



PROCEDURES FOR CONTROLLED SUB-ACCOUNT

December 2022

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1. INTRODUCTION

- 1.1 These procedures have been made pursuant to Regulations 12A.3.5 and 12A.6.C of the Central Depository Company of Pakistan Limited Regulations (“the **CDC Regulations**”).
- 1.2 The objective of these regulatory reform initiative is to facilitate CDS Participants in respect of Securities held in Sub-Accounts where the Sub-Account Holder is:
 - (a) either not in contact with the Participant; or
 - (b) not interested to complete pending discrepancies in his Sub-Account or
 - (c) deceased and legal heirs/ nominee are not completing the formalities to transfer the securities or legal heirs/ nominee are untraceable.
- 1.3 Accordingly, all such Sub-Accounts which meets the classification criteria for Dormant Account and fulfill the condition as specified therein may be shifted to Controlled Sub-Account (“**CSA**”) upon a request from the Participant in accordance with Regulation 12A.6C of the CDC Regulations and these Procedures.

2. CLASSIFICATION OF DORMANT ACCOUNT

- 2.1 A Sub-Account will be classified as Dormant Account where following activities have not been performed in such Sub-Account during the last 3 years:
 - (a) buy/ sell transaction; or
 - (b) outward free delivery; or
 - (c) Portfolio inward transaction; or
 - (d) physical deposit or withdrawal from CDS; or.
 - (e) pledge transaction; or
 - (f) corporate actions (except for those which are beyond control of Sub-Account Holder).
- 2.2 Participant may request CDC to classify the Sub-Account as Dormant Account subject to fulfillment of following criteria:
 - a. Participant shall request the CDC on format prescribed as **Annexure A**;
 - b. Participant shall send a prior written intimation through letter/email of 20 Business Days to the Sub-Account Holder which are required to be classified as Dormant Account;
 - c. Only those Sub-Account will be classified as Dormant where no response is received within the aforesaid stipulated time.
 - d. In case of no response from any Sub-Account holder maintaining no cash and custody, participant may also close Sub-Account.

3. IMPACT ON SUB-ACCOUNT CLASSIFIED AS DORMANT

- 3.1 Where any Sub-Account is classified as Dormant Account, no activity will be allowed in such Sub-Account with exception of:
- (a) Transfer of Securities to CSA after completion of 2 years of classification of Sub-Account as Dormant Account;
 - (b) Sale of Securities for Recovery of Outstanding dues which shall not exceed Rs. 100,000 or the actual outstanding dues, whichever is lower, for each Sub-Account; and
 - (c) Any corporate action which is not in control of such Sub-Account holder.
- 3.2 No Maintenance fee of Rs. 400 will be levied on such Sub-Account classified as Dormant Account.
- 3.3 Sub-Account classified as Dormant Accounts will not be included in the calculation of Assets under Custody (AUC) of respective Participant.
- 3.4 Dormant accounts will not be subjected to subsequent regular inspections performed by CDC under Chapter 13 of CDC Regulations.

4. OPENING OF CONTROLLED SUB-ACCOUNT

- 4.1 Controlled Sub-Account will be opened by CDC under the umbrella of IAS on the request of the relevant Participant by fetching the Registration Details of such Sub-Account Holder from CDS subject to fulfillment of following criteria:
- (a) Participant shall request the CDC on format prescribed as **Annexure B**.
 - (b) Sub-Account is already classified as Dormant Account and the period of two (2) years have already been lapsed.
 - (c) The Sub-account is not blocked on the instruction of court or competent authority due to whatsoever reason.

5. INTIMATION TO PARTICIPANT

- 5.1 Once the controlled Sub-Account is opened by the CDC on the request of the Participant, CDC will notify the same to the Participant.
- 5.2 Where CDC has exercised its right not to accept the request of the Participant in accordance with Regulation 12A.6C.6 of the CDC Regulations, CDC shall notify its decision along with the reason to the Participant.

6. PARTICIPANT'S RESPONSIBILITIES

6.1 Participant shall transfer the Securities from the Sub-Account (marked as Dormant Account) to the Controlled Sub-Account of the Sub-Account Holder by using the specific reason code subject to following conditions:

- i. The Securities held in Sub-Account are freely transferable.
- ii. Participant has sent two prior written notices of 20 Business Days each to the Sub-Account Holder for transfer the securities to CSA. For this purpose, notice shall be sent on last notified mailing or permanent address (as entered in the CDS) through registered post or email.

