

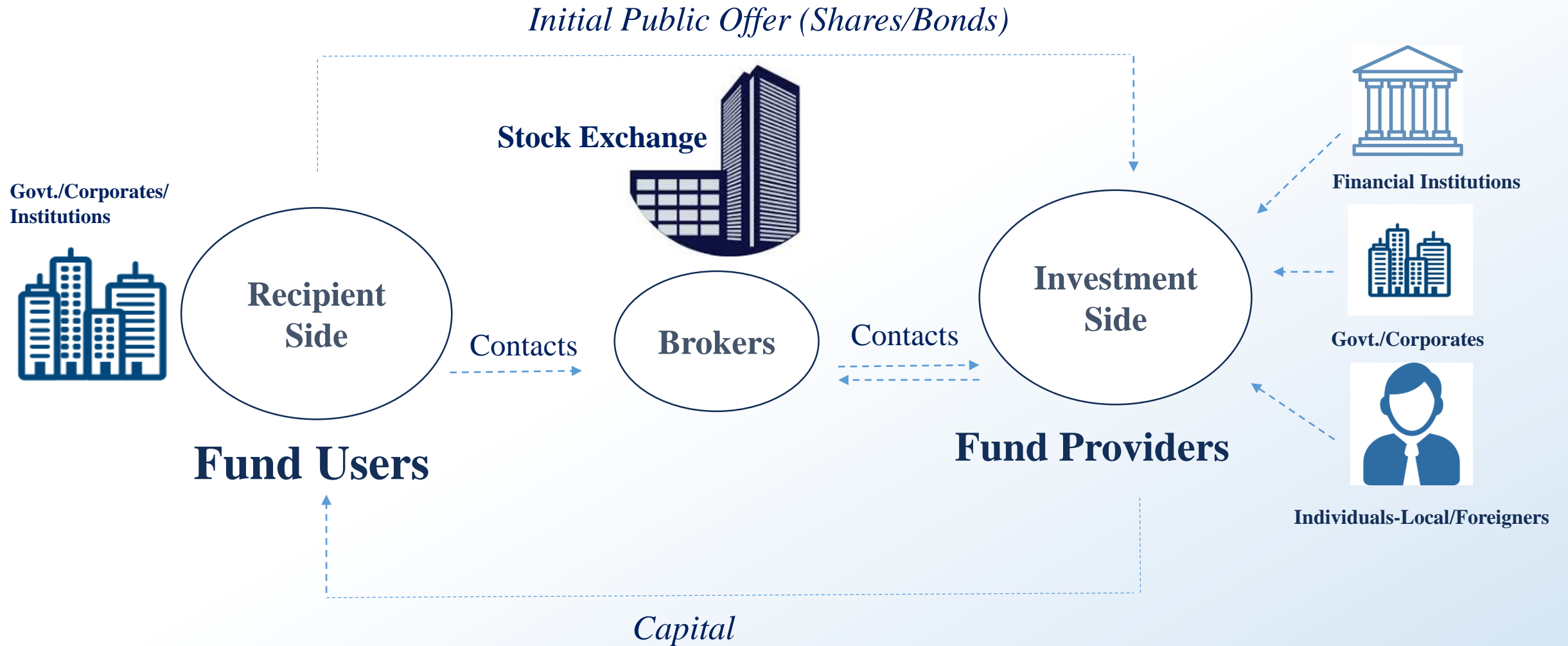
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Types of Financial Markets



