



Business Case for Brokerage License - TREC

The background of the slide features a blurred image of financial market data. It includes several candlestick charts with green and red bars, overlaid with white and blue moving average lines. The charts are set against a dark blue background with some orange and yellow light effects on the left side, suggesting a digital or financial environment.

Securities Brokerage License/TREC

What is TREC?

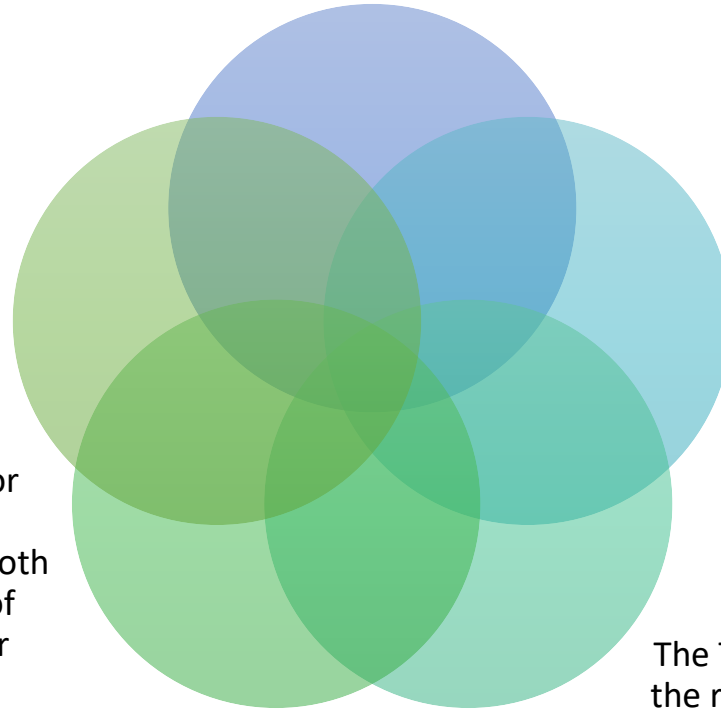
Trading Right Entitlement Certificate(TREC) allows the holder to carry out trading of Securities on Exchange, for its own account or on account of its clients. The TREC offers more than the license to just to trade on the exchange to its holders.

Business Proposition



TREC gives the opportunity to become part of the multi-billion industry by both options i.e. focus and build corporate business and / or focus on retail market.

The TREC holder can earn 0.15% of the transaction value per transaction.



By building a strong corporate network the TREC holder can capture share in the institutional market activity and can build a strong position leading to higher liquidity/revenue streams.

The TREC holder also has an option to reach out or partner up with corporate investors for business development which can be a low hanging fruit. In both cases, corporate and retail investors, the option of outsourcing the back-office settlement and other procedures can be managed by the Professional Clearing Member (PCM).

The TREC holder can invest in technology and target the retail market investors with using less resources.

Income a TREC Holder can earn



- On an average the total value of the transactions during the day in regular market is **PKR 12.01 billion***.
- Estimate of how much the TREC holder can earn in a day is tabulated below as per different scenarios.

| Scenario 1: TREC Generates 10% of the Turnover | |
|--|----------------|
| Description | Amount in PKR |
| Market Size (Average Turnover) | 12,008,336,474 |
| 10% of Average Turnover | 1,200,833,647 |
| Revenue (0.15% of Turnover) | 1,801,250 |

| Scenario 2: TREC Generates 5% of the Turnover | |
|---|----------------|
| Description | Amount in PKR |
| Market Size (Average Turnover) | 12,008,336,474 |
| 5% of Average Turnover | 600,416,823 |
| Revenue (0.15% of Turnover) | 900,625 |

| Scenario 3: TREC Generates 2% of the Turnover | |
|---|----------------|
| Description | Amount in PKR |
| Market Size (Average Turnover) | 12,008,336,474 |
| 2% of Average Turnover | 240,166,730 |
| Revenue (0.15% of Turnover) | 360,250 |

| Scenario 4: TREC Generates 1% of the Turnover | |
|---|----------------|
| Description | Amount in PKR |
| Market Size (Average Turnover) | 12,008,336,474 |
| 1% of Average Turnover | 120,083,365 |
| Revenue (0.15% of Turnover) | 180,125 |

- A TREC holder can earn approximately a minimum amount of **PKR 180,125** (per day) if it captures 1% of the Regular Market turnover.