Note: No transfer shall be allowed by CDC where:

- The Securities are held in Freeze Form due to any regulatory compliances or instruction of SECP, SBP, or any other competent authority, court or law enforcement agency; or
- The Sub-Account is blocked on the instruction of court or competent authority or any law enforcement agency due to whatsoever reason; or
- The Sub-Account Holder and the Participant are under a dispute and matter is proceeding before any court or arbitration.

6.2 Before transfer the Securities from Dormant Account to CSA, the Participant may onetime recover the outstanding dues on such Sub-Account by disposal of available Securities through market-based Securities transaction(s) subject to following conditions:

- (a) Participant had sent the notice in the manner as specified in Procedure no. 6.1(ii).
- (b) For disposal of securities under these Procedures, the value of Securities should not exceed the actual outstanding dues or Rs. 100,000 whichever is lower.
- (c) The Participant shall keep proper documentary records of outstanding receivables and evidence of notices along with courier receipts.
- (d) Participant shall furnish an undertaking-cum-indemnity on a format prescribed as **Annexure C** to CDC on the prescribed format that claim(s), if any, lodged in future over disposal of securities will be settled by the Participant.

7. SECURITIES IN CSA

7.1 No transaction shall be allowed in CSA beside credit of corporate action such as bonus shares, right entitlements etc. and outward movement of such securities on the basis of Transfer Request Form as referred under para 8.1 below.

7.2 Securities shall remain parked in CSA until client either directly or through his Participant approaches CDC for the transfer of Securities.

8. TRANSFER OF SECURITIES FROM CSA

- 8.1 As per Regulation 12A.6C.5, Sub-Account Holder, either directly or through his Participant, whose Securities were transferred to CSA may request CDC for transfer of Securities to either Investor Account or Sub Account subject to following conditions:
- a) IAS Account or Sub Account structure where the Securities are to be transferred should bear the same Registration Details as of the CSA with respect to the combination of title, CNIC and joint holder(s) with Active account status.
 - b) Controlled Sub-Account Holder shall provide Transfer Request Form duly signed by all joint applicant(s) along with attested copy(ies) of CNIC/NICOP/Passport to CDC for transfer of securities from CSA to their respective account.
 - c) In case transfer of securities from CSA to the Sub-Account/ IAS Account of the successor/ nominee, CDC shall allow movement of securities after necessary due diligence at their end.
- 8.2 CDC shall perform necessary verification before processing the required transfer of Securities. In case of any mismatch of record, it will be the responsibility of Controlled Sub-Account Holder to contact Participant for rectification the details and inform CDC for further processing.
- 8.3 CDC shall transfer Securities which freely available from CSA to CDS account by using the specific reason code in accordance with CDC Regulation 12A.6C.
- 8.4 Once securities are moved out from CSA to Sub-Account or Investor Account, the CSA shall be closed subsequently.
- 8.5 In case of any pending corporate action, Controlled Sub-account shall not be closed until the process is completed. Securities credited (if any) consequent to pending corporate action shall be transferred to the respective CDS account where securities were earlier transferred without any further documentation / requirement.

9. DISPUTED / COMPLIANT

- 9.1 In case of any compliant or dispute arise after the securities are transferred from Dormant Account to CSA between Participant and such Sub-Account Holder, Participant will be responsible for such compliant/dispute and require responding the Sub-Account Holder.

10. TARIFF & CHARGES

10.1 In order to facilitate the Participant, CDC shall not charge tariff and fees on the following instances.

- (i) Controlled Sub-Account maintenance fee.
- (ii) Transaction Fee from Dormant Account to CSA.
- (iii) Custody Fee in CSA.
- (iv) Transfer Fee from client's CSA to its normal CDS Account.
- (v) Maintenance fee on Dormant Account.

11. ACTIVATION OF DORMANT ACCOUNT

11.1 The Dormant Account can become active on the completion of one of the following requirements by the Participant:

- In-person biometric verification of Sub-Account Holder; or
- Confirmation through OTP generated on registered mobile number;
- Confirmation through OTP generated on registered email address, in case of non-resident / foreign investor;

11.2 Participant will request CDC for removal of Dormancy via request letter signed by authorized signatories and confirm that the requirements mentioned in 11.1 of these procedures have been fulfilled by the Participant. Upon activation of dormant account by CDC, all previously waived charges will be recovered from the Participant.

