



National Clearing Company of Pakistan Limited

8th Floor, Karachi Stock Exchange Building, Stock Exchange Road, Karachi

NCCPL/CM/March-12/13

March 21, 2012

NOTICE FOR ALL CLEARING MEMBERS

CLEARING & SETTLEMENT OF NEGOTIATED DEAL MARKET (“NDM”) TRADES THROUGH NATIONAL CLEARING & SETTLEMENT SYSTEM “NCSS”

- Presently, brokers of the three stock exchanges are required to record their off-market trades in listed securities through Negotiated Deal Market (“NDM”), provided by respective stock exchanges. Clearing and Settlement of such NDM trades are managed by brokers themselves without any involvement of the stock exchanges or National Clearing Company of Pakistan Limited (“NCCPL”).
- In this respect, NCCPL has developed an exclusive clearing and settlement system for trades executed through NDM so as to bring efficiency and uniformity in the entire securities settlement processes.
- Clearing and settlement of NDM trades are based on **Trade-for-Trade Balance Order Mechanism** as presently being applicable for Bonds Automated Trading System (“BATS”).
- Clearing and settlement of NDM trades through NCSS will be implemented effective from **Monday, March 26, 2012**. With the implementation of such clearing & settlement mechanism all NDM trades are mandatorily be settled through NCSS.
- **The main features of Clearing & Settlement of NDM Trades are as follows:**
 1. All Clearing Members (CMs) are eligible for clearing and settlement of NDM trades through NCSS.
 2. NDM trades are recorded by Broker Clearing Members (BCMs) at Stock Exchanges in a disclosed basis whereby buyer and seller are known to each other.
 3. **Settlement Cycle** of NDM trades will be ranging from **T+1 to T+60** which will be determined by BCMs at the time of reporting of NDM trade.
 4. Upon execution of NDM trades, Stock Exchanges will transmit such trades to NCSS as per the existing on-line mechanism.
 5. **Facilities of Non-Exchange Transactions such as Broker-to-Broker, Institutional Delivery System** will also be provided in line with the existing NCSS mechanism.



National Clearing Company of Pakistan Limited

8th Floor, Karachi Stock Exchange Building, Stock Exchange Road, Karachi

6. Existing netting being applicable in **Client Level Balance Order Mechanism will not be applied for the settlement of NDM trades.**
7. NDM trades will be settled on the basis of **TRADE FOR TRADE** settlement mechanism of NCSS.
8. Settlement of NDM trades will be managed in NCSS through the Regular account of CM. **However, no netting will be permissible across positions in NDM and any other Market.**
9. For the Securities settlement of NDM trades, NCSS will generate **gross deliver and receive Balance Order of every NDM trade.** However, only netting will be allowed in multiple trades where counter parties of buy and sell are same in each Security on same Settlement Date.
10. For the money settlement of NDM trades, NCSS will generate **gross payable and receivable of each CM.** However, netting shall only be permissible for Client-to-Client transactions of a same CM and in multiple trades where counter parties of buy and sell are same in same security on same Settlement Date.
11. On the Settlement Date, NCSS shall pass debit instruction to the settling banks through Pay & Collect Module of NCSS for the collection of payment from the respective CMs.
12. Upon fulfillment of payment obligation by CM, NCSS shall transmit instructions to CDC for movement of Securities from respective selling CM CDS Account to the respective buying CM CDS Account.
13. In case of none or partial payment confirmation by settling banks, NCSS shall not pass instructions to CDC for movement of securities for particular CM.
14. Upon fulfillment of delivery obligation by CM, NCSS shall pass an exclusive set of instructions to the settling banks for the payment of funds from NCCPL settling bank account to the respective CMs settling bank account.
15. In case of none or partial delivery confirmation by CDC, NCSS shall not pass instructions to the settling banks for funds transfer to particular CM.
16. **NDM trades based on Gift Transactions shall be separately transmitted to NCSS by Stock Exchanges. However, such gift trades will not be processed in NCSS and CMs will be required to directly settle such trades through free delivery mechanism of the Central Depository System accordingly.**



National Clearing Company of Pakistan Limited

8th Floor, Karachi Stock Exchange Building, Stock Exchange Road, Karachi

17. Since all NDM trades are executed on disclosed manner on the basis of counter party risk, **no margins and mark-to-market will be collected from CMs by NCCPL.**

18. **In case of default by CM in making payment or delivery on the settlement date, such trades shall be closed-out at its trade price by NCCPL.**

For any further information or queries please feel free to contact the Customer Support Department 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	051-2804244-46	051-2804243	helpdesk@nccpl.pk

Regards,

-sd-

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