

“NCCPL & ICMA Pakistan can join hands and create stock market awareness on the student level. By using our already started Students Awareness Program (SAP), we would be able to impart the basic knowledge, give exposure to the core modalities and functions of the Capital Market which will definitely lead and help us increase the investor base”

Humayun Bashir

Chairman, National Clearing Company of Pakistan Limited (NCCPL)

ICMA Pakistan: Please brief us about the regulatory framework of NCCPL and its core functions?

Humayun Bashir: National Clearing Company of Pakistan Limited (“NCCPL”) was incorporated on July 03, 2001 to assist Market Participants to undertake their Clearing and Settlement activities more efficiently through automated, centralized and streamline processes that are essential to the safety and soundness of the Capital Market.

NCCPL, being the leading post trade service provider in the country, was providing Clearing and Settlement Services to the three Stock Exchanges namely Karachi, Lahore and Islamabad Stock Exchanges through fully automated and centralized NCSS. After Integration of these stock exchanges into single stock exchange “Pakistan Stock Exchange (PSX)”, NCCPL provides Clearing and Settlement Services for all trades/transactions executed at PSX trading systems.

The Capital Market of Pakistan has a triangular foundation comprising of the PSX, Depository Company and NCCPL; the goal of all being an economically stronger, more prosperous Pakistani Capital Market. Armed with this vision, NCCPL is playing a significant role in ensuring growth and prosperity to the Capital Market of Pakistan. NCCPL in a very short span of time has achieved various milestones and provides significant relief to the market participants in performing their business activities.

The Operations of NCCPL are governed by the following:

- o Securities Act, 2015
- o Clearing Houses (Licensing and Operations) Regulations, 2016

- o The Companies Act, 2017
- o Income Tax Ordinance, 2001
- o Leveraged Markets and Pledging Rules, 2011
- o Income Tax Rules, 2002
- o NCCPL Regulations
- o NCSS Procedures

ICMA Pakistan: What is the role of NCCPL in capital market development of Pakistan?

Humayun Bashir: Over the period, NCCPL not only grew as a clearing and settlement service organization in terms of its capacity and capability, but also started making valuable additions in its products and services portfolio to facilitate the capital market investors and contribute towards development and transparency of capital market operations. CGT regime, role as CCP and Risk Management system are few of the feathers on NCCPL's cap.

NCCPL has been representing Pakistan's capital market on different platforms by conducting seminars and interactive sessions along with Pakistan Stock Exchange as well as in its own capacity to aid in achieving the desired objective of mass awareness.

ICMA Pakistan: What initiatives NCCPL has so far taken to improve and strengthen prevailing risk management framework?

Humayun Bashir: National Clearing Company of Pakistan Limited (NCCPL) after being entrusted by the 'Securities and Exchange Commission of Pakistan (SECP)' - Apex Capital Market Regulator in May-2016 to act as Central Counter party for capital market trades executed on Securities Exchange has

shown remarkable progress in areas of system development, improvement in regulatory framework and creating awareness among capital market participants and stakeholders. To add another feather to its cap; NCCPL is honored to announce launch of in-house developed post trade risk management system replacing the earlier employed PSX's system.

ICMA Pakistan: What are the current challenges in the stock market of Pakistan?

Humayun Bashir: There are many challenges being faced by the Stock Market at this point in time. The foremost, or I would say, one of the biggest confrontations is the lack of Initial Public Offerings (IPOs) due to which investors could not find the required depth. Secondly, investor protection and information security can also be considered as the two key challenges being faced by the stock market of Pakistan. We really need to be focused on the environmental security and transparency in order to meet the desired results in terms of investor base and liquidity.

Derivative Markets are growing internationally that provide investors different avenues to trade that leads to development and growth in this industry. These will be possible only when systems in place are sound and investors are well equipped with the know-how of Derivative Products. The said area should be looked at so as to increase volumes and investor base in our capital market.

