

National Clearing Company of Pakistan Limited

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

NCCPL/CM/January-16/04
January 08, 2016

Integration of Stock Exchanges

Dear Clearing Members,

1. This is with reference to the integration of Karachi Stock Exchange Limited (KSE), Lahore Stock Exchange Limited (LSE) and Islamabad Stock Exchange Limited (ISE) into a single Stock Exchange named "Pakistan Stock Exchange (PSX)". In this respect, Securities and Exchange Commission of Pakistan (SECP) vide its letter SMD/SE/2(7)2002 dated December 28, 2015 has formulated certain operational parameters to ensure uninterrupted trading and seamless operational transition towards PSX that are attached herewith as Annexure-A.
2. The SECP vide its Order Number 01/2016 has approved the scheme of integration of KSE with LSE and KSE with ISE and has specified **January 11, 2016** as the effective date of integration. Therefore, following changes will be observed in the NCC Systems from the effective date of integration:
 - a. Existing Trader IDs of the Trading Right Entitlement (TRE) Certificate Holders of LSE and ISE will be revised with new Trader IDs by the PSX. Accordingly, such revised Trader IDs will be used for NCC Systems by the National Clearing Company of Pakistan Limited (NCCPL).
 - b. Presently, Broker Clearing Members (BCMs) can mark client codes in National Clearing and Settlement System (NCSS) as "Inter Exchange Client" for the execution of inter-exchange trades. Such functionality will no longer be available for new client codes created in NCSS from the effective date of PSX.
 - c. Location of Karachi (K), Lahore (L) and Islamabad (I) will be replaced with Pakistan (P) in all NCSS System from the effective date of PSX.
 - d. Client Codes of BCMs (including BCMs having Multiple Trader ID) which are associated with the Trader Ids of K, L and I Location shall be allied with "P" from the effective date of PSX.
 - e. Capital Adequacy requirements and Position Limits for Finances in the Margin Trading System (MTS) have been revised as per attached Annexure-B which will be implemented from the effective date of integration i.e. January 11, 2016. All MTS Finances are hereby advised to restrict their position within the revised prescribed limits. In case where Position limits of MTS Finanee are superseded from the prescribed limit, such Finanee will be restricted to take further position.

- f. Presently, three separate MTS Market windows are available for KSE, LSE and ISE to execute MT Contracts. However, from the effective date of PSX, only single MTS Market Window will be made available to all MT Participants to execute MT Contracts. Mock Session for MTS has been arranged as per the following schedule:

Date	Time	ID/Password
Saturday, January 09, 2016	02:00 pm to 08:00 pm	Existing
Sunday, January 10, 2016	10:00 am to 04:00 pm	Existing

3. National Clearing and Settlement System (NCSS) will also be made available to Clearing Members (CMs) **to review their existing reports** as per the following schedule:

Date	Time	ID/Password
Sunday, January 10, 2016	10:00 am to 04:00 pm	Existing

4. Approved amendments in the NCCPL Regulations pertaining to the integration of stock exchanges are attached as Annexure-C

For any further queries or concerns, please feel free to contact the Customer Support Department of your respective locations:

City	Telephone Number	Fax Number
Karachi	021-32460811-19 Ext. 214, 217 & 218 Dir. 021-32438531-32-33	021-32462825
Lahore	042-36280815-7	042-36280818
Islamabad	051-2895460-62	051-2895463

Regards,

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Rehan Saif
Head of PD & CSS

Cc:

1. Executive Director – Policy, Regulation and Development - SMD
Securities & Exchange Commission of Pakistan - Islamabad
2. Managing Director - The Karachi Stock Exchange Limited
3. Managing Director - The Lahore Stock Exchange Limited
4. Managing Director - The Islamabad Stock Exchange Limited
5. Chief Executive Officer - Central Depository Company of Pakistan Limited



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National Clearing Company of Pakistan Limited

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

Annexure-A

Operational Matters Pursuant to Integration of Stock Exchanges

a) Regular Market Open positions on Transferor Stock Exchanges:

Trading on the ready market segment of the transferor stock exchanges shall only be allowed till one day prior to the effective date of integration. All trades executed on the ready market segment of the transferor stock exchanges till one day prior to the effective date of integration shall be settled on their respective settlement dates. The surviving entities of the transferor stock exchanges shall continue to hold margins deposited by their ex-TRE certificate holders against such trades till the settlement of these trades, however, any excess margin deposited by the ex-TRE certificate holders may be released.

