



PSX/N-5247

Dated: September 7, 2017

NOTICE FOR ALL TREC CERTIFICATE HOLDERS/BROKERS OF THE EXCHANGE

SUBJECT: FORMAT OF AUDITOR'S REPORTS ON THE STATEMENT OF NET CAPITAL BALANCE AND STATEMENT OF LIQUID CAPITAL OF SECURITIES BROKERS UNDER THE SECURITIES BROKERS(LICENSING AND OPERATIONS) REGULATIONS, 2016

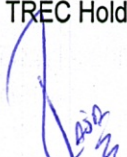
Reference to the Institute of Chartered Accountants of Pakistan (ICAP) vide letter No. ICAP/DTS/000361/45716/2964 dated September 05, 2017, the Securities Brokers, under the Securities (Licensing and Operations) Regulations, 2016 are required to submit following statements to Securities and Exchange Commission of Pakistan (SECP), Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL):

- Statement of Net Capital Balance (required under the Second Schedule of the Regulations); and
- Statement of Liquid Capital (required under the Third Schedule of the Regulations).

In this regard, the Institute of Chartered Accountants of Pakistan in consultation with SECP has developed and issued the auditor's report formats on the aforesaid statements through its vide circular No 15/2017 (dated August 31, 2017).

The office of the Exchange is pleased to enclose the formats of the above statements.

All TREC Holders/Brokers of PSX are accordingly advised to ensure compliance of the same


Naveed Akbar Raja
Manager - Operations

Copy to:

- 1) The Commissioner (SM), smd.notices@secp.gov.pk
- 2) The Chief Executive Officer, Pakistan Stock Exchange Limited
- 3) The Chief Executive, Central Depository Company of Pakistan Limited
- 4) The Chief Executive, National Clearing Company of Pakistan Limited
- 5) The Chief Executive, Pakistan Mercantile Exchange (PMEX)
- 6) The Acting Chief Regulatory Officer - PSX
- 7) All TRE Certificate Holders - PSX
- 8) All Departmental Heads - PSX
- 9) Notice Board & Website - PSX



**The Institute of
Chartered Accountants
of Pakistan**

**CA
PAKISTAN**

HEAD OFFICE

Circular No. 15/2017

August 31, 2017

ALL PRACTICING MEMBERS OF THE INSTITUTE

Dear Member

Formats of the Independent Auditor's Reports on the Statement of Net Capital Balance and Statement of Liquid Capital

In accordance with clause 6.4 of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations), a Securities Broker is required to submit the following audited statements to Securities and Exchange Commission of Pakistan (SECP), Pakistan Stock Exchange and National Clearing Company of Pakistan Limited, on a half yearly basis:

- Audited statement of Net Capital Balance (required under the Second Schedule of the Regulations); and
- Audited statement of Liquid Capital (required under the Third Schedule of the Regulations).

The Institute in consultation with SECP has:

1. Revised the auditor's report format on the statement of Net Capital Balance in accordance with the requirements of ISA 805 (Revised), *Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

Previously, the Institute through Circular 09/2016 (dated September 26, 2016) issued the format of the auditor's report on the statement of Net Capital Balance of the Securities Brokers/ Brokerage House. However, the format of the auditor's report has been revised, owing to the issuance of revised ISA 805 by International Auditing and Assurance Standards Board. The revised format of the auditor's report will supersede the previously prescribed format; and

2. Developed the auditor's report format on the statement of Liquid Capital in accordance with the requirements of ISA 805 (Revised).

Formats of the above mentioned revised and newly developed auditor's reports are attached to this Circular.

Members are advised to take guidance from the enclosed formats.

Yours truly

Sohail Malik
Director Technical Services

Encls: as above

(Established under the Chartered Accountants Ordinance, 1961 - X of 1961)

INDEPENDENT AUDITORS REPORT ON STATEMENT OF NET CAPITAL BALANCE

To the Chief Executive Officer of [_____] (the Securities Broker)]

Opinion

We have audited the Statement of Net Capital Balance of ----- (the Securities Broker) and notes to the Statement of Net Capital Balance as at -----, 2017 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at is prepared, in all material respects, in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the statement* section of our report. We are independent of the Securities Broker in accordance with the ethical requirements that are relevant to our audit of the statement in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the statement, which describes the basis of accounting. The statement is prepared to assist the ----- (the Securities Broker) to meet the requirements of the SECP, Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). As a result, the statement may not be suitable for another purpose. Our report is intended solely for ----- (the Securities Broker), SECP, PSX and NCCPL and should not be distributed to parties other than ----- (the Securities Broker) or the SECP, PSX or NCCPL. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the statement

Management is responsible for the preparation of the statement in accordance with the Regulations and the SEC Rules 1971, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Those charged with governance is responsible for overseeing the Securities Broker's financial reporting process.

Auditor's Responsibilities for the Audit of the statement

Our objectives are to obtain reasonable assurance about whether the statement is free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Securities Broker's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. **(This paragraph is required only in case of listed company)**

The engagement partner on the audit resulting in this independent auditor's report is(name)

[Signature in the name of the audit firm]

[Place/ location] include auditor's address in case where letterhead with address is not used]]

[Date]

INDEPENDENT AUDITORS REPORT ON STATEMENT OF LIQUID CAPITAL

To the Chief Executive Officer of [_____] (the Securities Broker)]

Opinion

We have audited the Statement of Liquid Capital of ----- (the Securities Broker) and notes to the Statement of Liquid Capital as at -----, 2017 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at is prepared, in all material respects, in accordance with the requirements of the Third Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) issued by the Securities & Exchange Commission of Pakistan (SECP).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the statement* section of our report. We are independent of the Securities Broker in accordance with the ethical requirements that are relevant to our audit of the statement in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the statement, which describes the basis of accounting. The statement is prepared to assist the ----- (the Securities Broker) to meet the requirements of the SECP, Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). As a result, the statement may not be suitable for another purpose. Our report is intended solely for ----- (the Securities Broker), SECP, PSX and NCCPL and should not be distributed to parties other than ----- (the Securities Broker), the SECP, PSX or NCCPL. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the statement

Management is responsible for the preparation of the statement in accordance with the Regulations, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Those charged with governance is responsible for overseeing the Securities Broker's financial reporting process.

Auditor's Responsibilities for the Audit of the statement

Our objectives are to obtain reasonable assurance about whether the statement is free from material misstatement whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Securities Broker's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

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The engagement partner on the audit resulting in this independent auditor's report is(name)

[Signature in the name of the audit firm]

[Place/ location] include auditor's address in case where letterhead with address is not used]]

[Date]