



## National Clearing Company of Pakistan Limited

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

NCCPL/CM/JUNE-20/15

June 24, 2020

### **CAPITAL ADEQUACY REQUIREMENT** **REVIEWED/AUDITED FINANCIAL STATEMENTS CONTAINING** **NET CAPITAL BALANCE “NCB” and LIQUID CAPITAL STATEMENTS**

Dear Broker Clearing Members,

All Broker Clearing Members “BCMs” are hereby notified to submit following:

- (i) **Net Capital Balance “NCB”** statement as of June 30, 2020 in accordance with Regulation 6(3) of Securities Brokers (Licensing & Operation) Regulations, 2016;
- (ii) **Liquid Capital “LC”** statement as of June 30, 2020 in accordance with Securities and Exchange Commission of Pakistan (SECP) letter (Ref No. SMD/SE/220/2016) dated June 17, 2020 (attached Annexure I).

In light of the above, BCMs’ whose financial year end is **December 31** shall submit their **second quarter NCB & LC** statements **reviewed** by their **external auditor** to NCCPL latest by **September 15, 2020**. BCMs’ whose financial year end is **June 30** shall submit their **annual audited financial statements** disclosing **NCB & LC** to NCCPL latest by **October 31, 2020**.

Please note that above stated submissions shall only be accepted during **business hours (i.e. till 5:30 PM)** and the subsequent NCB/LC value adjustment in NCCPL systems shall take place within **two working days’** post submission.

Further, BCMs’ who wish to allocate a portion of their **NCB & LC** for **Debt Market** trading are requested to intimate allocated values to NCCPL accordingly.

Please be advised that non-compliance of above stated timelines may result in enforcement action as prescribed under **Regulation 6(6) of Securities Brokers (Licensing & Operation) Regulations, 2016;**

*“In case of non-submission of statements of net capital balance and liquid capital within a time period as may be notified by the exchange, and clearing house or any shortfall in the net capital balance and/or liquid capital, either reported by the securities broker or identified by the securities exchange, clearing house or the Commission, the securities exchange, and clearing house shall*

*immediately restrict the trading facility of such securities broker and shall only allow it to close out the open position in a controlled environment.”*

It is further clarified that for the latest submission the above prescribed regulatory action w.r.t non-compliance of meeting the minimum NCB threshold and also the non-submission of LC statement shall remain applicable. Further, the maximum allowable exposure allocation would remain on the basis of Net Capital Balance till further notice / directive issued by SECP.

In addition to the above reviewed/ audited statements; BCMs shall continue to submit monthly unaudited **Net Capital Balance “NCB”** and **Liquid Capital “LC”** statements with securities exchange and clearing house as per **Regulation 6(3) of Securities Broker (Licensing & Operation) Regulations, 2016**, in a timely manner. Further, Guideline of Online Submission of Monthly Net Capital Balance and Liquid Capital Statements attached as **Annexure II**.

For any further queries or concerns, please feel free to contact the Customer Support Department at UAN No. 021-111-111-622.

**Regards,**

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**Syed Abdul Ahad Hasan**  
**Senior Manager – PD & CSS**

**CC:**

- **Chief Executive Officer - Pakistan Stock Exchange Limited**

## Annexure I



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

No. SMD/SE/220/2016

June 17, 2020

**Mr. Farrukh H. Khan**  
Chief Executive Officer  
Pakistan Stock Exchange Limited  
Karachi.

**Mr. Muhammad Lukman**  
Chief Executive Officer  
National Clearing Company of Pakistan Limited  
Karachi.

**Subject: Implementation of Liquid Capital Requirements on Securities Brokers**

Dear Sir,

This is in continuation to the Securities and Exchange Commission of Pakistan's (SECP) letter of even number dated December 27, 2019 on the subject matter.

I am directed to communicate that the SECP in exercise of its powers conferred under the Securities Brokers (Licensing and Operations) Regulations, 2016 has approved the following:

1. The cutoff date for phased implementation of minimum threshold of Liquid Capital (LC) and relevant ratios has been further extended till December 31, 2020.
2. Securities brokers shall start submitting to the securities exchange and the clearing house the audited financial statements disclosing the LC or submit reviewed half yearly LC statements, whichever is applicable, depending on the end of financial year, starting from cutoff date of June 30, 2020 as per the regulatory requirements.
3. Securities brokers shall also disclose the Net Capital Balance (NCB) in audited financial statements or submit half yearly reviewed NCB statements, whichever is applicable, to the securities exchange and clearing house as per the regulatory requirements.
4. Securities brokers shall continue submission of monthly unaudited LC and NCB statements to the securities exchange and clearing house as per the existing practice and requirements.