The transferor stock exchanges shall submit an undertaking to the NCCPL and the successor stock exchange to confirm that aforementioned margins shall be made available in the case of default.

b) Regular Market Inter-Exchange Open Positions of the Transferor Stock Exchanges:

The inter-exchange trades which are executed on the ready market segment of the successor stock exchange till one day prior to the effective date of integration shall be settled on their respective settlement dates in accordance with the Broker-to-Broker (BTB) functionality of the NCCPL. These trades will be settled by the ex-TRE certificate holders of the transferor stock exchange which have affirmed these trades through the BTB functionality of NCCPL. The TRE certificate holder of successor stock exchange through which such trades were executed will continue to meet margin requirements in respect of these trades as per the regulations of NCCPL and successor stock exchange.

c) Margin Trading System (MTS) Open Positions on the Transferor Stock Exchanges:

The ex-TRE certificate holders of the transferor stock exchange shall be allowed to enter into MTS contracts against the trades executed on the transferor stock exchange till one day prior to the effective date of integration. All open MTS contracts till the close of one day prior to the effective date of integration shall be continued as per the regulations of NCCPL and the ex-TRE certificate holders of the transferor stock exchange which will become the TRE certificate holders of the successor stock exchange shall continue to meet the margin requirements and the settlement requirements against such open MTS contracts.

In case of Release of any open MTS position, rollover or settlement shall be allowed as per the current mechanism.

d) MTS Inter-Exchange Open Positions of the Transferor Stock Exchanges:

The ex-TRE certificate holders of the transferor stock exchange (initiating broker) shall be allowed to enter into the MTS contracts against trades executed on the successor stock exchange by acting as a client of broker of successor stock exchange (executing broker). This facility will be allowed till one day prior to the effective date of integration through the BTB functionality of NCCPL as per the existing regulations. The initiating brokers shall continue to meet the settlement requirements against these open MTS contracts whereas the executing broker shall be responsible to meet the margin requirements against such open MTS contracts as per the existing regulations of NCCPL.

Option for release of any open MTS position shall be available to executing broker and initiating TRE broker shall be required to either take delivery or square-up by executing sell transaction in ready market segment of the successor stock exchange. No option of rollover will be provided for open inter-exchange MTS positions.

e) Deliverable Futures Contract (DFC) - Inter-Exchange Open Positions of Transferor Stock Exchanges:

The ex-TRE certificate holders of the transferor stock exchange (initiating broker) shall be allowed to take positions in the DFC on the successor stock exchange by acting as a client of the TRE Certificate holders of the successor stock exchange (executing broker). This facility will be allowed till one day prior to the effective date of integration through the BTB functionality of NCCPL.

All such open DFC inter-exchange positions shall be settled by the initiating broker whereas the executing broker shall continue to meet margin requirements against such open positions. In order to facilitate the initiating broker to take exit, such initiating brokers shall be allowed to square their open DFC inter-exchange positions in the DFC January contract and settle these trades by acting as a client of the executing broker as per the existing BTB functionality and regulations of NCCPL and the successor stock exchange. No new positions in the DFC-January contract or option to rollover the open positions will be allowed to initiating broker as a client of the executing broker.

