Centralized Gate Way Project and Professional Clearing Member Services for Investors

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The Gateway Project

Concept and Design
In line with the digitization initiatives, a **Centralized Gateway Platform (CGP)** is being developed for the digital on-boarding of investors. This solution will function as a single **centralized** application app / portal / bridge for all Asset classes.
Conceptual diagram of the solution

Centralized Gateway Portal

Investor

SKYC/Local Account holders

Telcos

BANK

Mutual Funds

Stocks

Government securities

Insurance products

AMCs

Brokers

Insurance companies

AMCs

Investor

Investor

Investor

AMCs

Investor

Insurance companies

Direct investor

CKO & UIN Generation
For processing & record-keeping after account opening

For Necessary Verification

Confirmation of Verification Process

PKO Verification
IBAN CNBC Paying (Remit)
NADRA Online verification

Needs to be done

Already done

Partially done

Information sharing
KYC & Account opening data

Money Market
Brokers

SECP

Pakistan Mercantile Exchange
Features of the CGP

**Single Interface for All Asset Classes:**
Investors will have “Single window” for onboarding in any Asset Class. Most importantly, once Registered for anyone Asset class, Investor will not be required to submit any details/documents again for any other asset class, as the already provided details/documents will suffice the purpose for any other Asset class.

**Equipped with State of the Art most modern tools of KYC/CDD:**
The portal will be equipped with latest state of the art tools for KYC and CDD like “Facial Recognition”, “Document OCR”, “Liveliness Detection” and other tools, which will make the user journey very easy and attractive.
The most attractive part of this portal would be the **uniform and synchronized KYC and AML framework**. At present, one of the major pain points for the entire Capital Market is the compliance of AML framework.

In CGP, we have worked very closely with AML wing of SECP and formed standardized guidelines for KYC/AML. In addition to these guidelines, SECP AML wing has also developed a **“AML Risk Management Algorithm”** which will provide an indication risk rating to the Intermediaries related to the Investor, that will help the Intermediaries in determining whether to go for EDD or not.
Features of the CGP

Connectivity with all major Verification Utilities:
CGP will be connected with all major utilities on real time basis like NADRA for CNIC verification, PMD for mobile no. verification, RAAST for Bank A/c verification.

Single source of Screening from different local and international sources:
CGP will be carrying a comprehensive list of all “specified persons” by local and international agencies, hence, making the screening process simple and quick.

Connectivity with existing Intermediaries Portal:
CGP will have the flexibility of getting connected with any of the existing portal of any Intermediary (subject to the fact that Intermediary portal should comply with CGP requirements), hence, any intermediary which have already developed a portal or app and have invested in that and wants to retain their own identify with differentiated front end, they may continue to operate with their own portal and app. CGP will get connected to their portal/app from back end through APIs.
Features of the CGP

Centralized Repository for all data and documents for any subsequent Updation:
CGP will also act as a Centralized Repository for all the Investor data and documents. This will help in any kind of updation in the data and documents, as CGP will push the updated data/document to the required Intermediary as soon as it receives the updated data/document from the Investor.

User Friendly UI/UX:
CGP will have very user friendly UI/UX so that Investors can have easy journey and onboarding for any financial product could be very simple for them.

Smooth & Quick Onboarding:
CGP will process the onboarding request very smoothly and quickly. CGP will facilitate Investors through online tutorials and tracking mechanism which will facilitate them in having up to date information regarding their onboarding request.
General Registration Flow

1. Investor signs up and Portal performs IPV

2. Investor uploads UIN/UID document such as CNIC

3. Gateway captures investor basic information for KYC

4. Portal performs verification checks and proceeds if two checks are successful

5. SMS and Email OTP verification

6. Investor will access the Portal Dashboard for Asset Class selection

7. Portal conducts investor risk profiling & performs CDD to assign indicative risk rating

8. Investor submits required documents

9. Investor fills form and provides signature digitally

10. Investor selects a/c type
Investor Journey – Mutual Fund Investments

1. Investor will select AMC
2. Investor will accept the T&Cs, Disclaimer. Authorize the Gateway to forward investor information and documents
3. Investor information and documents will be forwarded to respective intermediaries
4. AMC team may carry out their own Enhance Due Diligence (TAT: 48 Hours)
5. AMC team will confirm acceptance or rejection of investor request

