

Annexure D to DMMD Circular No.07 of 2021

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

	Performance Criteria	PDs	PPDs	SPDs
1	Minimum participation target in auctions of MTBs and PIBs	<p>Each PD shall ensure participation in auctions by placing bids amounting to at least 5% of the pre-auction target on each auction basis, subject to the following:</p> <ol style="list-style-type: none"> a. The requirement shall be applicable for all securities - MTBs, Fixed rate PIBs and Floating Rate PIBs. b. For MTBs and 3 and 5 years Fixed rate PIBs, the requirement shall be applicable on each tenor based targets. c. For Floating Rate PIBs (all tenors), the requirement shall be applicable on overall/combined auction target of the same. d. For 10, 15, 20 and 30 year tenors of Fixed Rate PIBs, the requirement shall be applicable on overall/combined auction target of these tenors. <p>The performance of PDs on this obligation would be evaluated by SBP on a quarterly basis and any shortfall from the target shall require explanation by the PD.</p>	NIL	NIL
2	Minimum Underwriting Target	<p>Each PD shall ensure compliance of minimum underwriting target of 3.5% to be applied on the Pre-auction target or the issued amount, whichever is lower, for respective tenors of PIBs on a quarterly basis and compliance to this shall not be restricted on each auction basis.</p>	<p>Each PPD shall ensure compliance of minimum underwriting target of 1.0% to be applied on the Pre-auction target or the issued amount, whichever is lower, for respective tenors of PIBs on a quarterly basis and compliance to this shall not be restricted on each auction basis.</p>	Nil

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3	Minimum NCB Target for MTBs and PIBs during a fiscal year	Each PD should bring Non-Competitive Bids (NCBs) of a minimum of 0.6% of the 'auction target' of MTBs and PIBs respectively, during a fiscal year. However, the NCBs of Insurance Companies and NBFCs (including AMCs and brokerage houses) will not be counted for this purpose. PDs exceeding the minimum target for this performance benchmark will receive bonus points, in addition to basic points assigned to this criterion under PD performance evaluation, on the basis of degree of excess i.e. greater the excess, higher the bonus points.	Each PPD and SPD should bring Non-Competitive Bids (NCBs) of a minimum of 0.3% of the 'auction target' of MTBs and PIBs respectively, during a fiscal year. However, the NCBs of Insurance Companies and NBFCs (including AMCs and brokerage houses) will not be counted for this purpose. PPDs and SPDs exceeding the minimum target for this performance benchmark will receive bonus points, in addition to basic points assigned to this criterion under PPD/SPD performance evaluation, on the basis of degree of excess i.e. greater the excess, higher the bonus points.	
4	Turnover in Secondary Markets on yearly basis	Each PD's turnover in secondary market should be minimum 5.0% of overall market turnover (for PIBs and MTBs separately during the year). Further, at least 1% (for PIBs and MTBs separately) of total market turnover should be with non-banks. For the purpose of this rule, non-bank means other than Scheduled Banks, PDs, PPDs and SPDs.	Nil	Nil
5	Turnover in Secondary Market – Buying and Selling ratio	Further, to ensure that each PD is performing its obligation as market maker on both sides, PD should maintain a minimum buying and selling ratio of 25:75 (on either side) in their total secondary market turnover of MTBs and PIBs separately.	Although not a requirement, but PPDs are also encouraged to maintain a minimum buying and selling ratio of 25:75 (on either side) in their total secondary market turnover.	NIL
6	Minimum Short-Selling Target	Each PD should short-sell a minimum of 1.0% of auction target of long term paper during a year.	Nil	Nil
7	Minimum Trading through EBND and PSX platform.	Each PD and PPD shall ensure that at least 35% of its trading with other PDs and PPDs should be through Electronic Bond Trading System (EBND). This would not include transactions		Nil

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		inputted via Voice Trade Reporting mode (VTR) and any routing transactions. SBP will scrutinize all such transactions for conformity of this rule. For the purpose of this target, trade on the PSX platform will also be considered towards meeting the target.		
8	Annual Incremental increase in IPS Accounts Portfolio	Each PD and PPD shall ensure a minimum incremental increase of 500 IPS accounts during each fiscal year. PDs and PPDs exceeding the minimum target for this performance benchmark will receive bonus points, in addition to basic points assigned to this criterion under PD performance evaluation, on the basis of degree of excess i.e. greater the excess, higher the bonus points.		NIL
9	Market Development Initiative	PDs, PPDs and SPDs shall undertake market development initiatives (e.g. infrastructure development, customer awareness drives, investor facilitation, investor diversification, policy support, roadshows, etc.). The details of such initiatives shall be provided by the PDs, PPDs and SPDs through Business Plan submitted at the time of submission of application. Points will be given to PD/PPDs/SPDs in their performance evaluation for undertaking market development initiatives.		
10	Communication of Performance	In addition to announcement of top PDs/PPDs via Circular, SBP may also communicate relative performances (ranks) of each PD/PPD on individual performance benchmarks through a letter addressed to the president. SBP may also publically announce the list of Top Performing PDs/PPDs on each performance criterion.		Performance (rank) on individual performance benchmarks may be communicated to each SPD through a letter addressed to the president/CEO by SBP.