NCCPL shall make necessary changes in its system to provide BTB functionality only for intra-exchange trading in DFC-January Contract and will also restrict further registration of Inter-Exchange UINs from the effective date of integration. Considering the practical difficulties in this context, the restriction on intra-exchange transactions prescribed through Commission's directive dated September 23, 2005 shall be waived and initiating brokers shall be allowed to trade through respective executing brokers to the extent of their unsettled positions in the respective Deliverable Futures Contract Market. Accordingly, such inter-exchange and intra-exchange DFC transactions executed for DFC-January contract and affirmed through BTB functionality shall be settled by NCCPL on net basis.

f) Negotiated Deal Market ("NDM") Transactions on Transferor Stock Exchanges:

Reporting of NDM transactions through the interface provided by the transferor stock exchanges shall only be allowed till one day prior to the effective date of integration. All transactions executed on NDM by the ex-TRE certificate holders of the transferor stock exchanges till one day prior to the effective date of integration shall be settled on their respective settlement dates.

g) Negotiated Deal Market (“NDM”) Inter Exchange Transactions of the Transferor Stock Exchanges:

The inter-exchange trades which are executed on the NDM of the successor stock exchange till one day prior to the effective date of integration shall be settled on their respective settlement dates in accordance with the Broker-to-Broker (BTB) functionality of the NCCPL. These trades will be settled by the ex-TRE certificate holders of the transferor stock exchange which have affirmed these trades through the BTB functionality of NCCPL.

h) Provisionally Listed Securities Contract (“PLSC”)- Inter-Exchange Open Positions of the Transferor Stock Exchanges:

The ex-TRE certificate holders of the transferor stock exchange (initiating broker) shall be allowed to take positions in the PLSC on the successor stock exchange by acting as a client of the TRE Certificate holders of the successor stock exchange (executing broker). This facility will be allowed till one day prior to the effective date of integration through the BTB functionality of NCCPL.

All such open PLSC inter-exchange positions shall be settled by the initiating broker whereas the executing broker shall continue to meet margin requirements against such open positions. In order to facilitate the initiating broker to take exit, such initiating brokers shall be allowed to square their open PLSC inter exchange positions and settle these trades by acting as a client of the executing broker as per the existing BTB functionality and regulations of NCCPL and the successor stock exchange. No new positions in the PLSC after the effective date of integration will be allowed to initiating broker as a client of the executing broker.

i) Debt Securities Market (“DSM”) Open positions on Transferor Stock Exchanges:

Transactions on the DSM of the transferor stock exchanges shall only be allowed till one day prior to the effective date of integration. All transactions executed on the DSM of the transferor stock exchanges till one day prior to the effective date of integration shall be settled on their respective settlement dates. The NCCPL shall continue to hold margins deposited by ex-TRE certificate holders of transferor stock exchanges against such trades till the settlement of these trades.

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Annexure-B

Finanee Capital Adequacy Requirements and Position Limits in MTS

	Finanee having NCB Rs. 10.0 million and above	Finanee having NCB over Rs. 7.0 million, less than Rs. 10.0 million	Finanee having NCB over Rs. 4.0 million, less than Rs. 7.0 million
Market wide position limit:	20% of free-float for each MT Eligible Security subject to maximum of Rs. 10 billion.	20% of free-float for each MT Eligible Security subject to maximum of Rs. 10 billion.	20% of free-float for each MT Eligible Security subject to maximum of Rs. 10 billion.
Finanee wide position limit:	2% of free-float of the MT Eligible Security subject to maximum of Rs. 1 billion.	1.34% of free-float of the MT Eligible Security subject to maximum of Rs. 670 million.	0.66% of free-float of the MT Eligible Security subject to maximum of Rs. 330 million.
Client wide position limit:	0.5% of free-float of the MT Eligible Security. Client position will be universal and determined on UIN basis subject to maximum of Rs.250 million for each MT Eligible Security. Provided that overall financing availed in all MT Eligible Securities shall not exceed Rs.1.00 billion.	0.335% of free-float of the MT Eligible Security. Client position will be universal and determined on UIN basis subject to maximum of Rs. 167.5 million for each MT Eligible Security. Provided that overall financing availed in all MT Eligible Securities shall not exceed Rs.670 million.	0.25% of free-float of the MT Eligible Security. Client position will be universal and determined on UIN basis subject to maximum of Rs. 82.5 million for each MT Eligible Security. Provided that overall financing availed in all MT Eligible Securities shall not exceed Rs.330 million.
Finanee Capital Adequacy:	5 times the net capital balance of Finanee or Rs.5 billion whichever is lower.	3.35 times the net capital balance of Finanee or Rs. 3.35 billion whichever is lower.	1.65 times the net capital balance of Finanee or Rs. 1.65 billion whichever is lower.

