



ISO 27001 Certified

National Clearing Company of Pakistan Limited

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

NCCPL/CM/MAR-15/02

March 05, 2015

Recording of Transactions in NCSS for Computation of Foreign Institutional Investors (FIIs) Capital Gain Tax (“CGT”)

Dear Clearing Members,

1. This is with reference to our circular NCCPL/CM/FEB-15/05 dated February 11, 2015 regarding the inclusion of Foreign Institutional Investors (“FIIs”) in the CGT regime implemented through National Clearing Company of Pakistan Limited (“NCCPL”) with effect from July 01, 2014.
2. In this respect, International Broker Dealers (IBD) / Global Custodians (GC) involved in trading on behalf of their clients shall be provided with a separate Unique Identification Number (“UIN”) by NCCPL. Such UIN shall only be used for execution of trades of the clients of IBD/GC and shall not be used for their proprietary trading.
3. Clearing Members (CMs) maintaining account of such IBD/GC are requested to provide us the name and existing UIN of its IBD/GC client(s) along with supporting document, confirming their status as IBD/GC so that separate UINs can be issued by NCCPL.
4. CMs shall be required to open a separate CDS sub-account associated with the separate UIN, issued by NCCPL for such IBD/GC. An exclusive client code in NCSS shall be required to be registered by a Broker Clearing Members (BCMs) by marking “**IBD Eligible**” checkbox in the UIN Setup Screen of National Clearing and Settlement System (“NCSS”).
5. Trades/Transactions executed through specific UINs of IBD/GC shall be settled in their respective CDS accounts. For the purposes of recording transactions for the movement of Securities to the respective client’s accounts, a new screen titled “**IBD Initiation**” has been made available in the CM Module of NCSS.
6. CMs while recording market-based transaction(s) shall ensure that the quantities and amounts of individual transactions should not exceed the amount of market based gross buy or sell of the cumulative trade or transaction executed by the IBD/GC. Similarly, un-affirmed/ rejected Institutional Delivery System Custodian (IDSC) Transactions which are settled by the respective Initiating BCM shall also be recorded through IBD Initiation Screen.



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7. For recording of non-market based transactions, a new screen “*IBD Security Initiation*” has also been made available in the CM Module of NCSS. While recording such transaction(s), system shall ensure that at least one party of such transaction must be Custodian Clearing Member (“CCM”).
8. For transactions reported through IBD Security Screen, the higher of reported price or market price (day-end price of the transaction date), shall be taken into account to compute capital gain on such transaction.
9. Upon affirmation of all such transactions by the counter CM, NCSS shall transmit instructions to CDC for the movement of Securities from respective transferor CM’s CDS accounts to the respective transferee CM’s CDS accounts.
10. Initiation, affirmation and movement of Securities for all such transactions shall be managed by NCCPL as per the Designated Time Schedule (“DTS”) attached as *Annexure -A*.
11. Approved amendments in NCCPL Regulations are attached herewith as *Annexure-B*.

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

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

Regards,

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Rehan Saif
Head of PD & CSS

cc:

1. Executive Director (SMD) Securities and Exchange Commission of Pakistan - Karachi
2. Member Inland Revenue - Federal Board of Revenue
3. Managing Director - The Karachi Stock Exchange Limited
4. Managing Director - The Lahore Stock Exchange Limited
5. Managing Director - The Islamabad Stock Exchange Limited
6. Chief Executive Officer - Central Depository Company of Pakistan Limited

Annexure-A

National Clearing Company of Pakistan Limited

NCSS DESIGNATED TIME SCHEDULE

S. No.	Activity	Monday to Friday		
		Start Time	End Time	Responsibility
1	IBD Settlement Transaction Initiation	9:00 AM	6:00 PM	CCM / CM
2	IBD Settlement Transaction Affirmation	9:00 AM	6:00 PM	CCM
3	IBD Security Movement Initiation	9:00 AM	6:00 PM	CCM / CM
4	IBD Security Movement Affirmation	9:00 AM	6:00 PM	CCM / CM

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Annexure-B

Approved Amendments in “NCCPL Regulations”

2.8	<p>Definitions</p> <p>Unique Identification Number (UIN)</p> <p>VIII) For foreign institutional investor / foreign asset management company /international broker dealer – Registration number issued by the concerned authority in the country of incorporation or registration of the foreign institutional investor / foreign asset management company / international broker dealer placing the order with an alphabetical prefix or suffix attached to such number by the Company. Provided that where a Foreign Institutional Investor involved in trading on behalf of its clients, it shall be issued a separate number/UIN for execution of trades of its clients and such number shall not be allowed to be used for proprietary trading.</p>
9.10.3	<p>Recording of Foreign Institutional Investors Transaction</p> <ol style="list-style-type: none"> 1) In case where trade/transaction executed through specific number issued by the Company to the transacting Foreign Institutional Investor, settled by the Clearing Members and where, Clearing Member will be allowed to record such transaction(s) into NCSS for the movement of Securities to the respective CDS accounts within specified time as per Designated Time Schedule. 2) All transactions referred in above sub-clause shall only be recorded for clients of a Clearing Member and/or between different Clearing Members within specified time as per Designated Time Schedule. 3) Such Clearing Member while recording transaction(s) into NCSS for the movement of Securities should ensure that the quantities and amounts of individual transactions for client(s) should not exceed the amount of market based gross buy or sell of the cumulative trade or transaction executed by the foreign institutional investor. Any movement of Securities recorded by Clearing Member not fulfilling this criterion will not be processed by the NCSS system. 4) Clearing Members, on the instruction of their Foreign Institutional Investor may record free of payment transaction for the movement of Securities from one CDS account to another, within specified time as per Designated Time Schedule provided that one party of such transaction must be Custodian Clearing Member.

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- 5) The price reported as transaction price by Clearing Member for individual transactions shall be taken into account to compute capital gain and tax thereon of such securities. Provided in case of free of payment transaction, the higher of reported price or market price (day-end price of the transaction date), shall be taken into account to compute capital gain on such transaction.
- 6) Any error made by Clearing Member while recording such transaction(s) into NCSS for the movement of Securities shall be notified to the Company immediately as and when identified by the Clearing Member.
- 7) Counter Clearing Member(s) shall not be allowed to edit the details of such posted transaction and shall be required to affirm or reject such transaction within specified time as per Designated Time Schedule.
- 8) Upon affirmation by the counter Clearing Members, NCSS shall transmit instructions to CDC for the movement of Securities from respective transferor Clearing Members' CDS accounts to the respective transferee Clearing Members' CDS accounts within specified time as per Designated Time Schedule.
- 9) In case of shortage of Security in the selling/transferor CDS account, movement of all Securities shall be restricted in CDS.
- 10) The money settlement of all such transactions shall be carried out by the Clearing Members outside the NCSS and therefore, the information submitted regarding such transactions shall be considered conclusive and any subsequent dispute shall be dealt with by the respective Clearing Members.
- 11) The Company may by Notice require a Clearing Member to provide the Company with any additional information in relation to such transactions which the Company thinks necessary for the purpose of accurate computation, determination and collection of capital gain tax.
- 12) The mechanism for recording of such transactions and movement of Securities shall be notified by the Company from time to time.