*(Period 1 July 21 – 31 Dec 21)

Income a TREC Holder can earn



- On an average the total value of the transactions during the day in the overall market is **PKR 17.84 billion***.
- Estimate of how much the TREC holder can earn in a day is tabulated below as per different scenarios.

| Scenario 1: TREC Generates 5% of the Turnover | |
|---|----------------|
| Description | Amount in PKR |
| Market Size (Average Turnover) | 17,837,297,954 |
| 5% of Average Turnover | 891,864,898 |
| Revenue (0.15% of Turnover) | 1,337,797 |

| Scenario 2: TREC Generates 2% of the Turnover | |
|---|----------------|
| Description | Amount in PKR |
| Market Size (Average Turnover) | 17,837,297,954 |
| 2% of Average Turnover | 356,745,959 |
| Revenue (0.15% of Turnover) | 535,119 |

| Scenario 3: TREC Generates 1% of the Turnover | |
|---|----------------|
| Description | Amount in PKR |
| Market Size (Average Turnover) | 17,837,297,954 |
| 1% of Average Turnover | 178,372,980 |
| Revenue (0.15% of Turnover) | 267,559 |

| Scenario 4: TREC Generates 0.75% of the Turnover | |
|--|----------------|
| Description | Amount in PKR |
| Market Size (Average Turnover) | 17,837,297,954 |
| 0.75% of Average Turnover | 133,779,735 |
| Revenue (0.15% of Turnover) | 200,670 |

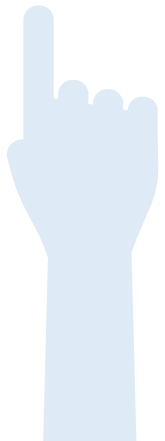
- A TREC holder can earn approximately a minimum amount of **PKR 200,670** (per day) if it captures 0.75% of the total Market turnover.

*(Period 1 July 21 – 31 Dec 21)

Purchasing TRE Certificate allows you to be eligible to



Offer Trade execution services (retail, institutions, foreigners)



Become an underwriter for Right Shares issue. Also, can act as an agent for Buy Back