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Annexure-C

Approved Amendments by SECP in NCCPL Regulations, 2015 pursuant to Integration of Stock Exchanges

Clause	SECP Approved Regulations
CHAPTER 2:	INTERPRETATION AND DEFINITIONS
2.8	<p>Exchange trade</p> <p>means a trade which is affected on a Pakistan Stock Exchange and/or on UTS and is received in NCSS as a locked-in trade contract for clearing and settlement through NCSS.</p> <p>Margin Financing System Price</p> <p>means the last trade price of a Security on the Karachi Pakistan Stock Exchange on the trade day of that Stock Exchange on which there were trades on such Stock Exchange in such Security If there were no trades in such Security on the Karachi Stock Exchange or the Security is not listed on that Stock Exchange, the last trade price on the trade day of the Security traded on UTS. If there were no trades in such Security on UTS or the Security is not listed on UTS, the last trade price on the trade day of the Security on Lahore or Islamabad Stock Exchanges, in that order, will be the Margin Financing System Price. Provided that NCSS will ignore the last trade(s) between the client(s) of the same Clearing Member in determining the Margin Financing System Price of a Security.</p> <p>Non Exchange Transaction</p> <p>means</p> <p>(i) a broker to broker transaction, as per the Procedures, which is not effected on a Stock Exchange and is initiated by a Clearing Member, who is a TRE Certificate Holder of a Stock Exchange, based on an Exchange trade; or</p> <p>(ii) an institutional delivery system transaction, as per the Procedures, which is not effected on a Stock Exchange and is initiated by a Clearing Member, who is a TRE Certificate Holder of a Stock Exchange, based on an Exchange trade; or</p> <p>and is recorded on NCSS in which the initiating Clearing Member notifies NCSS that the transaction shall be settled by an affirming Clearing Member on his behalf, provided that such affirmation is made by a Clearing Member (who may be a TRE Certificate Holder or a non-TRE Certificate Holder of a Stock Exchange. Moreover, institutional delivery system transaction based on provisionally listed companies market shall stand null and void in the event of formal listing of such companies being refused by the relevant Stock Exchange.</p>

- iii) MT Transaction and MT (R) Transaction as defined in these Regulations.
- iv) SLB Transaction and SLB (R) Transaction as defined in these Regulations.
- v) MF Transaction and MF (R) Transaction as defined in these regulations.

Provided that Non Exchange Transaction shall not be allowed on trades executed in the NDM Reporting Interface for T+0 settlement cycle.

System Price the last trade price of a Security on the ~~Karachi~~ **Pakistan** Stock Exchange on the immediate preceding Business Day of ~~that~~ Stock Exchange on which there were trades on ~~such Stock Exchange~~ in such Security. ~~If there were no trades in such Security on the Karachi Stock Exchange or the Security is not listed on that Stock Exchange, the last trade price on the immediate preceding Business Day of the Security traded on UTS. If there were no trades in such Security on the UTS or the Security is not listed on UTS, the last trade price on the immediate preceding Business Day of the Security on the Lahore or Islamabad Stock Exchanges, in that order, will be the System Price~~ Provided that NCSS will ignore the last trade(s) between the client(s) of the same Clearing Member in determining the System Price of a Security. Notwithstanding the foregoing, the Company may fix the "System Price" of a Security at such amount as it deems necessary and appropriate in the circumstances to protect the respective interests of the Clearing Member(s) and the Company: (a) whenever trading in such Security has been suspended by order of the Commission or by ~~any~~ **Pakistan** Stock Exchange on which such Security is listed or by any other authority having power to suspend trading in such Security, (b) to reflect a dividend or other distribution on such Security, or (c) in other appropriate circumstances.

