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## **National Clearing Company of Pakistan Limited**

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

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**NCCPL/CM/DECEMBER-17/16**

**December 22, 2017**

### **Increasing Number of Securities in Margin Trading System (MTS) and Deliverable Futures Contract (DFC) Market**

**Dear Clearing Members,**

The Securities and Exchange Commission of Pakistan (SECP) formed a task force to propose measures to enhance market liquidity. The task force comprised of the representatives from SECP, NCCPL, PSX and the TREC Holders. The task force recommended few measures in Margin Trading System (MTS) and Deliverable Future Contract (DFC) Market so as to improve the stock market's liquidity.

Accordingly, we are pleased to inform you that the SECP has accorded its approval to give effect to the following recommendations.

#### **A. Margin Trading System (MTS)**

##### **1. Categorization of MTS Eligible Securities**

MTS Eligible Securities shall be increased for trading in MTS by introducing a category B with enhanced risk management. Category B MTS Eligible Securities shall be selected on the basis of Eligibility Criteria as described in the NCCPL Regulations. The NCCPL shall notify list of Eligible Securities to the market participants in accordance with the NCCPL Regulations.

##### **2. MT-R Transaction Margins**

Existing Cash Financing Participation Ratio (FPR) of 15% shall remain applicable for Category B Securities. However, the aggregate value of MT (R) Transaction Margins and FPR shall be higher of 30% or VaR Estimate of that particular Category B MT Eligible Security.

##### **3. Special Margin on Financeses**

Special Margin on category B securities shall be payable on daily basis only where the average transaction price of the Financeses's proprietary position or his client's position is different from 26 weeks moving average price of that Security in the Ready Market. In case where the average transaction price of a Security exceeds the 26 weeks moving average price by more than 10% then special margins shall be payable equal to the difference between average Transaction Price of the gross buy position and 26 weeks moving average price. Such margin can be deposited in the all forms of acceptable collateral.

##### **4. Reduction in Position Limits**

Present positions limits will remain applicable for category A securities whereas for category B securities, reduction in all such Position Limits by 10% shall be applied.



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### **5. Contract Period**

For Category B Securities, Contract Period shall be fixed for 30 calendar days and the MTS will automatically initiate a MT (R) Transaction for release of MT Transaction before the opening of business, which shall be settled in accordance with the NCCPL Regulations. Finanee can release MT Transaction at any time during the Contract Period and can rollover its position.

All other existing Risk Management measures shall also remain applicable for Category B Securities in MTS.

### **B. Deliverable Future Contract (DFC) Market**

#### **1. Categorization of DFC Market Eligible Securities**

Eligible Securities shall be increased for trading in DFC Market by introducing a category B with enhanced risk management. The Pakistan Stock Exchange (PSX) shall determine and notify Category B Securities for DFC Market as per applicable rules and regulations.

#### **2. Additional Margin on Category B Securities**

All prevailing risk management regime shall be applied on category B securities however, VAR based margins on category B Securities shall be increased by VaR Estimates+15%.

For any further queries or concerns, please feel free to contact the Customer Support Department at UAN No. 021-111-111-622.

Regards,

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**Rehan Saif**  
**Head of PD & CSS**

CC:

1. Executive Director - Policy, Regulation and Development Department - SMD  
Securities & Exchange Commission of Pakistan - Islamabad
2. Managing Director - Pakistan Stock Exchange Limited
3. Chief Executive Officer - Central Depository Company of Pakistan Limited
4. Chief Executive Officer – Mutual Fund Association of Pakistan
5. Chairman - Pakistan Banking Association