

CDC to transform the Dividend Disbursement process by using RaastPaisa – A big step to facilitate Capital market investors

(by Badiuddin Akber – CEO Central Depository Company of Pakistan Limited)

In November 2019, State Bank of Pakistan (SBP) announced its **National Payment Systems Strategy**. The prime objective of this Strategy is to make recommendations to design a National Payments System complying with international standards and best practices, and tailored for the specific circumstances and requirements to establish a safe, efficient and inclusive National Payment Systems in Pakistan.

One of the major recommendations under this strategy was the introduction of **a new payment gateway** for faster processing and settlement of retail transactions. For the pilot implementation of **RaastPaisa**, SBP was looking for a use case where they could find the following attributes:

- Bulk availability of IBANs
- Large number of payment transactions
- Trusted and well prepared partner

This was where CDC presented its use case of Dividend Disbursement to SBP. CDC has been spearheading the use of new technology in Capital Market to improve process flows and create a multidisciplinary network of transparency by replacing old, obsolete and manual processes with innovative tech-based processes. In 2017, CDC worked closely with the Issuers and SECP to pave the way for implementation of E-Dividend concept in Pakistan under the regulatory framework of the Companies (Distribution of Dividends) Regulations 2017 (“the Regulations”). **At the same time, CDC introduced its “Centralized Cash Dividend Repository (CCDR)” solution wherein shareholders / investors can conveniently access all their current and historical dividend related information electronically.** Investors and Issuers deeply appreciated such initiatives by CDC.

Dividend disbursement processing is a major activity where around 350 dividend announcements are made by various listed companies to give cash dividend to their shareholders annually (sometimes even bi-annually and/or quarterly), so it involves huge volumes of cash to be processed. On an average, dividend of more than PKR 300 billion in value and around 2.5 million transactions are processed on an annual basis. Currently, banks are playing the role of Paying Agent and processing all the dividend payments electronically. However, the current dividend disbursement process could be further refined and improved with the help of the latest technology to roll out a faster payment system that could also address the following issues:

- **Absence of narrations against transactions regarding dividend payment in the bank statement of the investors**
- **Non-availability of checking CNIC at the beneficiary account level.**

In this regard, CDC proactively apprised SBP and sought to resolve the issues that the investors have been facing in receiving cash dividends. Once the recommendation for **RaastPaisa** was announced, CDC took up this proposition with SBP to make “Dividend Disbursement” the first case for **RaastPaisa’s** implementation in Pakistan. In December 2019, SBP gave their concurrence to consider “Cash Dividend Disbursement” as a reference point, under the condition that only **one sole trusted party** (i.e. CDC) should deal on behalf of all listed Issuers. In this regard, it was required that CDC should have the status of a **“Paying Agent”**, for which SECP amended the Regulations by allowing CDC to act as a **“Paying Agent”**.

Resultantly, today we have processed first Dividend payment through “Raast Paisa” of **M/s Pak Datacom Limited**” to their shareholders.

For the last one year, SBP, CDC and all the major Banks have been actively involved in the implementation of this critical project. It is indeed a landmark achievement that **RaastPaisa** has now been launched and operational with CDC on-board for the processing of all Dividend Disbursement transactions which will extend the following process improvements:

- Availability of complete narration in respect of dividend payments
- CNIC pairing facility to exactly identify the beneficiary
- Highly efficient with Bulk Processing
- Highly subsidized cost structure for Issuers

CDC appreciates the trust placed in its institution by the SBP and SECP and is thankful for their support throughout the roll-out of the initiative. The **RaastPaisa** project is supported by **Karandaaz** which is actively working with the SBP and SECP for the establishment of National Digital Infrastructures and has supported various other initiatives like the Secured Transaction Registry, payment digitization, etc. **Karandaaz** is also actively engaged with CDC for a Fintech infrastructure initiative for Capital Market, and CDC greatly acknowledges and appreciates its support throughout **RaastPaisa** and all other mutual undertakings.

This initiative is in line with CDC’s vision and other initiatives that it has taken up with the SBP for market development, such as the facilitation of **Roshan Digital Account (RDA)** holders for capital market investment, through which CDC has facilitated the account opening of more than 2000 RDA holders bringing in an investment of more than **PKR 300 million** into the Capital Market. With the launch of **RaastPaisa** and its integration in the Dividend Disbursement process, CDC takes yet another important step towards creating efficiency and transparency in Capital Market.