



PSX RESPONSE PAPER

[With reference to PSX Notice No. PSX/N-1310 dated November 05, 2021]

Proposed amendments to PSX Regulations in relation to minimum brokerage commission for fixed income Exchange Traded Funds (ETF)

February 14, 2022

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-1310 dated November 05, 2021 invited public to submit their comments and feedback on proposed amendments to PSX Regulations in relation to minimum brokerage commission for fixed income ETF in PSX Regulations, latest by November 12, 2021.

Note: For details on the above notice, readers may peruse the same by clicking the following link:

<https://www.psx.com.pk/psx/resources-and-tools/listings/public-comments>

- 1.3 PSX received comments from two respondents who opted to keep their identity confidential. PSX is thankful to the respondents for submitting comments.

The comments received along with PSX's response therein are mentioned below:

S.#	Comments	Views of PSX
1	The development of capital markets is a critical enabler to economic development, financial inclusion and prosperity of citizens. Exchange Traded Funds the world over and now in Pakistan offer retail and corporate investors an excellent opportunity to invest in Pakistan's debt and equity markets via a cost efficient and diversified portfolio of securities. While launching, running, marketing and selling an ETF is a for profit venture, investing in ETF for savings helps create and grow wealth. With this proposed reduced brokerage fee, investing and trading in a Fixed Income ETF will become even more attractive and this will undoubtedly enhance the trading volume of the ETF units thereby giving it more visibility among potential investors. Brokers will also enjoy	PSX appreciates the comment.



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	higher brokerage revenue as a result of enhanced volumes so this initiative is a win/win. We are therefore strongly supportive of this reduction in brokerage fees and thank the PSX for taking a leadership role in this regard.	
2	We will not recommend any decline in minimum commission slabs, as daily trading volumes have been declining continuously for last few years , around 40 % due to which, commission income of brokerage houses have reduced drastically as on the other hand expenses has been increased tremendously as brokerage houses in order to meet out competition have to establish research, IT department , settlement department , a compliance officer , highly professional trading team and have to launch a marketing campaign so how can a brokerage house With such small volumes can meet out all these expenses and how can be a well competitive capital market will stablish.	<p>It may be noted that PSX has not reduced the scale of brokerage commission applicable on different types of transactions, rather prescribed lower brokerage commission for fixed income ETFs only.</p> <p>Considering the nature of Fixed Income ETF having significantly lower volatility compared to other products including equity based ETF and to promote acceptability and marketability of fixed income ETFs as a viable investment option for investors, it is important to have a different structure of minimum brokerage commission for fixed income ETF class compared to other products.</p>

2. IMPLEMENTATION OF PROPOSED AMENDMENTS:

The proposed amendments have taken effect from **February 07, 2022**.