ICMA Pakistan: How do you rate the performance of PSX as compared to regional stock exchanges?

Humayun Bashir: The financial depth of Pakistan's economy appears to be lower than India and the East Asian countries but it is considerably higher compared to the Latin American and African countries. The goal of increasing local investor participation is indeed a difficult one to achieve, because it involves changing both the culture and the economics of the business in Pakistan. But with the 'transforming' integration of the stock exchanges of Karachi, Lahore, and Islamabad, the technological and regulatory framework has considerably improved. Plus the opportunity of CPEC and the improving political and financial stability is considerably helping in reviving Pakistan's stock markets.

ICMA Pakistan: NCCPL has been entrusted by FBR to compute, collect and deposit capital gain tax. Can you briefly apprise us the procedure and how much CGT has been collected during FY 2017-18 as compared to last years?

Humayun Bashir: The SECP, in order to strengthen the Capital Market in Pakistan, forwarded a proposal to the Federal Board of Revenue ("FBR") for Revamping of CGT Regime. This was intended to Provide Ease of Calculation and Documentation to Investors. First time in the history of Taxation System of Pakistan, NCCPL being an independent organization, has been assigned the responsibility to Compute, Determine, Collect and Deposit CGT to national ex-chequer on behalf of the capital market investors. Centralized CGT System provides ease of calculation and centralized one-window solution for the determination of CGT.

NCCPL has developed automated CGT System for the Computation, Determination and Collection of CGT on listed securities effective from April 2012. CGT of Investors is



Mr. Aamir Ijaz Khan, Executive Director, ICMA Pakistan is presenting set of publications to Chairman, NCCPL Mr Humayun Bashir. Mr. Muhammad Lukman, FCMA, CEO, NCCPL is also seen in the picture.

determined by NCCPL and collected from their respective Clearing Member(s) on monthly basis. For the determination and computation of CGT, First In First Out (FIFO) Inventory Accounting Method is used. Capital Loss in any Financial Year is Set Off against Capital Gain of that Financial Year.

NCCPL has successfully managed to collect CGT for the period July 2017 to March 2018 amounts to Rs 2,018,317,519 (Rs 2.01 billion approximately) as against Rs 18,499,094,289 (i.e. 18.5 billion approximately) for the period July 2016 to June 2017.

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ICMA Pakistan: NCCPL is now member of SBP's interbank settlement system which allows it to directly settle shares. How this has facilitated in enhancing efficiency and reducing operation costs of NCCPL?

Humayun Bashir: For the enhancement of the existing clearing

process of NCCPL and to reduce the settlement risk associated with it, State Bank of Pakistan (SBP) has assigned NCCPL as a special participant of PRISM system to settle net position of capital market transactions in PRISM. The facility was made operational from January 22, 2018. This facility leads NCCPL to proceed with the money settlement in efficient and timely manner

ICMA Pakistan: NCCPL has launched Students Awareness Program with leading business institutions to enlighten them on the dynamics of the capital market. Can NCCPL conduct such awareness sessions for students of ICMA Pakistan?

Humayun Bashir: NCCPL had launched its Students Awareness Program (SAP) back in February 2017 with IBA and KUBS with the objective to nourish youth with the practical information regarding the stock market. We would definitely be glad to stretch out our drive by bringing it to the doorstep of every educational institute like yours. For this, our team would be connecting with your institute very soon.

ICMA Pakistan: In what areas NCCPL and ICMA Pakistan can join hands to strengthen the capital market?

Humayun Bashir: NCCPL & ICMA Pakistan can join hands and create stock market awareness on the student level. By using our already started Students Awareness Program (SAP), we would be able to impart the basic knowledge, give exposure to the core modalities and functions of the Capital Market which will definitely lead and help us increase the investor base.

The Editorial Board thanks Mr. Humayun Bashir, Chairman NCCPL for giving his exclusive interview for Management Accountant Journal.