



PROCEDURES FOR DIRECT SETTLEMENT SERVICE

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1 INTRODUCTION

- 1.1 Traditionally, securities and cash components of the settlement leg of the trades/ transactions are controlled by the stock broker on behalf of the client(s). Direct Settlement Service (DSS) provides an alternative solution where investors can avail clearing and settlement services through CDC – Investor Account Services. Through DSS, settlement can be done directly through IAS Account holders via CDC and brokers will only be responsible for trading activities of the clients.
- 1.2 This facility has also eliminated the current mandatory requirement of maintaining CDS sub-account with the Stock Broker for settlement of trades. However, for the execution of trades, investor shall establish contact with the TREC Holder as per the existing practice/mechanism.
- 1.3 Direct Settlement Service (DSS) is a web based service through which IAS Account Holder may avail DSS functionality via CDC access web portal.

2 MARKETS COVERED

At present, Ready and Odd Lot Market can be settled through DSS.

3 DSS SUBSCRIPTION

DSS is an optional service and this facility is only available for IAS Account Holder maintaining an account under CKO Regime. There are no restriction for subscription and un-subscription of DSS service.

In order to subscribe DSS facility, IAS Account holder has to submit subscription form duly filled and signed as per operating instructions provided earlier. . In case of Non-individual IAS account holder, the form should be signed by the authorized signatory (ies) as per the operating instructions and duly stamped. .Please note that Board Resolution / Power of Attorney submitted by IAS Account holder earlier must have a provision of DSS Subscription, otherwise, they have to submit revised POA / Board Resolution whatever the case may be having a provision of DSS subscription.

Apart from the details mentioned on DSS subscription form, all other account details including operating instructions will be considered same as provided by the IAS account holder(s) to CDC in the Investor Account Opening Form and any changes made therein subsequently.

4 DSS ACTIVATION – ROLE OF TREC HOLDER

- 4.1 Based on subscription of DSS service, respective TREC Holder needs to perform the KYC process in accordance with the CKO regime of NCCPL and applicable laws pertaining thereto.
- 4.2 Subsequently, TREC Holder shall issue Back Office ID to the client for the purpose of settlement of trades directly with IAS Account.
- 4.3 TREC Holder to add IAS Account Holder Back Office ID under the category of “IAS” in UIN Registration functionality of National Clearing & Settlement System (NCSS).
- 4.4 TREC Holder to tag the IAS Account No. with Back Office ID for performing transactions through DSS. In case if IAS Account is not tagged, IAS Account Holder will not be able to execute trade and settle it through CDC IAS Account.
- 4.5 TREC Holder integrated with CDC shall be able to provide trading platform to IAS Account Holder to perform trade execution.
- 4.6 TREC Holder not integrated with CDC shall not be able to offer DSS Service to IAS Account Holders.

5 CDC WEB PORTAL:

- 5.1 After subscription of DSS Service, IAS Account Holder will be able to login on CDC Web Access www.cdaccess.com.pk
- 5.2 First time log in clients on CDC Access website shall go through the initial login process where they will be required to verify the identity by entering the secret information and forced change of the system generated password.
- 5.3 Trading via DSS subscribed IAS Account requires one time earmark all available securities and/or cash in their IAS Account before initiating trade execution instruction to TREC Holder. Once it is done, data will be available to the concerned stock brokers for good fund and good securities for trading purposes.

6 ADDITION / DELETION OF BENEFICIAL TREC HOLDER (BTH)

- 6.1 In order to trade with stock broker, DSS Subscribed Account Holder will be required to add integrated BTH(s) in CDC Web Access.
- 6.2 Upon adding BTH, 2 Factor Authentication code shall be transmitted on registered email address and mobile number, upon entering both, system will validate and allow to add BTH.

- 6.3 DSS Subscribed Account Holder will be able to select the BTH to initiate Earmarking Instruction for execution of trade(s).
- 6.4 DSS Subscribed Account Holder can perform transaction with only one TREC Holder at a time. In order to change the BTH, it is necessary to remove the existing BTH and add the new one.