Act as an advisor for listing of Companies on Growth Enterprise Market Board

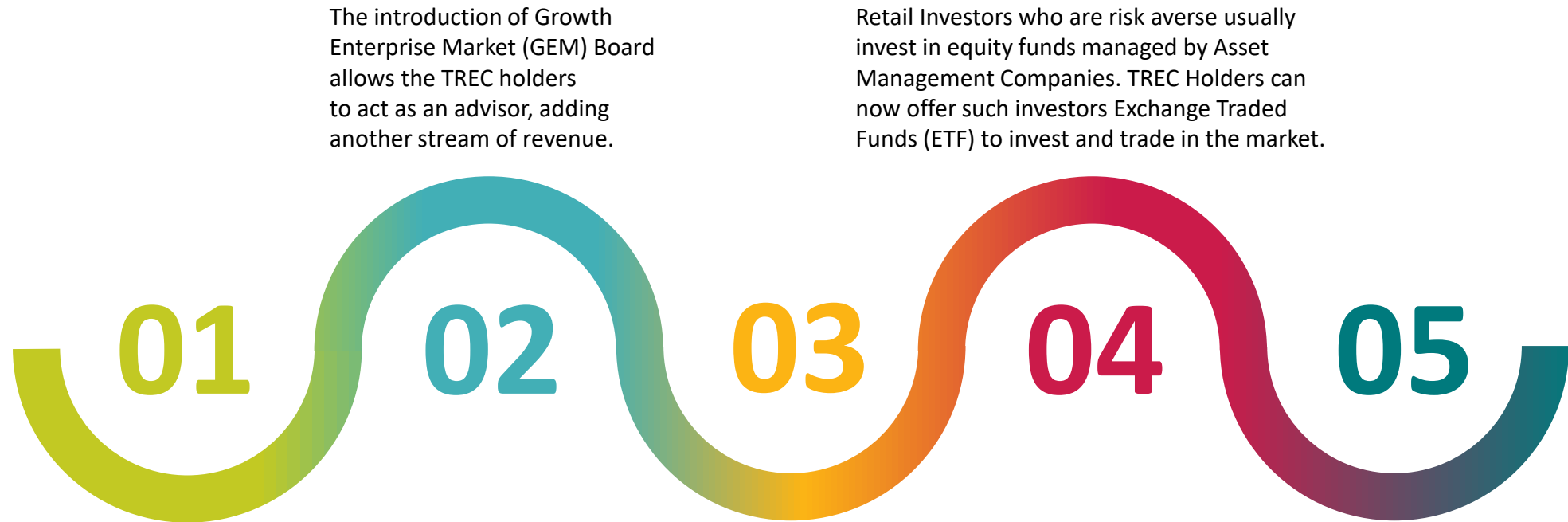


Become a Market maker



Offer Bonds (Government and Corp) via PSX platform





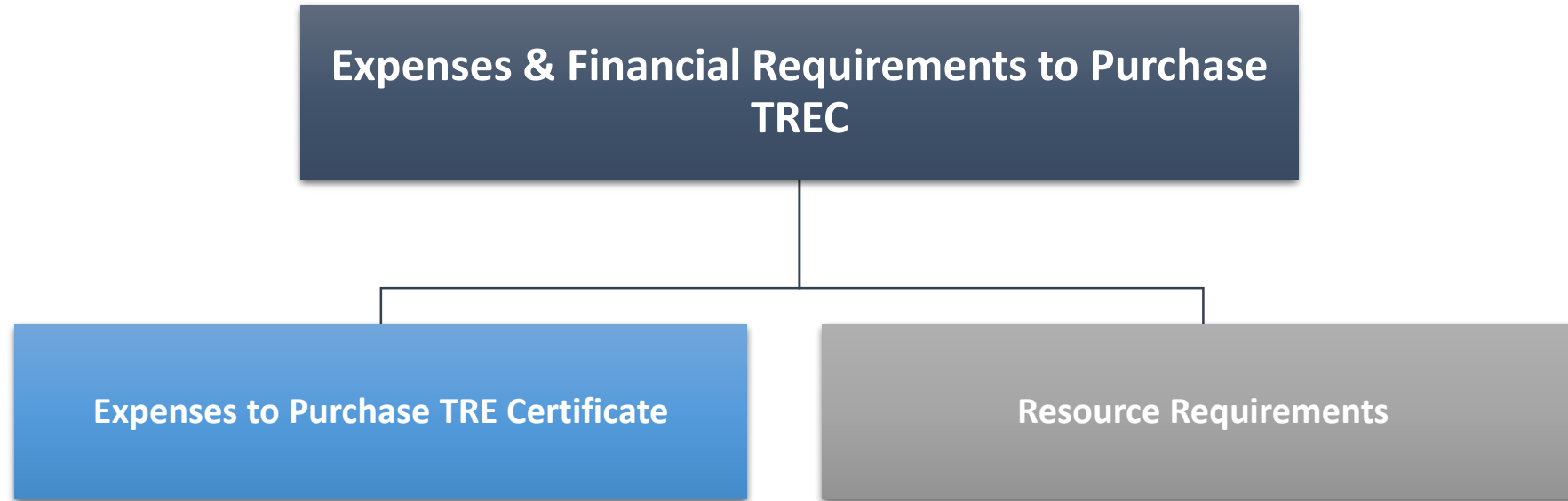
The introduction of Growth Enterprise Market (GEM) Board allows the TREC holders to act as an advisor, adding another stream of revenue.

Retail Investors who are risk averse usually invest in equity funds managed by Asset Management Companies. TREC Holders can now offer such investors Exchange Traded Funds (ETF) to invest and trade in the market.

Activity at the Pakistan Stock Exchange remains consistent, despite the Social/ Economic/ Political conditions allowing TREC holders to earn.

Over the years shift in economic policies resulted in a number of investors moving their investments from equity to fixed income instruments, resulting in lesser activity. However, with the development of Bonds Automated Trading System (BATS) TREC holders can now offer bonds to their clients leading up to income despite shift in the client's portfolio.

Similarly, Asset Management Companies constantly launch new funds which subsequently require brokerage services. This opportunity can also be for Debt trading in addition to Equity trading.



| Expenses | Amount in PKR million |
|----------------------------------|-----------------------|
| TRE Certificate Fee | 2.5 |
| Processing Fee | 0.1 |
| * SECP License Fee | 0.1 |
| CDC, NCCPL Deposits (Refundable) | 0.3 |
| Total Expense to be incurred | 3.0 |

| Resource Requirements | Amount in PKR million | |
|-----------------------|-----------------------|--------------------------------|
| | Trading Only | Trading, Settlement & Clearing |
| Base Minimum Capital | 5 - 8 | 5 - 8 |
| Net worth | 15 | 35 |
| Liquid Capital | 5 | 15 |

* After admission as a TREC Holder, it is required to obtain license from the SECP under Securities Brokers (Licensing and Operations) Regulations, 2016.

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