

سیورٹیز اینڈ ایکسچینج



Securities and Exchange Commission of Pakistan (SECP)

# COVID-19 Pandemic Responses

October 13, 2020



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SECURITIES & EXCHANGE  
COMMISSION OF PAKISTAN

# SECP- The Apex Regulator

- ▶ Established under the Securities & Exchange Commission of Pakistan Act, 1997 and started operations in January, 1999.
- ▶ Responsible for the supervision and regulation of following sectors:

Corporate Sector	Capital Market Sector	Insurance Sector	Non-Banking Financial Sector
Company registration	Pakistan Stock Exchange, Central Depository Company, National Clearing Company, securities and futures broker etc.	Life insurance, Non-life insurance, Takaful	Mutual Funds, Leasing Companies, Investment Bank

- ▶ Also responsible for oversight of different service providers to the corporate and financial sectors such as credit rating agencies, underwriters etc.

# Capital Market Snapshot

Particulars	As of October 08, 2020
Number of Listed Companies	530
Total Market Capitalization - USD Billion	46
Total Listed Capital - USD Billion	8.57
KSE-100 Index	40,353
New Companies Listed during the year (CY 2020)	2
Listed Capital of New Companies - USD Million (CY 2020)	18.2
Average Daily Turnover (Shares in Million)	305.25
Licensed securities brokers	205
Licensed futures brokers	56



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# Major Capital Market Reforms

- ▶ Integration of the stock exchanges into a single unified trading platform namely Pakistan Stock Exchange Limited (PSX).
- ▶ Divestment of PSX shares to consortium of financial institutions and foreign exchanges as strategic shareholders and self-listing of PSX.
- ▶ Conversion of clearing company into a central counterparty.
- ▶ Reclassification of Pakistan as an emerging market by MSCI.
- ▶ Establishment of Centralized KYC Organization and rationalization of client account opening process.
- ▶ Introduction of a new broker regime aimed to enhance investor protection.
- ▶ Launch of Exchange Traded Funds and Murabaha Share Financing system.



# COVID-19 in Pakistan

- ▶ On March 23 countrywide lockdowns were put in place with restrictions on physical movement. Lockdowns were eased in the following weeks for specific industries.
- ▶ Number of confirmed cases and daily deaths touched its peak by mid June.
- ▶ Subsequently, smart lockdowns were introduced with partial lifting of earlier restrictions and gradual opening of business activities.
- ▶ Considerable decline in reported cases and deaths was observed from 6,800 cases a day in mid-June down to average 1,000 daily reported by end of July.
- ▶ As per WHO, from January 3, 2020 till October 7, 2020, there have been 315,727 confirmed cases with 6,523 deaths.



# Impact on the Capital Market



	APR			JUL			OCT	
	Jan 01	Jan 31	Mar 2	Mar 25	May 29	Jul 30	Sep 30	Oct 7
<b>KSE 100 Index</b>	41,400	41,630	39,296	27,228	33,931	39,258	40,571	39,849
<b>Market Cap. (Rs. Bl)</b>	7,884		7,302	5,380				7,469

- KSE 100 index reached its lowest on March 25, 2020 showing a decline of 30% within the same month after losing around 12,000 points.
- During the steep decline, market halts were triggered on several occasions however market continued to function smoothly.



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# Measures Adopted in response to COVID

- ▶ **Curtailing blank selling:** Blank Sale transactions in Deliverable Futures Market was only permitted on Uptick or Zero-Plus Tick for April 2020 contracts in 36 securities.
  
- ▶ **Increase in circuit breakers and introduction of market halts:** Enhanced circuit breakers of 7.5% and market halts of 5% were introduced.
  
- ▶ **Facilitating securities brokers:**
  - timelines for completion of system audit of securities brokers were extended;
  - deposit requirements and certain restrictions on margin financing were relaxed;
  - brokers were allowed to activate and operate their Disaster Recovery terminals during normal operations;
  - alternate modes were prescribed for recording orders received on phone calls from customers for compliance with the legal requirements.



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# Measures Adopted in response to COVID

- ▶ **Facilitating Investors:** Requirement of performing biometric verification at the time of opening of new investor account was relaxed.
- ▶ **Ensuring Business Continuity:** Remote connectivity and uninterrupted access was ensured for market operators and intermediaries due to restrictions on physical mobility.
- ▶ **Facilitating corporate sector:** Relaxation was granted to all companies to postpone AGMs and for submission of annual audited accounts and first quarterly accounts.
- ▶ **Implementing Health Safety Guidelines:** Advisories were issued to market operators to strictly follow WHO guidelines and instructions of local authorities for curtailing the spread of COVID-19 and ensure work from home arrangements.



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# Impact of Measures

- ▶ Markets continued to function without any interruption.
- ▶ Intermediaries had remote uninterrupted access to trade and settle transactions, and continue to comply with the applicable legal provisions.
- ▶ The risk management system persevered with minimal regulatory intervention, with no instances of default by any intermediary.
- ▶ Index and trading volumes have recovered to pre-COVID levels.

Thank You!



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