CAPITAL MARKETS | Primary

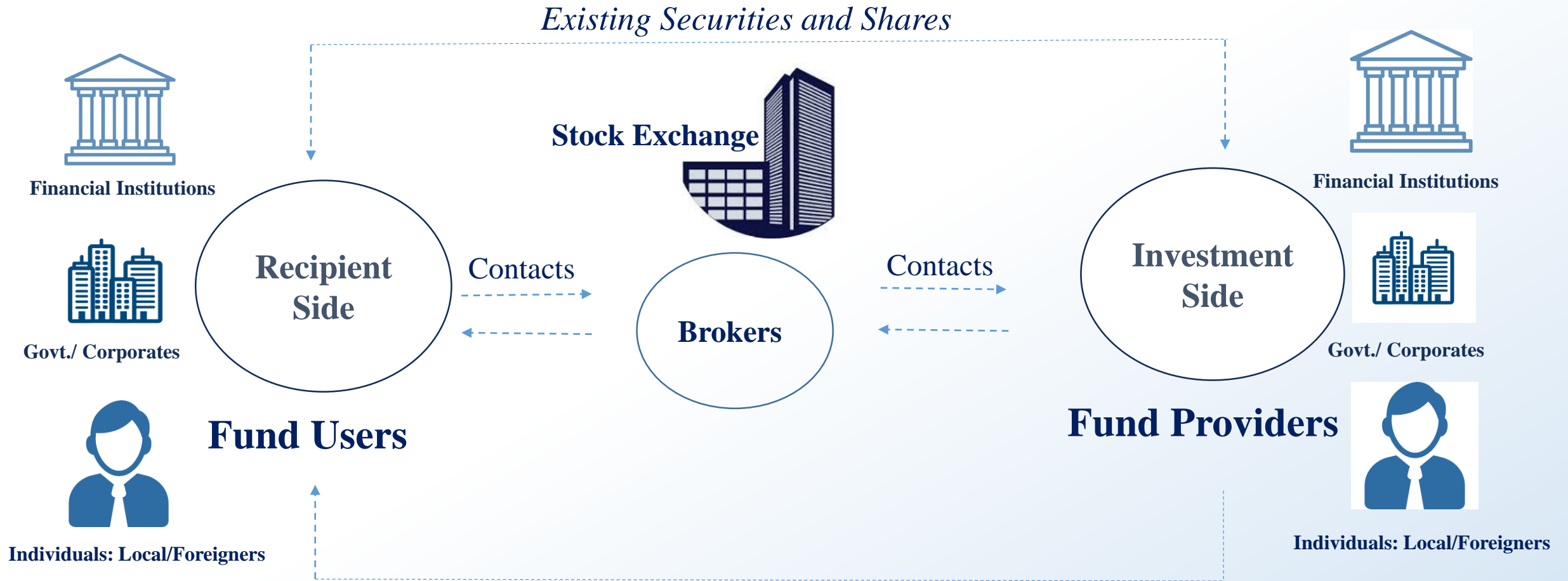


Objective: Raising Funds

Primary beneficial: Issuing Organization

Comprises: New Shares/Securities

CAPITAL MARKETS | Secondary



Objective: Capital Appreciation

Primary beneficial: Investors/Shareholder

Comprises: Existing securities in the market

Capital Markets Institutions In Pakistan

*Apex
Regulator
SECP*



*EXCHANGES
PSX and PMEX*



*Clearing and
Settlement
NCCPL and CDC*



NATIONAL CLEARING COMPANY
OF PAKISTAN LIMITED

CAPITAL MARKETS ACROSS THE GLOBE

DEVELOPED MARKETS		
Americas	Europe & Middle East	Pacific
Canada US	Austria Belgium Denmark Finland France Germany Ireland Israel Italy Netherlands Norway Portugal Spain Sweden Switzerland UK	Australia Hong Kong Japan New Zealand Singapore

EMERGING MARKETS		
Americas	Europe, Middle East & Africa	Asia
Brazil Chile Colombia Mexico Peru	Czech Republic Egypt Greece Hungary Poland Qatar Russia South Africa Turkey UAE	China India Indonesia Korea Malaysia Pakistan Phillipines Taiwan Thailand

FRONTIER MARKETS		
Americas	Europe, Middle East & Africa	Asia
Argentina	Croatia Estonia Lithuania Kazakhstan Romania Serbia Slovenia Kenya Mauritius Morocco Nigeria Tunisia WAEMU Bahrain Jordan Kuwait Lebanon Oman	Bangladesh Sri Lanka Vietnam

Broker Activities

Brokerage

- *Equity Brokerage (Listed and Unlisted Securities)*
- *Money Market*
- *Commodity Brokerag*

Financing

- *Corporate Finance*
- *Leverage products: (MFS, MTS & SLB)*

Advisory & Others

- *Underwriting*
- *Research*
- *Financial Advisory*

Ready Market: All listed companies shares traded during regular market time. Regular market works on T+2 settlement system.

