETARY AT MCB</b>	
1. Please be apprised that under Banking laws, bank's customer information is privileged & confidential and cannot be shared with brokers unless either the law clearly allows such sharing, or the Customer(s) instruct or give express permission to the banks to share the said information with any third party;	A Committee was constituted comprising of relevant officials of SBP, PSX, CDC, NCCPL and some of the large banks, which submitted its recommendation report containing a suggested process flow of information sharing between banks and capital market institutions and intermediaries and a joint



COMMENTS	RESPONSES OF PSX
	mechanism was put in place whereby the KYC information of a customer available with banks could be utilized by brokers for opening trading account.
2. With regards to the utilization of KYC, we are of the view that brokers, as per their present practice, need to continue to conduct their own KYC at their own end; it may be appreciated that as per regulations, KYC is understood to be an on-going/continuing process and accordingly Banks cannot be held liable/accountable for a KYC which can become discrepant/ faulty/ incorrect and upon which brokers/ third parties have placed reliance /or assumed correctness. KYC may only be shared subject to fulfillment of criteria mentioned in para 1 above, & if the brokers provide an express disclaimer confirming that Banks shall not be held liable in the eventuality that any aspect of the KYC proves incorrect and that the utilization of bank's KYC is completely at the brokers own risk & peril.	<p>Brokers shall continue to remain responsible to conduct ongoing customer due diligence once the account is opened and also require and obtain any document and information from the customer as a part of its KYC/CDD process.</p> <p>This mechanism is being devised in line with the existing mechanism put in place for Roshan Digital Account to facilitate overseas Pakistanis.</p>
<b>(II) COMMENTS BY MR. BILAL FAROOQ, SECRETARY GENERAL AT PSBA</b>	
1. Clause 4.15.1.2: Existing Clients should not be required to comply with the additional requirement in the Customer Relationship Form (CRF) which was not required in the earlier Standardized Account Opening Form. The newly introduced CRF should be limited to the extent of new clients only. Approaching the clients for the re-fulfillment of their account opening forms results in a lot of inconvenience for both, the clients and the brokers.	It may be noted that PSX has not amended this clause, rather changed its placement from clause 4.15.7 to 4.15.1.2.
2. Clause 4.15.3: We welcome the proposed amendments being made, in order to avoid duplication of work at the broker's end and to make the account opening process easier for customers. This is a long outstanding demand of the Association that for local customers, sharing of KYC information by the banks should be acceptable for the customers who have already complied with their respective banks.	PSX appreciates the comments.



COMMENTS	RESPONSES OF PSX
<b>(III) COMMENTS BY MR. TANZEEL UL REHMAN, HEAD OF RISK MANAGEMENT &amp; COMPLIANCE AT JS GLOBAL</b>	
We support proposed changes regarding opening of trading account for local customers based on the KYC information of banks as it will minimize the account opening time and may enhance the trading volume.	PSX appreciates the comments.
<b>(IV) COMMENTS FROM MR. FAIZAN HANIF, – HEAD OF COMPLIANCE AT AHL</b>	
Clause 4.15.1.2: Restricting UIN on the basis of non-provision/non-compliance of additional requirements of CRF will have negative impacts on investors. Provided that if an investor has trading account in multiple brokerage houses and is restricted on the basis of UIN and have complied with the additional requirement of CRF with multiple broker except one, then what recourse client will have to mark restricted on the basis of UIN. Therefore, we recommend that a client trading should only being restricted to a specific broker with whom the client is non-compliant rather than on UIN basis.	Considering that this comment does not relate to subject matter of proposed amendments, PSX will take up this matter separately.
<b>(V) COMMENTS FROM MR. MUHAMMAD SOHAIL, CEO AT TSL</b>	
Clause 4.15.1.2: In this regard existing client should not be required to provide additional requirements of Customer Relationship Form (CRF) which were not required in the earlier Standardized Account Opening Form. As this will be time consuming exercise identifying and obtaining additional information from the clients.	It may be noted that PSX has not amended this clause, rather changed its placement from clause 4.15.7 to 4.15.1.2.

**2. IMPLEMENTATION OF PROPOSED AMENDMENTS:**

The proposed amendments have taken effect from **August 06, 2021**.