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.

Dated: _____

Central Depository Company of Pakistan Limited

CDC House, 99-B, Block "B", SMCHS,

Main Shahra-e-Faisal,

Karachi-74400

Dear Sir,

Request for classifying of Sub-Account(s) maintained with [Name of Securities Broker] as Dormant Account

We have been admitted as a Participant by Central Depository Company of Pakistan Limited ("CDC") in accordance with the Central Depository Company of Pakistan Limited Regulations ("CDC Regulations") and we have opened and maintaining sub-account(s) of our clients under Participant ID _____ as an account family in accordance with the CDC Regulations. As per the CDC Regulations and criteria prescribed by CDC in the Procedures, Sub-Account(s) which are remained inoperative/not in contact over the time specified by CDC is/are classified as Dormant Account(s) under the CDC Regulations.

In terms of CDC Regulations read with the Procedures, we hereby request CDC to kindly classify the Sub-Accounts as **Dormant Account** maintained with the [Name of Securities Broker], Participant ID _____, list of Sub-Account(s) is enclosed as Annexure I.

We also confirm that:

1. No activity has been performed by the Participant, on the instruction of the client, as mentioned in the Procedures no. 2.1.
2. Prior written intimation through letter/email of 20 Business Days was sent to the Sub-Account Holder(s) as mentioned in Procedure no. 2.2 and no response is received from the Sub-Account Holder.
3. We have also kept proper evidence of intimation along with courier receipts with us.

We are fully aware that there will be certain restrictions and limitations after classification of Sub-Account(s) as Dormant Account and In case any client will approach us, we will facilitate such Sub-Account Holder(s) for re-activation of such Sub-account in accordance with requirement(s) spelt out in the Procedures.

Regards

Authorized Signatory

Authorized Signatory

Dated: _____

Central Depository Company of Pakistan Limited

CDC House, 99-B, Block "B", SMCHS,

Main Shahra-e-Faisal,

Karachi-74400

Dear Sir,

Request for Establishment of Controlled Sub-Account and onward transfer of securities from Dormant Sub-Account

This is with reference to our letter dated _____ for classifying Sub-Accounts maintained with [Name of Securities Broker] as Dormant Account

In terms of Regulation 12A.6C of the CDC Regulations read with the Procedures, we hereby request CDC to establish the Controlled Sub-Account ("CSA") for the Dormant Sub-Account(s) enclosed as Annexure I, pursuant to Regulation 12A.3.5 of the CDC Regulations along with authority for transfer of the securities held in such Dormant Sub-Accounts maintained with [Name of Securities Broker], Participant ID _____, to respective Controlled Sub-Account(s).

We also confirm that:

1. No activity has been performed by the Participant, on the instruction of the client, as mentioned in the CDC Procedures.
2. The Securities held in Sub-Account are freely transferable.
3. The Securities are not held in Freeze Form due to any regulatory compliances or instruction of SECP, SBP, or any other competent authority, court, or law enforcement agency.
4. The Sub-Account(s) is/are not blocked on the instruction of court or competent authority or any law enforcement agency due to whatsoever reason.
5. The Sub-Account Holder and the Participant are not under a dispute and the matter is not proceeding before any court or arbitration. We undertake that any claim(s) lodged in future over or disposal of Securities, or due to any matter whatsoever among them and transfer of securities from Sub-Account to CSA will be settled by the Participant along with the losses and damages sustained by CDC due to it.
6. For disposal of securities under the Procedures, the value of Securities does not exceed the actual outstanding dues or Rs. 100,000, whichever is lower unless otherwise authorized by the client.
7. The outstanding dues from such sub-account have been recovered before the transfer of securities to CSA (as per list attached) in accordance with Regulations 6.7.3 and 12A.6C.2 of the CDC Regulations and procedures made thereunder.
8. Two prior written notices of 20 Business Days were sent (on last notified mailing and permanent address (as entered in the CDS) through registered post or email to the Sub-Account Holder as mentioned in Procedure no. 6.1 (copies and courier slips or emails of which are enclosed as Annexure-II) and no response has been received to such notice.
9. We have also kept proper documentary records of outstanding receivables and evidence of notices along with courier receipts with us.