Futures Market: Involves purchase and sale of securities at some future date (normally within one calendar month), at a price fixed today.

Margin Trading System: Purchase of securities in ready market by equity participation.

Margin Financing: Financing against net ready market purchases and may be obtained as per agreed Financier Participation Ratio.

Securities Lending & Borrowing (SLB): Temporary exchange of securities with an obligation to re-deliver the same securities in the same number and at an agreed premium on a future date.

Leveraged Products

	<i>Margin Trading System (MTS)</i>	<i>Margin Financing System (MFS)</i>
<i>Mark- up rate (Maximum)</i>	<i>KIBOR + 8%</i>	<i>KIBOR + 8%</i>
<i>Eligible Finances</i>	<i>All Broker Clearing Members</i>	<i>All Broker Clearing Members</i>
<i>Eligible Financiers</i>	<i>A member of a stock exchange; a banking company; and a company, corporations or institutions</i>	<i>A member of a stock exchange; a banking company; and a company, corporations or institutions</i>
<i>Equity participation</i>	<i>Finanee 15%,Financiers 85%</i>	<i>Finance minimum of 25% or VAR whichever is higher, Financiers 75%</i>
<i>Mark to Market (MtM)</i>	<i>Losses on daily basis in cash till the settlement of the entire MT Contract</i>	<i>NO MtM losses procedure</i>
<i>Rollover</i>	<i>Allowed</i>	<i>No rollover</i>
<i>Contract Period</i>	<i>Contract cannot exceed from 60 calendar days, every 15th calendar day MTS will automatically release one 4th quantity of the MT Contract value</i>	<i>120 days</i>

Securities Lending & Borrowing (SLB)

- ▶ *May be utilized by the borrowers to avoid delivery failure in ready market or to make a short sale.*
- ▶ *SLB is done through an automated platform provided by NCCPL to lenders and borrowers for placing offers and bids on un- disclosed manner.*
- ▶ *Eligible Participants: A member of a Stock Exchange; a banking company; and a company, corporation or institution.*
- ▶ *Max Premium of SLB KIBOR+8%.*
- ▶ *Contract period is maximum for 22 working days.*
- ▶ *On Settlement Day, the lender delivers the securities lent and borrower pays the total amount of borrowed securities.*

Macro-Economic Overview

Macroeconomic Factors	1HFY20	FY19	FY18	FY17
Avg. inflation rate	11%	7%	4%	4%
Avg. Policy Rate	13%	12%	7%	6%

**Inflation rate at end Dec'19 was 13%*

Macroeconomic Factors	FY20	FY19	%change	FY18	%change	FY17
<i>USD In bln</i>						
Current Account Deficit	-1.8	-13.8	-31%	-19.9	58%	-12.6
Imports	14.7	52.8	-7%	56.6	16%	48.7
Exports	8.2	24.3	-2%	24.8	13%	22.0
Trade Deficit	-6.4	-28.5	-10%	-31.8	19%	-26.7
Foreign Exchange Reserve	16.0	14.5	-12%	16.4	-23%	21.4

Source:

<http://www.sbp.org.pk/ecodata>

<http://www.pbs.gov.pk/>

Stock Market Review | FY19-1HFY20

The KSE-100 index witnessed lackluster performance and posted a negative return of 19% (-8,009pts) in FY19 to close at 33,902 points. The decline in index was majorly led by

FY19

- i. Continued pressure on the current account deficit (USD 13.5 billion).*
- ii. Depleting foreign exchange reserves (SBP Reserves at USD 14.48 billion)*
- iii. Increase in discount rate to 12.25%, (FY18: 6.50%) and*
- iv. Depreciation of PKR by ~34.21% YoY against USD to 163.24 (FY18: 121.63) resulted in massive foreign selling.*
- v. Net outflow during the FY19 clocked-in at USD 356 million compared to net outflow of USD 289 million in FY18.*