Trader ID **Pakistan** Stock Exchange TRE Certificate Holder code issued by a **Pakistan** Stock Exchange to their ~~respective~~ TRE Certificate Holders. **Provided that, after integration of Stock Exchanges, codes issued to the TRE Certificate Holder of Karachi Stock Exchange before integration shall remain the same. Whereas, codes issued to the TRE Certificate Holder of Lahore Stock Exchange from 001 to 200 before integration of Stock Exchanges shall be replaced with 201 to 400 and codes issued to the TRE Certificate Holder of Islamabad Stock Exchange from 501 to 650 before integration of Stock Exchanges shall be replaced with 401 to 550 after integration.**

Tripartite Agreement an agreement, in the form prescribed by the Company from time to time, entered into between the Company, a Clearing Member and a Settling Bank where under the Settling Bank undertakes to perform money settlement services for the Clearing Member in connection with all his trades and transactions other than those entered into as Debt Market Clearing Member, including an agreement or a supplemental to an existing Tripartite Agreement in the form prescribed by the Company from time to time, entered into between the Company, Debt Market Clearing Member, and a Settling Bank where under the Settling Bank undertakes to perform money settlement services for the Debt Market Clearing Member on account of Debt market trades only.

~~**Unified Trading System** a trading system based on a common platform established by Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE) for execution of orders by their TRE Certificate Holders and for the purpose of this definition UTS shall be the Unified Trading System as defined in the relevant UTS Regulations.~~

UIN Mapping Table Database Tables in NCSS for UIN Mapping available to the Commission and to every **Pakistan** Stock Exchange for the purpose of ensuring that all trades are executed in a transparent manner.

UIN Registration Details

means: the following details of the trading accounts of the Broker Clearing Members:

- (i) Client name;
- (ii) Applicable UIN;
- (iii) Client Code/Client ID issued by a Broker Clearing Member;
- (iv) Client Type; and
- (v) CDS house, investor account and/or sub-account number, as the case may be.

EXPLANATION:

Client Code / Client ID

means the Code or ID assigned by the Broker Clearing Members to their clients in their back office system and on the Stock Exchanges' trading terminal.

A Client Code once used for a client cannot be assigned to another client of the same Broker Clearing Member even after the closure of the account. Thus a Client Code once assigned against a UIN cannot be changed / altered or assigned to another client of the same Clearing Member ID and Trader ID.

Client Codes which are tagged with the Trader IDs of BCMs of Lahore Stock Exchange and Islamabad Stock Exchange shall be tagged with the new Trader IDs of such BCMs, issued by the Pakistan Stock Exchange after the integration of Stock Exchanges.

CHAPTER 3:	THE NCC SYSTEMS
3.2.1	<p>Powers of the Company</p> <p>The Company has such powers as are conferred on it by or under:</p> <ul style="list-style-type: none"> (a) any law; (e) these Regulations; (c) the Procedures; and (d) any contract or arrangement with a Clearing Member, Settling Bank, Pakistan Stock Exchange, CDC or any other person.
3.8.3	<p>The indemnity contained in Regulation 3.8.2 does not apply if the mistaken information contained in a Report is derived from information supplied to the Company or another person by any NCC Participant, any Pakistan Stock Exchange, Settling Bank or any third party.</p>
CHAPTER 4:	COMMUNICATIONS IN THE NCC SYSTEMS
	<p>4.5 Validation of trade/transaction data</p> <p>4.5.1</p> <p>Any trade/transaction data received by NCC Systems from Pakistan Stock Exchange and/or from the Company shall be treated as valid, subject to these Regulations and/or the Procedures.</p>
CHAPTER 5:	APPLICATIONS FOR ADMISSION AND ADMISSION CRITERIA FOR NCSS PARTICIPANTS
	<p>5.2 Admission as Clearing Member</p> <p>5.2.1</p>

