



# **INVESTOR PORTFOLIO SECURITIES (IPS) ACCOUNT**

## **OPERATING PROCEDURES**

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# **TABLE OF CONTENTS**

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	PAGE NO.
1. INTRODUCTION	3
2. ACCOUNT OPENING	3
3. TRANSACTIONS	4
4. SHUT PERIOD	6
5. PAYMENT	7
6. TARIFF	7
7. TIME SCHEDULE	8
8. BALANCE / ACTIVITY CONFIRMATION	9

# 1. INTRODUCTION

The IPS account is mandatory for investing in Government Securities which includes:

- Market Treasury Bills (T-Bills)
- Pakistan Investment Bonds (PIB)
- GOP Ijara Sukkuk (GIS)

## 2. ACCOUNT OPENING

### 2.1 INDIVIDUAL IPS ACCOUNT

For opening an Individual IPS account, client has to fulfill following requirements / documents:

- (i) IPS Account Opening Form (AOF) duly filled and signed by all the account holders. The title account holder and all joint account holders need to sign all pages of AOF, if photocopied or download from CDC website. Any correction/overwriting on account opening form must be signed by all account holders. Use of correction fluid is not acceptable on AOF.
- (ii) Physical presence of all persons desiring to open an IPS account (Title / Joint holders) along with valid original SNIC/CNIC/NICOP/Passport is mandatory at the time of submission of account opening form (AOF). In case the IPS customer is fulfilling the following requirements then personal visit can be exempted:
  - Already maintaining an Investor Account with CDC and completed the KYC (Know Your Customer) requirement by visiting CDC office along with original SNIC / CNIC / NICOP / Passport; and
  - Processed any Investor Account related transaction within the period of last one year excluding cash deposit.
- (iii) Ensure to provide all the necessary applicable documents as mentioned in Part-H of IPS Account Opening Form.
- (iv) Name of Account Holder(s) / Attorney / Authorized Signatory provided in AOF must be as per SNIC/CNIC/NICOP/Passport.
- (v) All account holders in an account must be of same residential status i.e. Resident Pakistani/Non-Resident Pakistani/Foreigner.
- (vi) Contact person in an account can only be any joint account holder or legally authorized attorney.
- (vii) Once IPS account is opened, any addition / deletion of joint holder is not allowed.
- (viii) Any person authorized by all the joint account holders can operate the account on their behalf. However, a power of attorney on non-judicial stamp paper of Rs. 200 duly signed on all pages by all the joint account holders and notarized along with a covering letter on the prescribed format will be required.

- (ix) Only one IPS account for a title account holder can be specified for settlement of trades executed through stock exchange.

## **2.2 CORPORATE IPS ACCOUNT**

- (i) Original Account Opening Form (AOF) duly filled in, stamped and signed by the authorized signatories on all the pages of AOF.
- (ii) Ensure to provide all the necessary applicable documents as mentioned in Part-G of IPS Account Opening Form.
- (iii) True certification / attestation of documents pertaining to corporate entities must be done in the following manner:
  - In case of local companies by the company secretary or by two directors jointly.
  - In case of local trusts by two trustees jointly.
- (iv) Only one IPS account for a title account holder can be specified for settlement of trades executed through stock exchange.

## **3. TRANSACTIONS**

### **3.1 Processing of Transactions Traded through Stock Exchange**

- (i) It is mandatory for the IPS Account Holder to execute a onetime Facilitation Agreement for a broker on the standard format prior to a trade at the Stock Exchange. In case of multiple brokers, multiple onetime Facilitation Agreement will be required.
- (ii) IPS account holder must ensure the availability of sufficient funds or securities in his/her IPS account with CDC a day prior to the trade date with stock broker.
- (iii) CDC will settle the transactions based on the trade feed received from the Stock Exchange subject to availability of funds or securities, as applicable, without obtaining any instructions from the IPS account holder. However, settlement through SBP Real Time Gross Settlement System (RTGS) will be subject to the initiation / confirmation of the transaction by the counterparty in RTGS.

