National Clearing Company of Pakistan Limited
8th Floor, Karachi Stock Exchange Building, Stock Exchange Road, Karachi

NCCPL/CM/January-12/04
January 17, 2012

Implementation of Un-Listed TFCs Reporting System

Dear Clearing Members,

You are well aware of the fact that **Un-Listed Term Finance Certificates (TFCs)** are constituted major portion of Corporate Debt in Pakistan. Presently these Un-Listed TFCs are traded privately between the parties through a direct negotiation process without any systematic reporting. Therefore, after the implementation of Bond Automated Trading System for Listed TFCs, it was felt that there should be a centralized platform for the reporting of Un-Listed TFCs for better price discovery and fair & transparent dissemination of necessary information to the market participants.

Accordingly, Securities and Exchange Commission of Pakistan ("SECP") mandated National Clearing Company of Pakistan Limited ("NCCPL") to develop **Un-Listed TFC Reporting Module** for the recording and reporting of Un-Listed TFC Transactions.

In this respect we are pleased to inform you that, NCCPL has developed a centralized **Un-Listed TFC Reporting Module in National Clearing and Settlement System ("NCSS")** for recording and reporting of Transactions on Counterparty Basis in a Disclosed Manner. The said system will be made available to the market participants **effective from Monday January 30, 2012**.

<u>Following are the salient features of the Un-Listed TFC Reporting Module of NCSS:</u>

1. All existing Clearing Members, financial institutions, banking and investment companies, asset management companies, or corporation dealing in buying/selling of un-listed TFCs may apply NCCPL to become **Reporting Member** for the recording of transactions in Un-Listed TFCs through **Un-Listed TFC Reporting Module of NCSS.**

2. All CDS eligible Un-listed TFCs will be Eligible for Un-Listed TFC Reporting Module of NCSS.

3. Initially Un-Listed TFC Reporting Module shall only facilitate the **"Recording & Reporting of Transactions"**. Settlement of the Recorded Transactions will be made directly between the Reporting Members outside the system.

4. **Following types of Transactions Shall be Recorded in the Un-Listed TFC Reporting Module of NCSS:**

   A. Member to Member ("M-to-M") Transactions

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   B. Client to Client ("C-to-C") Transactions

5. **Member to Member ("M-to-M") Transactions-** Transactions between two Reporting Members will be considered as M-to-M Reported Transactions. Following mechanism for the recording of M-to-M Transactions:

   I. **<u>Initiation of M-to-M Transaction</u>**

   a) Buyer Reporting Member will be allowed to initiate M-to-M Transaction through Un-Listed TFC Reporting Screen within Designated Time Schedule ("DTS").

   b) Following Details will be entered by the buyer Reporting Member in the Initiation Screen:
      - Un-Listed TFC Symbol;
      - Un-Listed TFC Name;
      - Buyer Client Code for BCM Only;(such Client Code should be pre-registered in NCSS UIN Database)
      - Counter selling Reporting Member Code;
      - Quantity;
      - Notional Rate or Value as agreed between the parties to the trade being reported. Settlement Date (settlement shall be between the Reporting Members)

   II. <u>Affirmation of M-to-M Transaction</u>

   a) Initiated Transactions will automatically be made available to the counter Selling Reporting Member for its affirmation.

   b) Counter selling Reporting Member may affirm, reject and/or leave un-affirm such initiated transactions through an "Affirmation Screen" of Un-Listed TFC Reporting Module within DTS.

   c) Once Initiated Transaction is posted, such transaction will automatically be made available to the counter selling Reporting Member for its affirmation.

   d) After verifying all details, Selling Reporting Member will affirm the Initiated Transaction. However, in case where Selling Reporting Member is a BCM, Client Code shall be required before Affirmation.

   e) Once the Initiated Transaction is Affirmed; such transaction shall be considered as a "Reported Transaction"

6. **Client to Client ("C-to-C") Transactions-** Transactions between the clients of the same Reporting Members will be considered as C-to-C Reported Transactions. Mechanism for the recording of C-to-C Transactions is as follows:

   a) Following details will be entered by the Reporting Member in the Reporting Module for reporting of **C-to-C Transaction:**

      - Un-Listed TFC Symbol;
      - Un-Listed TFC Name;

- Buyer Client Code for BCM Only;(such Client Code should be pre-registered in NCSS UIN Database;
- Seller Client Code for BCM Only;(such Client Code should be pre-registered in NCSS UIN Database);
- Quantity;
- Notional Rate or Value as agreed between the parties to the trade being reported; and
- Settlement Date (settlement shall be between the Reporting Members).

b) Once the Transaction is posted; such transaction shall be considered as a "**Reported Transaction"**

7. Reporting Members will have an option to determine the settlement value of Reported Transactions either through system price or manual price.

8. Un-Listed TFC Reported Transactions shall be disseminated to all market participants through**:**

   - **NCCPL's Website; and**

   - **Stock Exchanges**

9. Dissemination of Reported Transactions shall not contain the information of the Reporting Members.

10. For opening of account in the capacity of Reporting Member and any other queries or concerns, please contact Customer Support Services of NCCPL of your respective locations:

City	Telephone Number	Fax Number	Email
Karachi	021-32460811-19	021-32460827	helpdesk@nccpl.pk
Lahore	042-36280815-7	042-36280818	helpdesk@nccpl.pk
Islamabad	051-2895460-2	051-2895463	helpdesk@nccpl.pk

Regards,

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Badiuddin Akber

Head of Operations

cc:

1. Director (PRDD) Securities and Exchange Commission of Pakistan - Islamabad
2. Managing Director - The Karachi Stock Exchange (Guarantee) Limited
3. Managing Director - The Lahore Stock Exchange (Guarantee) Limited
4. Managing Director - The Islamabad Stock Exchange (Guarantee) Limited
5. Chief Executive Officer - Central Depository Company of Pakistan Limited
6. Chief Executive Officer - Mutual Fund Association of Pakistan
7. Chairman - Pakistan Banking Association