

To (System) :

Element : Participant, Clearing Member
Type

Location : Islamabad, Karachi, Lahore

Status : Active, Suspended

To (Group) :

**To
(Element) :**

Subject : Soft Reminder - Limit on Assets under Custody (AuC) for TREC holders with FYE June 30,2017

Attachments : Asset Under Custody Procedure.pdf

Priority : Normal

Message : September 07, 2017

Dear TREC holder,

With reference to the captioned subject you are requested to provide CDC with the Certified True Copy of Audited Financial Statement or Original Auditors Certificate as at **June 30, 2017** latest by **October 31, 2017**.

Further, please note that there have been a few amendments in the Procedures of AuC, the amended procedure is enclosed herewith for your ready reference.

Furthermore, you are requested to submit the required document (s) in a sealed envelope and addressed to Head of Operations marked as "**Confidential**" in order to ensure the sanctity of the documents. Moreover, the same can be sent through courier to CDC House or can be submitted at any of our branch offices.

We would like to reiterate that only Certified True Copy of Financial Statements will be accepted

All those TREC Holders who have already submitted the said documents are requested to ignore this circular.

Should you have any queries or concerns, please feel free to call our Customer Support Services at 0800-23275 (CDCPL).

Regards,

Abdul Basit Kothari

Senior Manager-Operations & Customer Support Services



***LIMIT ON ASSETS UNDER CUSTODY
PROCEDURES***

Version 2.0

Table of Contents

INTRODUCTION	1
APPLICABILITY OF THE REGIME	1
CUSTODY POSITION	1
CAPITAL ADEQUACY LEVEL	1
MAXIMUM CUSTODY LIMIT.....	1
SUBMISSION OF STATEMENT OF CAPITAL ADEQUACY LEVEL	2
NON-COMPLIANCE	2
ANNEXURE-A	4

LIMIT ON ASSETS UNDER CUSTODY PROCEDURES

Introduction

The objective of this Regime is to apply a mechanism whereby prescribing a limit to the extent of which a Trading Right Entitlement Certificate (TREC) Holder Participant may have custody of securities under its control.

Applicability of the regime

The regime is applicable to all TREC Holders.

Custody Position

Custody Position means the cumulative value of the Holding Balances at any time forming part of the Account Family of TREC Holder of the Stock Exchange, excluding Securities that are (a) in Freeze status and (b) held in the blocked accounts.

Capital Adequacy Level

Capital Adequacy Level will be calculated in the following manner:

<i>Total Assets</i>	<i>xxx</i>
<i>Less: Total Liabilities</i>	<i>(xxx)</i>
<i>Less: Revaluation Reserves (created upon revaluation of Fixed Assets)</i>	<i>(xxx)</i>
 <i>Capital Adequacy Level</i>	 <u><u>xxx</u></u>

Explanation:-

While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by such Participant as determined by Pakistan Stock Exchange shall be considered

Maximum Custody Limit

Maximum Custody Limit means **25 times** of the reported Capital Adequacy Level.

Submission of Statement of Capital Adequacy Level

In order to enable CDC to define/update the Capital Adequacy Level in the CDS, TREC holders are required to submit a statement annually within four months of close of each financial year **and** upon any change in its paid-up capital (except for the change due to Bonus issue) in the following manner:

- i. Duly issued by the statutory auditors of the Participant as per the attached format; or
- ii. In the form of duly audited annual financial statements of the Participant.

Note:

1. Auditor referred above shall be the auditor enlisted within category 'A' or 'B' of the SBP's panel of auditors.
2. The number of Pakistan Stock Exchange (PSX) shares held by the TREC Holder should be clearly mentioned in the corresponding notes to the accounts, if applicable.
3. Form-3 will be required with the original Auditor Certificate if paid-up capital changes during the year.

Non-Compliance

Following events will be considered as non-compliance:

A - Assets under Custody are in excess of Maximum Custody Limit:

1. In such cases, CDC will issue Notice to the TREC Holder requiring to rectify the breach within 7 Business Days of receipt of such notice.
2. If the Participant does not rectify the breach within 7 Business Days of receipt of the above Notice; CDC shall issue Notice of Restriction to the Participant.

During this period, the following Restrictions shall be applied:

- Restriction on deposit of physical securities.
 - Restriction on all incoming transactions whether through Free Delivery or Balance Order Delivery mechanism.
3. In case where the default continues for more than 60 Business Days from the date of Notice of Restriction, CDC shall issue Notice of suspension to the concerned Participant.

B: a) *The Participant has not submitted the Capital Adequacy Level Statement / annual audited financial statement to the CDC; or*

b) *Capital Adequacy level of a TREC Holder is negative; or*

c) *There is a non compliance of Notice issued by CDC to the Participant for the purpose of Inspection;*

1. In such cases, CDC shall issue Notice of Restriction to the Participant.

During the restriction period the Participant will not be allowed to perform any transactions in CDS including Balance Order Delivery Transactions (for buy or sale trade) except for Free Delivery transaction relating to Portfolio Transfer (outward).

2. In case where the default continues for more than 60 Business Days from the date of Notice of Restriction, CDC shall issue Notice of suspension to the concerned Participant.

Please note that Auditor for the purpose of Inspection as referred in B (c) above shall be the auditor enlisted within category 'A' or 'B' of the SBP's panel of auditors.

Note

For the above cases of Restriction, Pending settlement (as per the Procedures of Pending Settlement) as well as all Corporate Action would be allowed during the restriction period.

Revised Auditor's Certificate

(to be provided on Auditor's Letter Head)

Annexure-A

We, being the statutory auditors of M/s. _____ certify that the following information is correct and authenticated by us after due diligence from our side as at _____.

	Note	
<i>Total Assets</i>	<i>1</i>	<i>xxxx</i>
<i>Less: Total Liabilities</i>		<i>(xxx)</i>
<i>Less: Revaluation Reserves (created upon revaluation of fixed assets)</i>		<i>(xxx)</i>
 <i>Capital Adequacy Level</i>		 <u><u>xxxxx</u></u>

Note:-

- i. While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by such Participant as at year ended <date of the year end> as determined by Pakistan Stock Exchange has been considered.