	<p>(i) the applicant, in case of an applicant who is a TRE Certificate Holder of a Pakistan <u>Pakistan</u> Stock Exchange(s), is registered with the Commission under the Brokers and Agents Registration Rules, 2001, and has submitted such the registration certificate to the Company. However, in case where registration with the Commission under the Brokers and Agents Registration Rules, 2001, such certificate is not submitted by the applicant, the Company shall only create the ID without assigning any NCSS authorities. and access to NCSS services shall not be allowed till the time the registration certificate is submitted.</p> <p>(j) The applicant, who is a TRE Certificate Holder of a Pakistan <u>Pakistan</u> Stock Exchange(s), is registered with the Commission under the Brokers and Agents Registration Rules, 2001, and has submitted the registration certificate to the Company. However, in case such certificate is not submitted by the applicant, the Company shall only create the ID and access to NCSS services shall not be allowed till the time the registration certificate is submitted.</p>
5.6	<p>Business integrity requirements</p> <p>5.6.1 The business integrity requirements of this Chapter are: 5.6.1 a ii</p> <p>being a TRE Certificate Holder of a Pakistan <u>Pakistan</u> Stock Exchange, the applicant was never declared as a defaulter by that <u>Pakistan</u> Stock Exchange or by any other Stock Exchange of which the applicant was a TRE Certificate Holder or member prior to the date of demutualization; and</p>
CHAPTER 7A	<p>SECURITIES LENDING AND BORROWING</p> <p>Spot Period means the trading periods prior to the commencement of book closure date, as notified by the <u>Pakistan</u> stock exchange from time to time.</p> <p>VaR VaR Estimates as defined in the relevant regulations of the Karachi <u>Pakistan</u> Stock Exchange.</p>
7A.2.4	<p>Restriction, Suspension or Termination of SLB Participant</p> <p>The Company shall impose restriction on a SLB Participant or suspend or terminate admission of a SLB Participant in accordance with the provisions of Rules. However, in the event that a SLB Participant is suspended or terminated as a Clearing Member pursuant to these Regulations, such SLB Participant shall also stand suspended or terminated as SLB Participant automatically without any further action being taken on the part of the Company. The Company shall immediately notify the same to the relevant <u>Pakistan</u> Stock Exchange and CDC for suspension, forfeiture or cancellation of TRE Certificate of the <u>Pakistan</u> stock exchange and restriction of access in CDS respectively in accordance with the respective regulations.</p>
7A.3.2 Eligibility Criteria	<p>(a) SLB Eligible Securities - Category A available for short-selling at the <u>Pakistan</u> Sstock Eexchange, in addition to requirements of their relevant regulations, shall comply with the.</p>
7A.3.4	<p>Eligibility Review</p> <p>The list of SLB Eligible Securities will be reviewed by the Company every six months and such review shall be undertaken before the end of such duration and shall be based upon the data of last six months made available by the relevant <u>Pakistan</u> Stock Exchange. In consequence of any additions and/or deletions to the existing list, the Company will give at least 30 days prior notice to the NCC Participants for introduction of incoming and phasing out of outgoing SLB Eligible Securities. After expiry of the said notice period, SLB positions in the outgoing securities shall be frozen and will be available only for release for the purposes of settlement or squaring-up. Any unreleased position in an SLB Contract on the expiry of notice period relating to outgoing securities shall stand released on its respective Maturity Date(s) or Accelerated Maturity Date(s).</p>