7 EARMARKING INSTRUCTION

- 7.1 Earmarking Instruction means irrevocable instruction given by the DSS Account Holder to CDC so as :
- to block complete portfolio of securities and cash as available in the DSS subscribed IAS account of the client on a perpetual basis. These blocked securities and cash will not be available to the client for any other transactions or withdrawal during the day; and
 - to disclose , the balance of securities and cash portfolio as available in client DSS subscribed IAS account to the concerned Beneficial TREC Holder on a daily basis.
 - to settle trade(s) on settlement date and within the designated time, provided that the trades executed are within the limits of the securities and cash portfolio earmarked in the DSS subscribed IAS account. Any trade that exceeds the limits of the Earmarked securities and cash will be rejected and settled by the respective TREC Holder.

8 DE-ALLOCATION OF EARMARKING INSTRUCTION (EI)

- 8.1 DSS clients will have the option to de-allocate the Earmarking Instruction of their IAS account subject to the condition that no pending settlements exist. Upon de-allocation, portfolio of cash and securities in the DSS subscribed IAS account will not be available for trading purpose. Further, please note that de-allocation shall take place at day end.

9 MODES OF TRADES EXECUTION:

TREC Holders provide various modes through which the IAS Account Holder can commence trading:

- Place trade order on TREC Holder provided online portal /mobile app; Place trade order via phone call (if allowed by the Broker)
- Place trade order via email / WhatsApp or any other mode offered by the Broker as per PSX Rule Book

10 TRADE EXECUTION – BUY CASE

- 10.1 For a buy transaction, IAS Account Holders must ensure that sufficient cash balance is available (including cash receivable against sale transactions) in their DSS subscribed IAS account before trade execution.
- 10.2 In order to make funds available in DSS subscribed IAS Account, IAS Account Holders can transfer the required funds from their cash account to CDC designated bank account (List attached in Annexure "A").
- 10.3 Upon ensuring that sufficient funds are available with CDC, IAS Account Holder will initiate buy trade execution instruction to the concerned TREC Holder through the modes listed above.
- 10.4 DSS subscribed clients will now have the freedom to buy shares against the receivable of unsettled cash.

11 TRADE EXECUTION – SELL CASE

- 11.1 For a sell transaction, IAS Account Holders must ensure that sufficient securities balance is available (to be credited against pending buy transactions) in their DSS subscribed IAS account before trade execution.
- 11.2 Client will now have the freedom to sell securities from the securities holding that are yet not settled
- 11.3 Upon ensuring that sufficient securities balance is available with CDC, the IAS Account Holder will initiate sell trade instruction to the concerned TREC Holder through the modes listed above.

12 PRE-MATCHING OF TRADES

- 12.1 Matching of executed trades received by CDC from NCCPL by way of IDS instruction(s) with the Earmarking Instruction(s).
- 12.2 Following are the details of the matching criteria:

IN CASE OF BUY TRADES

- a) Execution of trade by the relevant Beneficial TREC Holder
- b) The aggregate value of the trade(s) is within the limit of cash balances (including cash receivable against sale trades) earmarked through the Earmarking Instruction

IN CASE OF SELL TRADES

- a) Execution of trade by the relevant Beneficial TREC Holder
- b) Name of security (ies)
- c) Quantity of security (ies) is within the limit of securities earmarked through the Earmarking Instruction

13 AFFIRMATION / REJECTION OF TRADES

- 13.1 Upon successful matching, Institutional Delivery System (IDS) on National Clearing & Settlement System (NCSS) will be affirmed for settlement purpose. In case Earmarking Instruction and trade details are not matched, CDC may reject such IDS instructions.
- 13.2 CDC may also reject the transactions in the following cases:
 - a) Due to insufficiency of cash & securities balances.
 - b) If the relevant IAS account is blocked for any reason whatsoever, settlement of such trades will be the responsibility of respective TREC Holder.

14 SETTLEMENT OF TRADES

- 14.1 In case of Buy transaction, required securities will be delivered to the buyer's account and cash will be moved out through instructions of NCSS.
- 14.2 In case of Sell transaction required securities will be delivered out and securities will be settled through "Balance Order" instructions of NCSS.
- 14.3 Settlement of pending trades in respect of blocked accounts shall be made in the following manner where CDC has blocked IAS Account due to any order, directive or instruction received from a court or any other competent authority.
 - In case of buy transaction where Earmarking Instruction is processed and IDS instruction is also affirmed, then securities will be received in the CDC's Temporary Account in blocked form.
 - In case of sell transaction, no movement shall be performed and the settlement would fail.
 - Treatment for movement of securities from Temporary Account shall be handled by CDC as per legal framework and on case to case basis.

