



Central Depository Company
of Pakistan Limited

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Notification No. 06 of 2016

Sub: Proposed amendments in the CDC Regulations in respect of authorization for pledging of sub-account holders' securities with banks / financial institutions

To,
General Public,

This is to bring to the notice of general public that the Board of Directors of CDC has approved the attached amendments in the CDC Regulations in respect of authorization for pledging of sub-account holders' securities with banks / financial institutions.

As per the proposed amendments:

- a. Participants shall continue to obtain separate authorization for each pledge transaction made from sub-account in favour of a bank / financial institution as presently done.
- b. Participant shall not be required to provide copy of such authorization to the relevant Eligible Pledgee for each pledge transaction.
- c. Accordingly, the Eligible Pledgees shall also not be required to obtain copy of such authorization from the Participant.
- d. The Participant shall, however, be required to send a declaration to the concerned Eligible Pledgee, on a fortnightly basis, confirming that it has obtained client-level authorizations for each pledge transaction made in favour of the Eligible Pledgee.
- e. The Eligible Pledgee shall also obtain such declarations from the Participants and keep proper record of the same.

Rationale: The scheme addresses the practical difficulty of banks in obtaining the specific authorizations on a daily basis for each pledge transaction made in their favour which is a cumbersome process. As per the instructions of State Bank of Pakistan vide Circular No. BPRD/BLRD-03/4595 dated July 14, 2010, banks are required to ensure that they have due authorization of the beneficial owners whose securities are pledged in their favour against financing facility. In this regard, banks enter into a lien agreements with the relevant clients which fulfills the requirements of client-level authorization as envisaged under the CDC Regulations.

In addition, the CDS Participants will also be relieved of sending such authorizations to the concerned Eligible Pledgees on a daily basis. However, Participant will now be required to send a fortnightly declaration to the concerned Eligible Pledgees.

As required under Section 51(2) of the Securities Act, 2015 (III of 2015), such amendments are placed for public comments which may be submitted at comments@cdcpak.com within 7 days of this publication i.e. on or before September 12, 2016.

Regards,

Badiuddin Akber
Chief Compliance & Risk Officer

COMPARATIVE STATEMENT - AMENDMENTS IN THE CDC REGULATIONS FOR PLEDGE

S. #	Regulation #	Existing Regulations	Regulations Proposed by CDC
	6.7.2	<p>Handling of Book-entry Securities by a Participant that are entered in the Sub-Accounts of his Sub-Account Holders for any purpose other than those specifically set out in the Authorization shall require a specific prior written authorization of the relevant Sub-Account Holders in favour of the Participant for each transaction on a standard format prescribed by CDC in the Procedures pursuant to Regulation 3.7.1 in respect of any such purpose from time to time.</p>	<p>Handling of Book-entry Securities by a Participant that are entered in the Sub-Accounts of his Sub-Account Holders for any purpose other than those specifically set out in the Authorization shall require a specific prior written authorization of the relevant Sub-Account Holders in favour of the Participant for each transaction on a standard format prescribed by CDC in the Procedures pursuant to Regulation 3.7.1 in respect of any such purpose from time to time. <u>Provided that where such Handling pertains to Pledging of Book-entry Securities by a Participant from a Sub-Account under his control in favour of an Eligible Pledgee, which is not a Stock Exchange or a Clearing Company, the Participant shall provide such declaration to the concerned Eligible Pledgee in such manner as prescribed by CDC in the Procedures.</u></p>
	11.1.6	<p>Where any Book-entry Securities entered in a Sub-Account are Pledged by a Participant in favour of an Eligible Pledgee, which is not a Stock Exchange or a Clearing Company, such Eligible Pledgee shall, for each such Pledge Transaction, obtain a copy of the specific authorization executed by the concerned Sub-Account Holder in favour of such Participant on a standard format prescribed by CDC in the Procedures pursuant to Regulation 3.7.1.</p>	<p><u>Where any Book-entry Securities entered in a Sub-Account are Pledged by a Participant in favour of an Eligible Pledgee, which is not a Stock Exchange or a Clearing Company, such Eligible Pledgee shall, for each such Pledge Transaction, obtain a copy of the and retain a declaration from the concerned Participant in accordance with the Procedures, confirming that the Participant has obtained specific authorizations for each Pledge Transaction executed by the concerned Sub-Account Holders in favour of such Participant, on a standard format prescribed by CDC in the Procedures pursuant to Regulation 3.7.1.</u></p>