We are fully aware that there will be certain restrictions and limitations once Securities are transferred to CSA. We hereby convey our acceptance of such restrictions and undertake that once securities are transferred to CSA, we will close such Sub-Account in the CDS. In case any client will approach for Securities kept in CSA, we will facilitate such Sub-Account holder for transfer of their Securities from CSA in accordance with requirement(s) spelt out in the CDC Regulations or/and Procedures.

In this respect, an undertaking-cum-indemnity to CDC on the prescribed format that claims, if any, lodged in the future over the disposal of securities will be settled by the Participant is enclosed as Annexure-III. You are requested to open Controlled Sub-Account for the clients in Annexure I and allow us to transfer the securities.

Regards

Authorized Signatory

Authorized Signatory

I N D E M N I T Y B O N D

[TO BE MADE ON A STAMP PAPER OF APPROPRIATE VALUE AND DULY ATTESTED BY NOTARY PUBLIC]

This deed of Indemnity is made on the _____ day of _____.

IN FAVOUR OF

Central Depository Company of Pakistan Limited, a Limited Company Incorporated in Pakistan having its Registered office at CDC House 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400, hereinafter called "**CDC**" which expression shall, wherever the context so permits means and includes its successors-in-interest and assigns of the one part.

BY

_____, a company incorporated under law of the Islamic Republic of Pakistan and having its registered office at _____, (hereinafter referred to as "**Participant**" which expression shall, where the context so admits, include its successors in interest, administrators, representatives and permitted assigns) holder of the Account No. _____ with **Central Depository Company of Pakistan Limited**.

WHEREAS the Participant has requested CDC to open a Controlled Sub-Account ("**CSA**") under the Regulation 12A.3.5 of the CDC Regulations for transfer of securities from the Sub-Account to CSA those that are categorized as Dormant Account under Regulation 12A.6C.1.

AND WHEREAS, the Participant reserves the right, pursuant to Regulations 6.7.3 and 12A.6C.2 of the CDC Regulations, to recover the outstanding charges or losses from his Sub-Account Holder including, *inter alia*, for the recovery of the payment against the underlying market purchase transactions made by the Participant on behalf of such Sub-Account Holder (the "**Outstanding Dues**") by disposing of the Book-entry Securities held in the Sub-Account of such Sub-Account Holder through market-based Securities transactions(s) to be settled through the Clearing House in accordance with the NCCPL Regulations.

AND WHEREAS, the Participant reserves the right to recover the outstanding charges or losses from his Sub-Account Holder(s) which are classified as Dormant Account.

AND WHEREAS, the Participant undertakes to recover the outstanding charges or losses from his Sub-Account Holder, pursuant to CDC Regulations, including for the recovery of the payment against the underlying market purchase transactions by disposing of the Book-entry Securities held in the Sub-Account of such Sub-Account Holder, in such manner as may be prescribed by CDC in the Procedures.

NOW THEREFORE, the Participant understands that while making an application to open a Controlled Sub-Account for keeping the custody of securities held in Dormant Account, the Participant shall indemnify CDC if it suffers or incurs any losses, damages, costs or expenses as a result of breach of any of the warranties enumerated in the Regulations.

NOW THEREFORE, the Participant, undertakes that the Participant shall be responsible for all actions and omission in relation to the CSA and recovery of outstanding charges from the Sub-Account and shall hold CDC indemnified and its directors and officers for the time being in office, harmless from and against all losses, damages, costs and expenses (including legal form) that may be suffered or sustained by them on account of any conflicting claims or demands, including those resulting from any notices, actions, proceedings, etc., that may be initiated against CDC and/or its directors and officers, and the consequent decrees, orders, or judgments of courts or lawful authorities, as well as costs incurred responded to or defended such duties, actions, suits, proceedings etc., and the Participant undertakes to make good all such damages, losses, costs,

and expenses within two days from the date(s) of demand(s) made by CDC, which demand(s) shall be conclusive and binding upon the Participant.

NOW THEREFORE, the Participant agrees that CDC refuse to allow the transfer of Securities from Dormant Accounts and that no responsibility whatsoever shall lie on CDC.

In witness whereof the parties hereto execute this Indemnity Bond at Karachi on _____ in the presence of:

Signature of Participant: _____

WITNESSES:

1. Signature: _____
Name: _____
CNIC/NICOP/Passport NO.: _____
ADDRESS: _____

2. Signature: _____
Name: _____
CNIC/NICOP/Passport NO. _____
ADDRESS: _____
