



**Central Depository Company
of Pakistan Limited**

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Main Shakra-e-Faisal,
Karachi-74400

Ref. No. CDC/LCR/N/04/2017

April 21, 2017

Notification No. 04 of 2017

Sub: Proposed amendments in the CDC Regulations in respect of Asset under Custody regime

To,
The 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 Asset under Custody regime subject to approval of the Securities and Exchange Commission of Pakistan under Section 35 of the Central Depositories Act, 1997 (XIX of 1997) read with Section 51 of the Securities Act, 2015 (III of 2015).

As per the existing practice, a TRE Certificate Holder Participant has to submit either an Auditors' Certificate or an Annual Audited Financial Statements each year for the purpose of Asset under Custody regime.

Where Financial Statements are provided, the Company has to calculate the Capital Adequacy Level ("CAL") of the TRE Certificate Holder Participants individually which at times requires Company's own judgment in concluding the financial calculations.

As against the Financial Statements, the Auditors' Certificate is formatted where no such calculation is required and necessary information are provided in such a manner that only require insertion of CAL in the CDS. Further, Auditors have required expertise in determining the rationality of factors involved in calculating the CAL.

In addition, it is also to clarify in the Regulations that compliance of 7 business days' notice will be checked on the expiry of notice period i.e. on the 8th business day.

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 **Friday, April 28, 2017**.

Regards,

Badiuddin Akber
Chief Compliance & Risk Officer

COMPARATIVE STATEMENT – Amendments in the CDC Regulations relating to Reporting under AuC Regime

Reg. #	Existing Regulations	Regulations Proposed by CDC
6.8.3	<p>Every Participant to whom Regulation 6.8.2 applies shall, within four (04) months of close of each financial year of such Participant, and upon any change in the paid-up capital of the Participant, submit the statement referred to in that Regulation to CDC:</p> <p>(a) duly issued by the auditors of the Participant on a format prescribed by CDC in the Procedures; or</p> <p>(b) in the form of an annual financial statements of the Participant duly audited by its auditors.</p> <p>Provided that the auditors referred to in clauses (a) and (b) of this Regulation 6.8.3 shall be selected in accordance with the criteria prescribed by CDC with the prior written approval of the Commission.</p> <p>Notwithstanding the foregoing, the first statement referred to in Regulation 6.8.2 shall be submitted by a Participant within such number of days after coming into force of Regulation 6.8.2 as is notified by CDC.</p>	<p>Every Participant to whom Regulation 6.8.2 applies shall, within four (04) months of close of each financial year of such Participant, and upon any change in the paid-up capital of the Participant, submit the statement referred to in that Regulation to CDC:</p> <p>(a) duly issued by the auditors of the Participant on a format prescribed by CDC in the Procedures; or</p> <p>(b) (c) (a) in the form of an annual financial statements of the Participant duly audited by its auditors.</p> <p>Provided that the auditors referred to in clauses (a) and (b) of this Regulation 6.8.3 shall be selected in accordance with the criteria prescribed by CDC with the prior written approval of the Commission.</p> <p>Notwithstanding the foregoing, the first statement referred to in Regulation 6.8.2 shall be submitted by a Participant within such number of days after coming into force of Regulation 6.8.2 as is notified by CDC.</p>

COMPARATIVE STATEMENT – Amendments in the CDC Regulations relating to Reporting under AuC Regime

Reg. #	Existing Regulations	Regulations Proposed by CDC
6.8.5	<p>CDC may monitor compliance of Participant, who is a TRE certificate holder, in respect of:</p> <p>(a) Regulation 6.8.1 by daily monitoring and where such exercise discloses that the Participant has breached the Maximum Custody Limit, then, CDC shall require such Participant through notice to rectify the breach within 7 Business Days of receipt of such notice; and</p> <p>(b) Capital Adequacy Level of such Participant and for this purpose, CDC may, where it deems necessary, require the Participant to permit CDC or, as the case may be, the auditors (to be selected in accordance with the criteria prescribed by CDC in the Procedures with the prior written approval of the Commission) to inspect Records of the Participant to determine the Capital Adequacy Level of the Participant.</p>	<p>CDC may monitor compliance of Participant, who is a TRE certificate holder, in respect of:</p> <p>(a) Regulation 6.8.1 by daily monitoring and where such exercise discloses that the Participant has breached the Maximum Custody Limit, then, CDC shall require such Participant through notice to rectify the breach within 7 Business Days of receipt of such notice <u>where compliance thereof shall be observed by CDC on the Start of Day on the 8th Business Day of receipt of such notice and necessary action shall be taken by CDC in accordance with these Regulations on the basis of status of compliance so observed;</u> and</p> <p>(b) Capital Adequacy Level of such Participant and for this purpose, CDC may, where it deems necessary, require the Participant to permit CDC or, as the case may be, the auditors (to be selected in accordance with the criteria prescribed by CDC in the Procedures with the prior written approval of the Commission) to inspect Records of the Participant to determine the Capital Adequacy Level of the Participant.</p>