7A.5.1	<p>Capital Adequacy Requirements</p> <p>1. The minimum net capital balance for SLB Participants which are Broker Clearing Members shall be the higher of the amount prescribed in Section 3(b) of the Securities and Exchange Rules, 1971 or any other amount as may be specified by the relevant Pakistan Stock Exchange from time to time.</p>
7A.5.3	<p>Approved Collaterals</p> <p>2) Margin Eligible Securities</p> <p>The Company shall notify from time to time, as declared by Pakistan Sstock Eexchange under their respective regulations, the securities that are acceptable to the Company for the purpose of Exposure Margins and any other margins from time to time, except Marked-to-Market Losses and Special Margins.</p>
7A.5.	<p>Risk Management 7A.5.3.2</p> <p>iv. The issuer of Margin Eligible Security is not placed on the defaulter's counter of any of the Pakistan Stock Exchange.</p> <p>V. SLB Participants listed on Pakistan Stock Exchange will not be allowed to deposit their own shares against deposits.</p>
7A.5.3.5	<p>All applicable margins on SLB Market shall be calculated on UIN wise in accordance with the client level margining regime applicable at the Pakistan Stock Exchange from time to time.</p>
CHAPTER 7B	<p>MARGIN FINANCING SYSTEM</p> <p>Spot Period</p> <p>means the trading periods prior to the commencement of book closure date, as notified by the Pakistan Sstock Eexchange from time to time.</p>
7B.2.3	<p>Margin Finances for Margin Financing</p> <p>1. holds a valid TRE Certificate under the respective regulations, rules and procedures governing their admission to the relevant Pakistan Sstock Eexchange(s);</p> <p>2. has no action, pending in any court, which might materially and adversely affect such Broker Clearing Members TRE Certificate, or no such action has been initiated by Pakistan Sstock Eexchange(s) or the Commission against such Broker Clearing Member;</p>
7B.2.4	<p>Suspension or Termination of MF Participant</p> <p>The Company shall impose restriction on a MF Participant or suspend or terminate admission of a MF Participant in accordance with the provisions of the Rules. However, in the event that a MF Participant is suspended or terminated as a Clearing Member pursuant to these Regulations, such MF Participant shall also stand suspended or terminated as MF Participant automatically without any further action being taken on the part of the Company. The Company shall immediately notify the same to the relevant Pakistan Stock Exchange and CDC for suspension, forfeiture or cancellation of TRE Certificate of Pakistan Stock Exchange and restriction of access in CDS in accordance with the respective regulations.</p>
7B.3.1.1	<p>Eligibility Declaration</p> <p>The Company shall select the securities that are eligible to be declared as MF Eligible Securities for the purpose of MF Market in accordance with the eligibility criteria described in Regulation 7B.3.1.2 and based on the data made available by the relevant Pakistan Stock Exchange. Securities so selected shall be declared by the Company as MF Eligible Securities.</p>
7B.3.1.3	<p>Eligibility Review</p>

	<p>This list of MF Eligible Securities will be reviewed by the Company every six months and such review shall be undertaken before the end of such duration and shall be based upon the data of last six months available at the relevant Pakistan Sstock Eexchange. In consequence of any additions and/or deletions to the existing list, the Company will give at least 60 days prior notice to the NCC Participants for introduction of incoming and phasing out of outgoing MF Eligible Securities. After expiry of the said notice period, MF positions in the outgoing securities shall be frozen and will be available only for release for the purposes of settlement or squaring-up.</p>
7B.3.2	<p>Margin Financing Agreement</p> <p>3. A Margin Financier shall be allowed to provide Margin Financing in MF Eligible Securities only to the extent of 5% of such MF Eligible Security's free float. Free float for this purpose shall be as determined by the Pakistan Stock Exchange.</p>
7B	<p>Risk Management</p> <p>7B.9.1 Capital Adequacy Requirements for Margin Finances</p> <p>4. Minimum net capital balance for Broker Margin Financier:</p> <p>(i) For Broker Clearing Member of Karachi Pakistan Stock Exchange will be Rs. 20 million; (ii) For Broker Clearing Member of Lahore Stock Exchange will be Rs. 8 million; and (iii) For Broker Clearing Member of Islamabad Stock Exchange will be Rs. 5 million.</p>
7B.9.5	<p>Data Transmission Mechanism for Affirmed MF Transactions to the Relevant Pakistan Stock Exchange</p> <p>On each Trade Date, Margin Finanee-wise, securities-wise and UIN-wise Margin Finanee side-details of affirmed MF Transactions and / or MF (R) Transactions may be provided to the relevant Pakistan Stock Exchange of which such Margin Finanee is a TRE Certificate Holder, for the risk management purposes of such Pakistan Stock Exchange, on the mechanism agreed between the Company and the relevant Pakistan Stock Exchange from time to time in accordance with the NCSS Procedures.</p>
CHAPTER 7C	<p>MARGIN TRADING SYSTEM</p> <p>Haircut means the percentage rates on which the Margin Eligible Securities are discounted for valuation purposes at the relevant Pakistan Stock Exchange.</p> <p>Liquidity Margins means the liquidity margins as prescribed in the relevant regulations by the Pakistan Stock ExchangesExchange from time to time.</p> <p>Risk Meter means a computer application as applicable in Karachi Pakistan Stock Exchange for calculation of VaR margins.</p>
7C.2.3	<p>Eligibility Criteria for a Finanee</p> <p>1. holds a valid TRE Certificate under the respective regulations, rules and procedures governing their admission to the relevant Pakistan stock Stock Eexchange(s);</p> <p>2. has no action pending in any court, which might materially and adversely affect such Broker Clearing Members TRE Certificate, or no such action has been initiated by the concerned Pakistan</p>

