



ISO 27001 Certified

## National Clearing Company of Pakistan Limited

8th Floor, Pakistan Stock Exchange Building, Stock Exchange Road, Karachi

NCCPL/CM/JULY-17/12  
July 20, 2017

### Clarification for Computation of Liquid Capital

Dear Broker Clearing Members,

Please find attached herewith letter No.SMD/SE/2(20(2016) dated July 19, 2017 received from the Securities and Exchange Commission of Pakistan (SECP) on the above captioned subject which is self explanatory for your information and necessary action.

Notification and Clarifications for Liquid Capital issued by SECP dated April 27, 2017, as already circulated by the Pakistan Stock Exchange (PSX), are also attached herewith for your ready reference.

For any further queries or concerns, please feel free to contact the Customer Support Services of your respective locations.

City	Telephone Number	UAN Number	Fax Number
Karachi	021-32460811-19 Ext. 209, 214, 217, 218 & 224 Dir. 021-32438531-32-33	021-111-111-622	021-32462825
Lahore	042-36280815-7		042-36280818
Islamabad	051-2895460-62		051-2895463

Regards,

sd

**Rehan Saif**  
**Head of PD & CSS**

CC:

1. Managing Director - Pakistan Stock Exchange Limited



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**Securities and Exchange Commission of Pakistan**

Securities Market Division  
Policy, Regulation and Development Department

No. SMD/SE/2(20(2016)

July 19, 2017

**Mr. Haroon Askari**  
Acting Chief Executive Officer,  
Pakistan Stock Exchange Limited,  
Karachi.

**Mr. Muhammad Lukman**  
Chief Executive Officer,  
National Clearing Company of Pakistan Limited,  
8<sup>th</sup> Floor, Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

**Subject: Clarification for Computation of Liquid Capital**

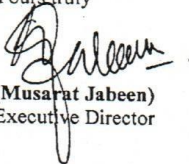
Dear Sirs,

This is with reference to the Pakistan Stock Exchange Limited (PSX) email dated July 14, 2017 in relation to the subject noted above.

In exercise of powers conferred upon the Commission under Schedule III of the Securities Brokers (Licensing and Operations) Regulations, 2016, I am directed to communicate that while computing liquid capital, 100% haircut shall be applied to the value of investment in any asset including shares of listed companies that are in block, freeze or pledge status as on reporting date.

PSX and National Clearing Company of Pakistan Limited (NCCPL) are advised to disseminate the aforementioned clarification to the market participants.

Yours truly

  
(Musarat Jabeen)  
Executive Director

Copy to:

1. Acting Chief Regulatory Officer, PSX, Karachi
2. Chief Regulatory Officer, NCCPL, Karachi

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8th Floor, Pakistan Stock Exchange Building, Stock Exchange Road, Karachi



Securities and Exchange Commission of Pakistan  
Securities Market Division  
Policy, Regulation and Development Department

No. SMD/SE/2(20(2016)

April 27, 2017

**Mr. Nadeem Naqvi**  
Chief Executive Officer,  
Pakistan Stock Exchange Limited,  
Karachi.

**Mr. Muhammad Lukman**  
Chief Executive Officer,  
National Clearing Company of Pakistan Limited,  
8<sup>th</sup> Floor, Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

**Subject: Notification for Liquid Capital**

Dear Sirs,

The Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) stipulate that the securities brokers shall maintain the minimum Liquid Capital as per such amounts and ratios as may be specified by the Securities and Exchange Commission of Pakistan (SECP). In this regard, I am directed to communicate that SECP has approved following minimum amounts of Liquid Capital and related ratios to be maintained by the securities brokers:

1. The securities brokers falling under the category of Trading Only shall maintain minimum Liquid Capital of Rs. 5 million.
2. The securities brokers falling under the category of Trading and Self Clearing shall maintain minimum Liquid Capital of Rs. 15 million.
3. The total liabilities including the ranking liabilities shall not exceed 10 times of the Liquid Capital
4. The short term liabilities shall not increase 5 times of Liquid Capital
5. The trade receivables shall not increase 2 times of Liquid Capital.

In order to implement the minimum Liquid Capital requirement in a smooth manner, following transitory measures shall be implemented:

1. The securities brokers, which fail to meet the minimum Liquid Capital amounts or ratios, shall be required to ensure compliance with the requirements till October 31, 2017.
2. Securities brokers shall start filing audited statements of Liquid Capital on six monthly basis and first audited statement shall be filed for the month of June 2017.
3. During the transition period, until further instructions of SECP, the securities brokers shall continue to submit Net Capital Balance (NCB) Certificates including audited NCB certificates.
4. During the transition period, the exposure limits of securities brokers and other risk management requirements shall continue to be determined on the basis of NCB.

Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL) are advised to disseminate the aforementioned requirements to the market participants. PSX and NCCPL shall also communicate to the market participants the names of their two officials for providing necessary clarification and guidance.



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PSX and NCCPL are also advised to submit at the earliest the requisite amendments in their regulatory framework to SECP for its approval in order to implement the concept of Liquid Capital.

Yours truly

(Asif Iqbal)  
Additional Director PRDD

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Securities and Exchange Commission of Pakistan  
Securities Market Division  
Policy, Regulation and Development Department

No. SMD/SE/2(20(2016)

April 27, 2017

Mr. Nadeem Naqvi  
Chief Executive Officer,  
Pakistan Stock Exchange Limited,  
Karachi.

Mr. Muhammad Lukman  
Chief Executive Officer,  
National Clearing Company of Pakistan Limited,  
8<sup>th</sup> Floor, Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

Subject: Clarifications for Liquid Capital

Dear Sirs,

This is with reference to the Securities and Exchange Commission of Pakistan (SECP) notification dated April 27, 2017 wherein the requirements related to the Liquid Capital were notified.

The Securities Brokers (Licensing and Operations) Regulations, 2016 provide that SECP may issue guidelines and clarifications in respect of treatment of any component of liquid capital including any modification, deletion and inclusion in the calculation of Adjusted Value of assets and liabilities to address any practical difficulty. In this regard, I am directed to communicate following clarifications:

- i. **Advance against shares for increase in capital of securities broker (liability):**  
100% Haircut may be allowed in respect of advance against shares if :
  - (a) The existing authorized share capital allows the proposed enhanced share capital
  - (b) Board of Directors of the company has approved the increase in capital
  - (c) Relevant Regulatory approvals have been obtained
  - (d) There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed
  - (e) Auditor is satisfied that such advance is against the increase of capital.
- ii. **Long Term Financing (liability):**  
100% haircut may be allowed against long term portion of financing obtained from a financial institution including amount due against finance leases.
- iii. **Short term loans to employees (asset):**  
No Haircut may be applied on the short term loan to employees provided these loans are secured and due for repayment within 12 months.
- iv. **Subscription money against investment in IPO/ offer for sale (asset)**  
No haircut may be applied in respect of amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.



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v. **Conditions in respect of Subordinated loans**

The Schedule III provides that 100% haircut will be allowed against Subordinated loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified:

- (a) Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period
- (b) No haircut will be allowed against short term portion which is repayable within next 12 months.
- (c) In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.

Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL) are advised to disseminate the aforementioned clarifications to the market participants.

Yours truly

(Asif Iqbal)  
Additional Director PRDD