### **3.2 Processing of other Transactions**

- (i) IPS account holder to provide a Transaction Order (TO) on the prescribed format duly signed by the authorized signatory (ies) to receive or deliver the securities in the respective IPS account.
- (ii) IPS account holder must ensure the availability of sufficient funds or securities in his/her IPS account with CDC prior to the submission of TO to CDC for processing the required transaction.
- (iii) CDC will not receive any IPS transaction during the shut period before the maturity of coupons and final maturity of security.

### **3.3 Processing of Pledge**

- (i) Government Securities (T – Bills, PIB, GIS) will now be utilized as margin for trades in the equity market provided that the security shall be available in IPS account with CDC.
- (ii) This facility will be available for all brokers (TREC Holders) and their clients.
- (iii) The government securities will remain in IPS account of actual beneficial owner, hence coupon payments will be made to actual beneficial owner without any movement.
- (iv) It is mandatory for TREC Holder to execute a onetime Tripartite Agreement on standard format with CDC and NCCPL.
- (v) It is also mandatory for the IPS Account Holder to execute a onetime Tripartite Agreement on standard format with CDC and TREC Holder to utilize margin financing through TREC Holder. In case, where client is having trading with multiple TREC Holders and wish to utilize margin in government securities, multiple Tripartite Agreements will be required to be executed.
- (vi) TREC Holder for availing margins for proprietary purpose or on behalf of their client (IPS account holder) will provide a duly filled and signed IPS Pledge Form. The IPS Pledge Form will be signed by the authorized signatory(ies) of TREC Holder.
- (vii) TREC Holder/IPS account holder must ensure the availability of sufficient funds and securities in his/her IPS account with CDC for executing pledge transaction.
- (viii) CDC will pledge the government securities in favor of NCCPL subject to the availability of funds /securities on the basis of Pledge Request received from TREC Holder. Once the securities are pledged, it will not be available for further transaction. However, TREC Holder can release / replace any securities pledged with NCCPL through pledge release and by initiating another pledge transaction.
- (ix) After pledging of government securities, necessary details will be transmitted to NCCPL.
- (x) CDC will not process any pledge transaction during the shut period before the maturity of coupons and at the time final maturity of security.

### **3.4 Processing of Pledge Call**

In case of default or for any other reason, NCCPL may initiate pledge call instruction to CDC as per operating instruction. On the basis of request, CDC shall transfer pledged securities from IPS Account of TREC Holder/Client to IPS account of NCCPL maintained with CDC.

### 3.5 Processing of Pledge Release

- (i) On the basis of request from TREC Holder, NCCPL shall provide Pledge Release instruction to CDC as per operating instruction. CDC will validate the request and release pledged securities. CDC will not accept any pledge release request directly received from TREC Holder or IPS Account Holder.
- (ii) Before the maturity of pledged securities. NCCPL shall ensure to provide Pledge Release instruction to CDC on the basis of request received from TREC Holder for release of said securities. CDC will release the securities and TREC Holder may initiate a new Pledge Transaction Request to CDC for pledging of government securities as a collateral.

## 4. SHUT PERIOD

- 4.1 Shut period means a duration as notified by Stock Exchange prior to the maturity of coupon or security during which no movements or transfers of Government Securities are allowed.
- 4.2 During shut period clients' investment details are shared with SBP for their necessary processing of distribution of redemption or profit.

## 5. PAYMENT

### 5.1 PAYMENT TO CDC

- (i) All payments to CDC are required to be paid via following modes:
  - Online / electronic fund transfer through the bank account of the title account holder of the IPS account.
  - Submission of physical instrument at the branch of the designated bank of CDC, such as, cheque / pay order / demand draft of the bank account of the title account holder of the IPS account.

Further, IPS account holder needs to immediately intimate the details of payment to CDC through the registered email address duly mentioning the Transaction ID for online / electronic transfer or cheque / pay order / demand draft number for physical instrument or duly signed physically request along with proof of payment.