Yours truly,

A handwritten signature in black ink, appearing to be 'Salman Arshad', is written over a horizontal line.

**(Salman Arshad)**  
Additional Joint Director



## **Annexure II**

### **Guideline of Online Submission of Monthly Net Capital Balance and Liquid Capital Statements**

In accordance with the Regulation # 6(3) - Chapter II of Securities Broker (Licensing and Operations) Regulations 2016, wherein, it is stipulated that for each Broker Clearing Member “BCM” shall submit un audited monthly and semi-annual reviewed **Net Capital Balance (NCB)** and **Liquid Capital (LC)** statements to clearing house and annual financial statement disclosing NCB.

Therefore, all brokers are required to submit the unaudited monthly Net Capital Balance and Liquid Capital statements to NCCPL at the date prescribed by the company from time to time.

In order to comply with the above regulatory requirement, National Clearing Company of Pakistan Limited “NCCPL” has developed reporting portal within the existing NCCPL-Risk Management System “RMS” currently in use of BCMs.

Further, the due statement for the Net Capital Balance and Liquid Capital will automatically become active and available to brokers for submission at start of every month.

NCCPL will generate report of all Net Capital Balance and Liquid Capital submitted to NCCPL through reporting portal on next working day of the last submission date and accordingly update in the system.

#### **Other regulatory implication of the monthly NCB/LC amounts reported by securities broker:**

- Regulation 12.3.1B of NCCPL Regulations, 2015; which specifies the conditions under which monthly NCB amount would be used for calculating maximum allowable exposure limits for all applicable markets.
- Regulation 12.3.1B (i) of NCCPL Regulations, 2015; which specifies suspension of MTS, MF and MSF services for securities broker who are found non-compliant in meeting minimum NCB requirements for the specific market based on their monthly unaudited NCB/LC amount.
- Regulation 12.3.1C of NCCPL Regulations, 2015; which defines the actions to be initiated if any major variation between the monthly submitted NCB/LC amount and audited NCB/LC amount of the similar period is observed.

**Computation of NCB/LC:**

- Computation of Net Capital Balance “NCB” is defined in Schedule II in the Securities and Broker Licensing Operations Regulations 2016.
- Computation of Liquid Capital “LC” is defined in Schedule III in the Securities and Broker Licensing Operations Regulations 2016.

**Responsibilities of the Brokers:**

Securities broker shall file monthly unaudited NCB and LC statements with the NCCPL using NCCPL reporting portal till 5:00 PM of last submission date as prescribed by the company.

Note:

- Brokers shall also file NCB/LC on PSX portal.
- Broker shall also submit a reviewed NCB and LC statements on half yearly basis in hard copy in accordance with the Securities and Broker Licensing Operations Regulations 2016 to NCCPL and PSX.
- Annual financial statement disclosing NCB.

The detailed user guide and steps of using portal for uploading monthly NCB/LC statement which is in accordance with Securities and Broker Licensing Operations Regulation 2016 are as follow;

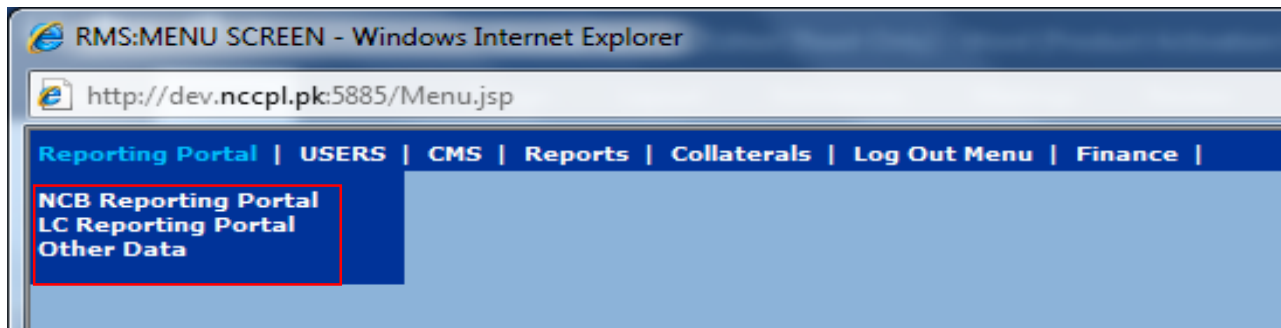
1- BCM use their existing login credential from NCCPL RMS system as mentioned in the below snap.