1HFY20

Overall, market is gaining momentum on the basis of the following factors:

- i. Stabilization in Exchange rates and Interest rates*
- ii. Expectation of interest rates easing*
- iii. Moody's upgrades outlook (Govt. of Pakistan's local and foreign currency long term issuer and senior unsecured debt)*
- iv. Semi annual review of MSCI Index, Pakistan would remain in developing market.*
- v. Increasing confidence of investors*
- vi. Contraction on trade deficit*

KSE-100 Performance | Since Jul-18 to Dec-19



FY19, 1HFY20 Average Index, Volume, Mkt Cap & Returns

	Dec-19	Nov-19	Oct-19	Sep-19	Aug-19	Jul-19	Jun-19	May-19	Apr-19	Mar-19	Feb-19	Jan-19	Dec-18	Nov-18	Oct-18	Sep-18	Aug-18	Jul-18
Avg Monthly Index	40,718	37,149	33,593	31,293	30,537	33,140	34,731	34,903	37,159	38,867	40,296	39,344	38,379	41,182	39,149	41,050	42,493	40,910
Avg Monthly Volume (mln)	194	186	125	90	86	62	99	96	96	70	91	87	91	118	128	77	97	103
Avg Mkt Cap. (mln)	9,416	8,526	5,063	4,110	3,870	2,601	4,269	4,352	4,288	3,890	5,475	4,755	5,199	7,444	6,137	4,125	6,454	6,051
Avg Monthly Return	4%	14%	6%	8%	-7%	-6%	-6%	-2%	-5%	-1%	-4%	10%	-8%	-3%	2%	-2%	-2%	2%

**Average returns during Jan-Dec 19 remained at 12% (SPLY: -7%)*

KSE-100 Performance | 10 Years



10 Years Average Index, Volumes & Returns

	1HFY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
Avg Index	34,540	39,062	42,935	45,398	34,022	31,797	25,564	17,271	12,431	11,277	9,347
Avg Volume (mln)	125	96	84	140	114	141	146	125	88	78	161
Avg Returns	19%	-18%	-9%	22%	10%	16%	35%	43%	11%	26%	32%

Index	1HFY20	FY19	FY18	FY17
Highest	41,769	43,557	47,084	52,876
Lowest	28,765	33,167	37,919	37,967
Closed	40,735	33,902	41,911	46,565

NET BUY/(SELL) (PKR In mln)

NET BUY/(SELL) (USD In mln)



PARTICIPANTS	1HFY20	FY19	FY18	FY17	FY16
INDIVIDUALS	21,952	20,796	580	(5,526)	13,287
COMPANIES	1,051	14,553	10,853	13,354	(9,136)
BANKS / DFI	(14,061)	9,009	(1,139)	(19,648)	(686)
NBFC	383	(172)	(907)	(631)	19,498
MUTUAL FUNDS	(8,501)	(20,080)	(3,550)	60,460	3,927
OTHER ORGANIZATION	2,271	3,423	8,547	(2,043)	4,144
BROKER PROPRIETARY TRADING	(1,292)	(1,801)	(4,852)	(626)	(2,233)
INSURANCE COMPANIES	(3,121)	17,887	22,817	23,142	-
LIPI NET	(1,371)	43,615	32,349	68,483	6,430
FOREIGN INDIVIDUAL	(200)	61	256	(513)	328
FOREIGN CORPORATES	(1,621)	(44,540)	(34,936)	(70,198)	(5,512)
OVERSEAS PAKISTANI	3,139	865	2,351	2,241	(1,246)
FIPI NET	1,317	(43,615)	(32,349)	(68,483)	(6,430)

