

Annexure B to DMMD Circular No.07 of 2021

Privileges of Primary Dealers (PDs), Preliminary Primary Dealers (PPDs) and Special Purpose Primary Dealers (SPDs)

	Privileges of Dealers	PDs	PPDs	SPDs
1	Direct Access to Primary Auctions	<p>PDs, PPD and SPDs shall be eligible to directly participate in the auctions of Government Securities. However, participation of SPDs shall be limited to non-competitive bids (NCBs) and pass-through bids only.</p> <p>The requirement of other banks and institutional/retail investors would be covered from these Dealers or from other secondary market players.</p>		
2	Right to Submit Pass-Through Bids	<p>PDs, PPDs and SPDs shall be allowed to entertain Pass-through bids, but such volumes shall not be counted towards their secondary market performance. However, PDs, PPDs and SPDs have to submit detail of accepted pass-through bids to the State Bank of Pakistan after every auction of Government securities within one day of settlement of respective auction via email at: pd.reporting@sbp.org.pk as per the Format attached at Annexure F.</p> <p>In case, a PD/PPD/SPD does not have any accepted pass-through bid in a particular auction, it will submit the statement showing 'Nil'.</p>		
3	Right to Submit Non-Competitive Bids	<p>PDs, PPDs and SPDs shall be allowed to submit Non-competitive Bids (NCBs) for both MTBs and PIBs. Non-competitive bids shall be subject to the limits and criteria prescribed by State Bank of Pakistan from time to time. Currently, the instructions on NCBs are stipulated in the DMMD Circular No. 06 of 2018 and as amended by the DMMD Circular No. 28 of 2020..</p>		
4	<p>Underwriting Commission: In order to incentivize participation in the longer tenors and commensurate with the PDs' risk, a ladder-based, tier-wise Underwriting Commission has been introduced.</p> <p>The claim for underwriting commission shall be lodged by the Dealer after the settlement date of last auction in a quarter. The Underwriting Commission will be determined and paid to the Dealer on a quarterly basis.</p> <p>An example for the calculation of Underwriting Commission is provided at Annexure G.</p>	<p>Each PD will be eligible to claim underwriting commission up to a maximum of 3.5% of the Pre-auction target or the issued amount, whichever is lower, for respective tenors of PIBs.</p> <p>The PIB tenor-wise rates of Underwriting Commission applicable to PDs are provided below:</p> <p>03-Year: 2.5 paisa per Rs. 100 05-Year: 5.0 paisa per Rs. 100 10-Year & above: 10.0 paisa per Rs. 100</p>	<p>Each PPD and SPD will be eligible to claim underwriting commission up to a maximum of 1.0% of the Pre-auction target or the issued amount, whichever is lower, for respective tenors of PIBs.</p> <p>The PIB tenor-wise rates of Underwriting Commission applicable to PPDs and SPDs are provided below:</p> <p>03-Year: 1.25 paisa per Rs. 100 05-Year: 2.5 paisa per Rs. 100 10-Year & above: 5.0 paisa per Rs. 100</p>	