- (ii) The payment to be made to CDC in the designated settlement bank account with UBL as per the details mentioned below:

Title of Account: **Central Depository Company of Pakistan Limited**  
Account Number: **206325361**  
Bank Name: **United Bank Ltd., Karachi Stock Exchange Branch**

- (iii) No third party payment will be accepted and credit will be given to the respective IPS account with CDC upon realization of amount in CDC's designated settlement bank account.

## 5.2 PAYMENT TO IPS A/C HOLDER

- (i) Payments will be made to IPS account holder in the following cases through online / electronic fund transfer:
- Sale Proceeds
  - Maturity of Coupons (in case of PIB & GOP Ijarah Sukuk)
  - Maturity of Securities
- (ii) All payments will be made to client's designated bank account as available in our record. In case client is maintaining a bank account with UBL the amount will be transferred online without the levy of any bank charges. In case client is maintaining bank account with any other bank the amount will be transferred electronically with the applicable levy of bank charges.

## 5.3 PAYMENT OF INTEREST

To compensate the IPS account holders for the condition of providing funds to CDC one day prior to trade date, profit earned will be passed on to the IPS account holders for one day only. Distribution of profit will be made on a quarterly basis after deducting an amount of Rs.100.

### NOTE:

- (i) Payment of maturity / profit will be made after deduction of withholding tax as per the prevailing rate. However, CDC will provide a copy of tax challan to the IPS account holders on their registered mailing address.
- (ii) For tax exemption, certified true copy of valid tax exemption certificate will be required otherwise tax will be deducted as per the prevailing rate.
- (iii) Funds available in an IPS account are not transferable to any other IPS account and can only be transferable to the bank account given by the IPS account holder as bank mandate on the written request of IPS account holder and subject to the applicable bank and CDC transaction charges.

## 6. TARIFF

### 6.1 CDC CHARGES

Following is the tariff structure for maintenance, settlement and custody of Government Securities:

IPS Account maintenance Fee	Rs. 750/- per annum
Custody Fee	Nil
Transaction Fee	Rs. 500 per transaction (The above tariff will be levied on both the incoming and outgoing transaction, including Maturity Proceeds, Coupon Payments, Pledge Initiation, Pledge Release and Pledge Call instruction)

### 6.2 OTHER CHARGES

Following charges will also be borne by the IPS account holders:

- (i) SBP charges on transfer of funds / purchase of securities.
- (ii) Any other bank charges, such as, any payment or collection charges/ duties / fees / taxes.

## 7. TIME SCHEDULE

### 7.1 Timings for BATS Transactions

IPS account holder can initiate trades with their respective stock brokers during the trade timings specified by Stock Exchange. CDC will daily settle the trades on the basis of receipt of trade feed from Stock Exchange, provided trade feed from Stock Exchange will receive within 15 minutes of close of trading timings. Otherwise settlement could be deferred for the next settlement date.

### 7.2 Timings for Non-BATS Transactions

Activity	Timings
TO Receiving from IPS Account Holder	Monday to Thursday - 9:00 am to 12:00 am Friday - 9:00 am to 11:00 am

### 7.3 Timings for Payments

Following are the timings for making payments to IPS account holders with respect to sale proceeds and maturities:

Service	Transaction Cut-off time
<b>Online Fund Transfer</b> (Incase IPS account holders are maintaining bank account with the designated bank of CDC)	➤ <b>Same Day</b> (Subject to timely receipt of funds from SBP)
<b>Electronic Fund Transfer</b> (Incase IPS account holders are maintaining bank account with the designated bank of CDC)	➤ <b>Same Day</b> (Incase sale / maturity proceeds received from SBP till 3:00 pm) ➤ <b>Next Day</b> (Incase sale / maturity proceeds received from SBP after 3:00 pm)

## 8. BALANCE / ACTIVITY CONFIRMATION

- 8.1 CDC will send the Account Balance Statements to IPS account holders on a monthly basis.
- 8.2 IPS account holder will receive Account Activity Report on a Quarterly basis, in case of any activity during the quarter.