15 REPORTS & ACTIVITIES

- Daily Transaction Report
- CDC Balance Report
- IAS Account Holder Report

16 ALERTS & NOTIFICATION

DSS Subscribed Account Holder shall be notified through SMS & eAlerts pertaining to DSS Transactions.

17 DISPUTE HANDLING TRANSACTIONS

It is responsibility of DSS Subscribers regarding selection of BTH for the purpose of trading or dealings and enter into mutually agreed upon terms and conditions. CDC in any case will not be responsible or liable for any such dealings/trading or matters taking place between the DSS Subscriber and the BTH.

18 STOCK BROKER COMMISSION

TREC Holder's commission and other charges will be deducted from the DSS subscribed IAS cash account maintained with CDC. Accordingly payment (after deducting tax on commission as per applicable rate) will be made to the concerned TREC holder. Deducted tax will be deposited by CDC to Government treasury in the manner prescribed in the Income Tax Ordinance / Rules.

19 TRANSFER OF FUND MECHANISM

TRANSFER OF FUND TO CDC

- Transfer of fund to CDC can be made via online / electronic fund transfer into CDC designated bank account by the title holder. Detail of CDC designated bank accounts are specified in Annexure "A"
- In case of sale transaction, credit will be given to the respective IAS account upon realization of sale proceeds amount into settlement Bank Account of CDC from NCCPL.
- Please note that third party payments and cash payment are not allowed

TRANSFER OF FUND INTIMATION TO CDC

- In order to timely update the cash position, DSS subscribed IAS Account Holder is required to intimate immediately the details of transfer of fund to CDC through the registered email address at dss@cdcpak.com or duly signed letter along with proof of payment.

TRANSFER OF FUND TO DSS SUBSCRIBERS

- Available cash amount will be made to DSS Subscriber through online / electronic fund transfer mechanism on the basis of instruction received from them into their designated bank account as available in CDC's record after the deduction of applicable charges / fees etc.

20 CAPITAL GAIN TAX

Capital gains tax (CGT), where applicable will be deducted from the respective IAS accounts subject to the availability of funds as per the CGT report provided by National Clearing Company (NCCPL) on a monthly basis. For necessary details relating to CGT, please refer to NCCPL Regulations & their website www.nccpl.com.pk . Further CDC will not be liable for computation of CGT amount and CDC will make funds available to NCCPL.

21 PROFIT PAYMENT ON CASH BALANCE

Profit earned on IAS Account Holders' funds available with CDC will be passed on to the IAS Account Holders during the current quarter.

22 DSS TARIFF

At present, there is not charges on DSS facility. It is free of cost service.

23 TRADING SCHEDULE

Monday to Friday
As per the trading time communicated by Pakistan Stock Exchange

* For updated trading timings, kindly visit following link:

<https://www.psx.com.pk/psx/exchange/general/trading-hours>

For further clarification, you may call our Customer Support Services at toll free number **0800-CDCPL (23275)** or visit our website www.cdcpakistan.com for more information.

“Annexure A”

CDC Designated Banks Account Details

Title of Account:	Central Depository Company of Pakistan Limited
Account Number:	215089836
IBAN:	PK87 UNIL 0109 0002 1508 9836
Bank Name:	United Bank Limited *
Branch Name & code:	Pakistan Stock Exchange Branch (0682)

*UBL also is CDC Settling Bank Account with NCCPL

Title of Account:	Central Depository Company of Pakistan Limited
Account Number:	00357900098001
IBAN:	PK07 HABB 0000 3579 0009 8001
Bank Name:	Habib Bank Limited
Branch Name & code:	Pakistan Stock Exchange Branch (0035)

Title of Account:	Central Depository Company of Pakistan Limited -(DSS)
Account Number:	6-1-18-20614-714-137725
IBAN:	PK14 MPBL 0118 2171 4013 7725
Bank Name:	Habib Metropolitan Bank Limited
Branch Name & code:	Pakistan Stock Exchange Branch

Title of Account:	Central Depository Company of Pakistan Limited -DSS
Account Number:	0012-1005052541
IBAN:	PK90 ALFH 0012 0010 0505 2541
Bank Name:	Bank Al-Falah Limited
Branch Name & code:	Pakistan Stock Exchange Branch