Investor may visit the Respective AMC Portal for selecting desired Fund to invest in.
Professional Clearing Member Services
Background

• Before the implementation of Broker regime, all Brokers assume the responsibility of clearing and settlement of trades executed on the behalf of their clients while also providing custodial services.

• Brokers requires substantial resources in terms of:
  – infrastructure; and
  – human resource

• Custody and Clearing services with trading business requires:
  – expertise in risk management; and
  – responsibility with respect to client assets under their custody.

• Custody, Clearing & Settlement exposes Brokers to reputational risk in case of any malpractice by his employee(s) or agent(s)
What is EClear?

• EClear is Pakistan, first professional clearing member, backed by Central Depository Company of Pakistan, National Clearing Company of Pakistan and Pakistan Stock Exchange. As a PCM EClear will offer custodial, clearing and settlement service to Trading Only Broker. EClear as a PCM shall not offer trading services thereby preventing conflict of interest and addressing the concern of Broker regarding the confidentiality of client information.

• Major Challenges faced by broker that regarding custody and clearing and settlement that EClear will look upon appointment.
  • Maintenance of mandatory infrastructure along with various support Solution.
  • Extensive monitoring of number of regulatory requirement and its related cost.
  • Maintenance of asset under custody.
  • Additional Staffing requirement.
  • Handling of Margin Requirement and Clearing and settlement Issue.
With the promulgation of Securities Broker (Licensing & Operations) Regulations, 2016 following categories of Securities Broker have been introduced:

1. Trading only
2. Trading and Self-Clearing
3. Trading and Clearing broker

Based on the aforementioned categorization of securities broker, for Clearing, Settlement and Asset Custody, TO will either appoint a:

1. Professional Clearing Member (PCM)
2. Trading and Clearing broker
There will be two options available to Brokers for obtaining services from PCM:

**OPTION 1**
TO outsourcing all activities related to clearing, settlement & custody to PCM

**OPTION 2**
TO outsourcing only “client related activities” to PCM
Associated benefits of Stake Holders in the proposed model

**Benefits to Clients/ Investors**

- Enhance client confidence;
- Better asset protection;
- No worries in case of closure of business by broker;
- IT based solution with ease of operation;
- Flexibility to work with multiple broker with single custody account; and
- Electronic system generated confirmations/alerts
DIGITIZATION DRIVE
CDC’s Digital Initiatives (Free of cost for investors)

- **Digital Account Opening**
  - 100% digital for IAS

- **CDC Access Mobile App**
  - Features:
    - Dividend Details
    - Account Opening
    - Pledge Transaction
    - Right Transaction
    - Centralized Login
    - Consolidated Dashboard
    - CDS Portfolio
    - Upcoming IPOs

- **CDC eVoting & eMeeting**
  - 98 companies have availed this service

- **CDC Access**
  - Portal & Mobile App
  - Making it simpler and easier to perform transactions & portfolio-related activities Online
  - Visit [CD Access Portal](https://csp.cdcaccess.com.pk/)
CDC’s Digital Initiatives (Free of cost for investors)

- **Dividend Repository**: 10 million records
- **Zakat Declaration repository**: 143,000 Records
- **CDC eIPO**: 20 eIPOs worth PKR 2.73 Billion
- > 50% of total subscription
Central Depository Company of Pakistan Limited

Celebrating a new milestone

On the occasion of CDC's 25 year journey, our achievements have been honored by a commemorative stamp issued by Pakistan Post.

We thank our stakeholders for their trust and support and move forward with our commitment to achieve even greater success in the development of financial markets in Pakistan.
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