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5	<p>NCB Commission: In order to incentivize participation in the longer tenors and commensurate with the Dealers' efforts in attracting longer tenor NCBs, a ladder-based, tier-wise NCB Commission structure has been introduced.</p> <p>The claim for the payment of commission shall be submitted by the Dealers to SBP BSC Karachi office at the close of each quarter. The NCB Commission will be determined and paid to the Dealers on a quarterly basis.</p> <p>An example for the calculation of NCB Commission is provided at Annexure H.</p>	<p>PDs/PPDs/SPDs shall be eligible to claim commission on NCBs, only for accepted NCBs of Individuals/Employees, Provident & Pension Funds/NGOs/Trusts/Charitable Organizations/Corporates except AMCs, Mutual Funds, Insurance, Modaraba and Brokerage/Investment/Leasing companies, in MTB and PIB auctions.</p> <p>The security/tenor-wise rates of NCB Commission are provided below:</p> <p>03-Month MTB: 2.5 paisa per Rs. 100 06-Month MTB: 5.0 paisa per Rs. 100 12-Month MTB: 10.0 paisa per Rs. 100 All tenors of PIBs: 10.0 paisa per Rs. 100</p> <p>(on total accepted NCB amount of each customer in a given quarter)</p>		
6	<p>Main Source of Market Information</p>	<p>Since PDs, PPDs and SPDs would be the main source of market information, State Bank of Pakistan may consult them in periodical meetings as and when required. It will be mandatory for PDs/PPDs/SPDs to provide information/feedback/data to SBP on any particular issue to the best of their knowledge.</p>		
7	<p>Right to purchase additional securities through "Non-Competitive Subscriptions (NCS)"</p>	<p>Eligible PDs/PPDs may be allowed Non-competitive Subscriptions (NCS) for their own account up to 5% of the auction issued amount for both MTBs and PIBs. This will require concurrence of both the issuer (GOP) and the Dealer.</p> <p>Each PD/PPD, who has participated in the auction, has one or more successful bids and is willing to avail the NCS, will have an option to purchase additional securities for its own account up to a maximum of 5% of its successful bids. In case the issuer (GOP) decides to offer securities through NCS for an amount less than or equal to 5% of the auction issued amount, each eligible Dealer will have the option to purchase the securities through NCS in accordance with its pro-rata share in such NCS amount offered by the GOP.</p> <p>The yield applicable to each dealer subscribing to NCS would be equal to the weighted average yield of the auction +/- a margin calculated based on the difference of the weighted average yield of its own</p>		<p>NIL</p>

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		<p>successful bids in the competitive auction and the weighted average yield of the overall accepted bids in the auction. If the weighted average yield of the respective dealer’s successful bids is less/greater than the weighted average yield of the auction, the difference between the two yields will be added/subtracted as a margin to the weighted average yield of the auction to determine the applicable yield for the respective dealer.</p> <p>An Example of NCS Pricing computations is provided at Annexure I.</p>		
8	When-Issued Trading	<p>PDs shall be allowed to carry out “When issued” trading for Fixed Rate Pakistan Investment Bonds (PIBs) during five (05) working days prior to the auction.</p> <p>The PD will not be allowed to short sell a particular issue more than 5% of the target amount of each tenor, during the “When issued” period. Short selling will be allowed only up to the last working day prior to the auction and will be available only if the auction is accepted.</p> <p>In case a PD is unable to square its short position, PD will be required to cover the short position from the market.</p> <p>However, if the outstanding size of a particular issue before any auction is less than Rs 200 billion (Face Value), State Bank of Pakistan, at its discretion, may provide accommodation of the short-selling. Decision of the State Bank of Pakistan in this regard shall be binding.</p>	NIL	NIL
9	Short Positions	PDs shall be allowed to carry a short position in securities managing it through repos up to a	NIL	NIL

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		maximum of three consecutive months for bonds and two weeks for MTBs. However, they would be required to mark-to-market their short positions on daily basis.		
10	Buy-Back Auctions:	PDs shall be eligible to participate in buy-back auctions of Government Securities.	NIL	NIL
11	Access to SBP Ceiling Facility	PDs shall have access to SBP Overnight Reverse Repo (Ceiling) Facility as per the terms and regulations issued by SBP from time to time.	PPDs and SPDs may have access to SBP Overnight Reverse Repo (Ceiling) Facility as per the terms and regulations issued by SBP from time to time.	
12	Access to SBP Floor Facility	PDs shall have access to SBP Overnight Repo (Floor) Facility.	NIL	NIL
13	Access to SBP OMOs	PDs shall be eligible to participate in SBP's OMOs and Special OMOs as per the rules governing the same, in addition to the regular participants of OMOs/Special OMOs as prescribed by SBP from time to time.	NIL	NIL