PARTICIPANTS	1HFY20	FY19	FY18	FY17	FY16
INDIVIDUALS	140	166	5	(53)	128
COMPANIES	6.8	111	100	127	(84)
BANKS / DFI	(91)	63	(10)	(187)	(6)
NBFC	2.5	(2)	(8)	(6)	188
MUTUAL FUNDS	(53)	(146)	(35)	576	39
OTHER ORGANIZATION	14	28	78	(19)	40
BROKER PROPRIETARY TRADING	(8)	(15)	(44)	(6)	(22)
INSURANCE COMPANIES	(20)	150	204	220	-
LIPI NET	(17)	356	289	652	62
FOREIGN INDIVIDUAL	(1.3)	0	2	(5)	3
FOREIGN CORPORATES	(10.8)	(362)	(312)	(669)	(53)
OVERSEAS PAKISTANI	20	6	21	21	(12)
FIPI NET	8.0	(356)	(289)	(652)	(62)

KSE-100 Returns

1-Year (CY19)	3-Years (CY)	5-Years (CY)
12%	16%	44%

1HFY20	FY19	FY18	FY17	FY16	FY15
19%	-19%	-10%	23%	8%	16%

CY19	CY18	CY17	CY16	CY15	CY14	CY13
12%	-8%	-15%	46%	2%	26%	49%

Dec'19	Nov'19	Oct'19	Sep'19	Aug'19	Jul'19	Jun'19	May'19	Apr'19	Mar'19	Feb'19	Jan'19
4%	14%	7%	8%	-7%	-6.62%	-6%	-2%	-5%	-1%	-4%	9%

KSE-100 Average Traded Volumes

CY19	CY18	CY17	CY16
107 million	96 million	102 million	130 million

Applicable Tax Laws (Income Tax Withholding on Transactions)

Section	233 Brokerage & Commission
Responsible Person	Fed / Pro/ local Govt company, AOP constituted by or under any law
From Whom	Recipient of brokerage or commission
Nature of payment / Transaction	Brokerage and commission income (Including – resident agents.
Rate	10 % of the amount of payment
Adjustable / Final	Final
Payment of Tax deducted or collected (Rule 43)	Provincial Government - the same day. Other – Within seven days from the end of each week ending on every Sunday
Statements to be filed (Rule 44)	Monthly - within 20 days of end of each month. Annual – within two months of end of financial year. Extension can be sought from Commissioner u/s 165 (4).

Current Developments In brokerage Industry

New Brokers Regime:

- Custody Option: Direct Settlement Services, National Custodian Services, arrangements with CDC/NCCPL , and with Trade and Clearing brokers.
- Introduction of Professional Clearing Member (PCM)
- Subject to less stringent compliance and infrastructure requirements

Commission Rates

PSX, has now, prescribed the minimum commission range that would be higher of;

- PKR 0.3/share or
- 0.15 % of the transaction value

However, the brokerage commission shall not exceed 2.5 % of the transaction value. This step would cut the monopoly created by some big brokers.

PSX, Shenzhen Stock Exchange sign agreement to upgrade trading system

- real-time monitoring
- trade replay
- reporting, case management
- surveillance task management
- security and audit, and job schedule system.

Applicable Tax Laws (Income Tax Withholding on Transactions)

Section	233-A Collection of tax by stock Exchange			
Sub-Section	233-A (1)(a)	233-A (1)(b)	233-A (1)(c)	233-A (1)(d)
Responsible Person	PSX	PSX	PSX	PSX
From Whom	Member of PSX	Member of PSX	Sellers of shares through members of PSX	Finance through members of PSX
Nature of payment / Transaction	On purchase of shares in lieu of the commission earned by its Members.	On sale of shares in lieu of the commission earned by its Members.	From its Members in respect of trading of shares.	From its Member in respect of financing of carryover trade in shares business
Rate	0.01% of purchase value.	0.01% of sale value.	0.01% of traded value.	10 % of carryover charge
Adjustable / Final	Minimum tax	Minimum tax	Minimum tax	Adjustable
Payment of Tax deducted or collected (Rule 43)	Within 7 days from the end of each week ending on every Sunday.			
Monthly Statements to be filed (Rule 44)	Within 20 days of end of each month.			
Annual Statements to be filed (Rule 44)	Within 2 months of end of financial year.			

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