The screenshot shows the login interface for the Risk Management System of the National Clearing Company of Pakistan Ltd. The page features the NCCPL logo on the top left and the system name on the top right. The central area is titled "LOGON TO ACCESS" and contains a form with the following fields: "UserId" (text input), "Password" (password input), "Verification Code" (displaying "ZEJAT" with a "Regenerate Code" link), and "Enter Verification Code" (text input). "LOGIN" and "RESET" buttons are located at the bottom of the form.

1.1. After login following screen will be popup.



1.2. A new tab is provided to BCM's i.e. **Reporting Portal** (refer yellow box of above snap). After clicking on the 'Reporting Portal' tab following drop down menu will appear as highlighted in red box of below snap. BCM will select from drop down menu for NCB Reporting Portal, LC Reporting Portal and Other Data. BCMS have to fill and submit all the three forms.



2. NCB reporting tab on RMS screen:

- 2.1. Select NCB Reporting Portal as shown (in 1.2 screenshot) above. Upon clicking NCB reporting portal, filing month and year will appear in the screen as highlighted in red box of below snap. It is to be noted here that a BCM can only file NCB or LC statement for the preceding month. (Example: Current month is January-xxxx then filing period appearing on the screen would be December-xxxx). Further, only one record per month for both NCB and LC is allowed, the system would restrict more than one record for the same period. Moreover, the screen (refer red box in the below snap) also highlights the audited or unaudited filing statement status which is by default set as unaudited.
- 2.2. NCB portal screen would appear, BCMS have to input/enter values in the relevant fields as highlighted in red box of the below snap (extreme right side). If any filed is left empty, the system would automatically consider as **ZERO** value. The fields highlighted in **GREY** colour are system hard-coded fields and thus cannot be edited by user.

RMS :: NET CAPITAL BALANCE PORTAL

User ID: ( )

Add Refresh Close Help

Search By : CM ID: [ ] Month: December Year: [ ] Go!POST Go!SAVE

**Audit Trail View**

Last Changed By user From workstation On date/time

Reason [ ]

Monthly Statements Of Net Capital Balance:  
KSE Corporate BCM (Regular)

Computation Of Net Capital Balance:

Filing For The Month: January Year: [ ]

Filing Statement: Un-Audited

S.NO	HEAD OF ACCOUNTS	INSTRUCTIONS	VALUE IN PAK RUPEES
<b>(+) Current Assets</b>			
1.1	Cash In Hand Or In Bank	As Per Book Value:	0.0
1.2	Trade Receivables	As Per Book Value:	0.0
		Insert Overdue For More Than 14 Days:	0.0
		<b>Total:</b>	0.0
1.3	Investment In Listed Securities In The Name Of The Broker	Insert Market Value:	0.0
		15% Discount	0.0

Internet | Protected Mode: On 100%

- 2.3. After entering values, the system would calculate the final **NCB amount**. Upon satisfaction of the entered values, the user should **SAVE** as highlighted with red color in below snap of the screen.
- 2.4. After saving the NCB filled form. The other user can login to review the entered values and **POST** the same as highlighted in yellow color of the below snap of the screen. Further, review user can also update the values.

RMS :: NET CAPITAL BALANCE PORTAL

User ID: C0423401

Add Refresh Close Help

Search By : CM ID:  Month: December  Year:

SECURITIES RECEIVED BY CLIENTS		Has Not Been Received Within 14 Days Or:	
		Insert Transaction Amount:	0.0
		Value Of Securities After Applying VAR%:	0.0
		Total:	0.0
1.5	Listed TFCs / Corporate Bonds Of Not Less Than BBB Grade Assigned By A Credit Rating Company In Pakistan	Insert Market Value	0.0
			0.0
		Total:	0.0
1.6	FIBs	Insert Market Value	0.0
			0.0
		Total:	0.0
1.7	Treasury Bill	Insert Market Value	0.0
1.8	Any Other Current Asset Specified By The Commission	As Per The Valuation Basis Determined By The Commission	0.0
	Total:		0.0

Current Liabilities

Net Capital Balance

[http://uat.nccpl.pk:5885/RMS\\_NCBPortalScreen.jsp](http://uat.nccpl.pk:5885/RMS_NCBPortalScreen.jsp)

- 2.5. Once posted the NCB would be submitted to NCCPL and the filing for the month would be completed.
- 2.6. At NCCPL, the document receiving date would be stored in the system, in case of any late submission, the system would mark such NCB entries as 'late Submission'.

