



**NOTICE FOR ALL MEMBERS**

**IMPLEMENTATION OF RISK MANAGEMENT SYSTEM (RMS)**

In the past few days, a series of meetings have been held between the KSE management and SECP to ensure that the proposed new Risk Management System (RMS) is streamlined and ready for implementation effective from December 04, 2006. A few changes identified to strengthen the overall scheme as approved by the KSE Board of Directors and SECP are given below:

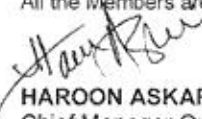
- The implementation schedule of the new RMS (excluding client level netting) will be in a phased manner whereby 50% of the applicable margins under the new regime will be applicable from December 04, 2006. This applies to the Ready and CFS market only. The margins will thereafter, increase gradually by 1% every week so that in 50 weeks' time, 100% margins collection level is achieved.

The collection of margin @50% and gradual increase thereafter, has been agreed by SECP pursuant to technical constraint faced by KSE in calculating previously announced 30% incremental margins of Members in respect of netting across settlement.

The change in the margin percentage to 50% was adopted in order to bring the level of margin collection to at least the current level for the market as a whole.

- In order to smoothly shift exposure from the existing regime to the new RMS, the limit of the maximum number of shares per symbol eligible as deposit against exposure is enhanced ten fold from 0.2% and 0.05% of the free float, to 2% and 0.5% respectively as per the categories of scrips previously notified. Further, the maximum limit per scrip as a percentage of free float is increased from 30% to 50% for the market as a whole.
- For those companies where free float details are not available, KSE's existing limits for acceptance of securities will be applicable until such time as the free float figures are available.
- The separation of CFS market from Ready market will be implemented with effect from December 04, 2006.
- Those companies having negative EPS will be acceptable for deposit against exposure until further notice.
- List of eligible securities shall be posted on KSE website.

All the Members are requested to note the above.

  
**HAROON ASKARI**  
Chief Manager Operations

**CC to:**

01. The Executive Director (SM), Securities & Exchange Commission of Pakistan
02. The Managing Director, Lahore Stock Exchange (Guarantee) Limited
03. The Managing Director, Islamabad Stock Exchange (Guarantee) Limited
04. The Chief Executive, Central Depository Company of Pakistan Limited
05. The Chief Executive, National Clearing Company of Pakistan Limited
06. The Chief, IT Division-KSE
07. Trading & Members Affairs Department
08. Market Control & Surveillance Department-KSE
09. Notice Board
10. KSE Website