



**Central Depository Company  
of Pakistan Limited**

Head Office: CDC House, 99-B,  
Block 'B', S.M.C.H.S.,  
Main Shakra-e-Faisal,  
Karachi-74400

Ref. No. CDC/LCR/09/2019

August 23, 2019

**Circular No. 09 of 2019**

***Sub: Subordinated Loans taken by Securities Brokers from their Directors, Sponsors or  
Substantial Shareholders***

To,  
The Chief Executive Officers of  
all TREC Participants,

As advised by the Securities and Exchange Commission of Pakistan ("**the Commission**"), we place the circular no. 12 of 2019 dated August 23, 2019 issued by the Commission relating to subordinated loans taken by securities brokers from their directors, sponsors or substantial shareholders (copy enclosed).

This is for your information and necessary compliance.

Regards,

Hammad Ali Faisal  
Officiating Chief Compliance Officer

**Copy for information to:**

The Executive Director/HOD (PRDD/AD-SMD)  
Securities and Exchange Commission of Pakistan  
Islamabad



Securities and Exchange Commission of Pakistan  
Securities Market Division

SECP


No. SMD/SE/2(20)/2019

August 23, 2019

CIRCULAR NO. 12 OF 2019

**Subject: SUBORDINATED LOANS TAKEN BY SECURITIES BROKERS FROM THEIR DIRECTORS, SPONSORS OR SUBSTANTIAL SHAREHOLDERS**

1. In terms of requirements sub-clause (iv) of clause (ka) of sub-regulation (2) of regulation 16 of the Securities Brokers (Licensing and Operations) Regulations, 2016, the Securities and Exchange Commission hereby imposes the following conditions relating to subordinated loans taken by securities brokers ("Broker") from their directors, sponsors or substantial shareholders:
  - (a) subordinated loan shall be un-secured and sub-ordinate to all other indebtedness;
  - (b) a Broker may pay markup or interest on the subordinated loan subject to the following conditions:
    - (i) it has Management Rating not less than BMR3,
    - (ii) at any time total subordinated loan shall not be more than 2.5 times the net worth of the Broker, and
    - (iii) the rate of markup or interest shall not exceed 6-Month KIBOR+2% or any other rate as may be specified by the Commission;
  - (c) subordinated loan shall be documented by a formal subordination agreement between the provider of the loan and the Broker. Furthermore, minimum tenor, terms of repayment and repayment schedule of subordinated loan shall be specifically made part of the subordinated agreement; and
  - (d) the Broker shall immediately report to the Commission the subordinated loans taken, repayments made and markup or interest paid.
2. This circular shall come into force with immediate effect. Any violation or circumvention of the conditions contained in this circular shall be dealt with under the provisions of the Securities Act, 2015.
3. Circular No. 20 of 2017 dated August 30, 2017 is hereby repealed.

  
(Shauzab Ali)  
Commissioner (SMD)

**Distribution:**

1. Pakistan Stock Exchange for disseminating among TREC holders and placing on its website;
2. Central Depository Company for information and placing the same on its website;
3. National Clearing Company for information and placing the same on its website;
4. Chief Executive Officers of all Brokers;
5. Chairman, Oversight Committee formed under Joint Inspection Regulations, 2015.