### 3. LC reporting tab on RMS screen:

- 3.1. All BCM are also required to fill the Liquid Capital “LC” Statement on similar lines as shown for NCB form above (refer point no. 2). Further, following screen would appear for user to start entering relevant fields as highlighted in red box of below snap after clicking LC Reporting Portal on main screen reporting portal.

**RMS :: LIQUID CAPITAL PORTAL**

User ID: C0423401

Add Refresh Close Help

Search By : CM ID: Month: December Year: GO!POST GO!SAVE

**Audit Trail View** << >>

Last Changed By user From workstation 10.70.28.18 On date/time 3-12-2019 10:42:07

Reason

Monthly statements of Liquid Capital : Computation of Liquid Capital:

NAME OF THE SECURITIES BROKER : KSE Corporate BCM (Regular) 04234

Filing For The Month: December Year:

Filing Statement: Un-Audited

S.NO	HEAD OF ACCOUNTS	VALUE IN PAK RUPEES
<b>1. Current Assets</b>		
1.1	Property & Equipment - Haircut 100%	0.0
1.2	Intangible Assets - Haircut 100%	0.0
1.3	Investment In Govt. Securities - Haircut 0%	0.0
1.4	Investment In Debt. Securities (Balance Sheet Value Net Of Any Provision)	
	If Listed Than:	
	(I) 5% Of The Balance Sheet Value In The Case Of Tenure Upto 1 Year.	0.0
	(II) 7.5% Of The Balance Sheet Value, In The Case Of Tenure From 1-3 Years.	0.0

**RMS :: LIQUID CAPITAL PORTAL**

User ID:

Add Refresh Close Help

Search By : CM ID: Month: December Year: GO!POST GO!SAVE

3.9	Opening Positions In Futures And Options	
	(I) In Case Of Customer Positions, The Total Margin Requirements In Respect Of Open Postions Less The Amount Of Cash Deposited By The Customer And The Value Of Securites Held As Collateral/ Pledged With Securities Exchange After Applying VaR Haircuts	0.0
	(II) In Case Of Proprietary Positions , The Total Margin Requirements In Respect Of Open Positions To The Extent Not Already Met	0.0
3.10	Short Sell Positions	
	(I) Incase Of Customer Positions, The Market Value Of Shares Sold Short In Ready Market On Behalf Of Customers After Increasing The Same With The VaR Based Haircuts Less The Cash Deposited By The Customer As Collateral And The Value Of Securities Held As Collateral After Applying VAR Based Haircuts	0.0
	(II) Incase Of Proprietary Positions, The Market Value Of Shares Sold Short In Ready Market And Not Yet Settled Increased By The Amount Of VAR Based Haircut Less The Value Of Securities Pledged As Collateral After Applying Haircuts.	0.0
3.11	Total Ranking Liabilites	0.0
<b>Calculations Summary Of Liquid Capital</b>		
	(I) Adjusted Value Of Assets (Serial Number 1.20)	0.0
	(II) Less: Adjusted Value Of Liabilities (Serial Number 2.5)	0.0
	(III) Less: Total Ranking Liabilities (Series Number 3.11)	0.0
	Total Liquid Capital	0.0
<b>Liquid Capital Allocation</b>		
	Total Liquid Capital	0.0
	Pakistan Mercantile Exchange Limited	0.0
	Bats Allocation	0.0
	Liquid Capital Allocated To NCCPL/ PSX	0.0

POST UPDATE DELETE RESET

- 3.2. After entering values, the system would calculate the final **LC amount**. Upon satisfaction of the values entered one user can **SAVE** and the other user can review and **POST** the LC statement form similar as per NCB form (also highlighted in red box of above snap).
- 3.3. Once posted the LC would be submitted to NCCPL and the filing for the month would be completed.
- 3.4. At NCCPL, the document receiving date would be stored in the system, in case of any late submission, the system would mark such LC entries as 'late Submission'.

*Note: All hair-cut% defined in securities broker license clause 6.3 are fixed percentages and cannot be modified by any BCM. Days defined for overdue calculations for Trade Receivable and Trade Payables are fixed days and cannot be changed. Further, Default Values is set as zero in all input fields.*