	<u>Sstock E</u> exchange(s)-or the Commission against such Broker Clearing Member;
7C.2.4	<p>Suspension or Termination of MT Participant</p> <p>The Company shall impose restriction on a MT Participant or suspend or terminate admission of a MT Participant in accordance with provisions of the Rules. However, in the event that a MT Participant is suspended or terminated as a Clearing Member pursuant to these Regulations, such MT Participant shall also stand suspended or terminated as MT Participant automatically without any further action being taken on the part of the Company. The Company shall immediately notify the same to the relevant Pakistan Stock Exchange and CDC for suspension, forfeiture or cancelation of TRE Certificate of Pakistan Stock Exchange and restriction of access in CDS in accordance with the respective regulations.</p>
7C.3.1	<p>Eligibility Declaration</p> <p>The Company shall select the securities that are eligible to be declared as MT Eligible Securities for the purpose of MT Market in accordance with the eligibility criteria described in Regulation 7C.3.2 and based on the data made available by the relevant Pakistan Stock Exchange. Securities so selected shall be declared by the Company as MT Eligible Securities.</p>
7C.4.10	<p>Settlement Mechanism</p> <p>in case where MT Transactions executed by the Finanee on behalf of its inter exchange clients, i.e. a Broker Clearing Member of other Stock Exchange and its clients, as the case may be, such MT Transactions shall be auto initiated and Broker Clearing Member, of that Stock Exchange, shall be required to affirm such MT Transactions through broker to broker transaction module of NCSS in accordance with the Procedures. Upon affirmation, such Broker Clearing Member shall be required to settle such MT Transaction on its respective Settlement Date. Upon settlement, all the MT Financed Securities shall be delivered to the CDC account of the respective Trading Financier or sub account of its client, as the case may be, in Blocked Status. However, the Finanee who executed such MT Transaction shall remain responsible to deposit necessary margins and Marked-to-Market Losses to the Company till the settlement of MT (R) Transactions; and</p> <p>2 b) in case where MT (R) Transactions executed by the Finanee on behalf of its inter exchange clients, i.e. a Broker Clearing Member of other Stock Exchange and its clients, as the case may be, such MT (R) Transaction shall be treated as auto-affirmed by Broker Clearing Member of that Stock Exchange through broker to broker transaction module of NCSS in accordance with the Procedures. Accordingly such Broker Clearing Member shall be required to pay the MT Contract Price, determined after adjustment of Marked to Market Losses and amount paid so far, upon each Maturity Date(s) or Accelerated Maturity Date(s), by the Finanee (who executed MT Transactions on behalf of its inter exchange clients, i.e. a Broker Clearing Member of other Stock Exchange and its clients), and the Trading Financier shall be obliged to deliver the quantity of MT Financed Securities corresponding to such release transaction. However, the Finanee who executed such MT(R) Transaction shall remain responsible to deposit necessary margins and Marked-to-Market Losses to the Company till the settlement of such MT (R) Transactions.</p>
7C.6	<p>Risk Management</p> <p>7C.6.1 Capital Adequacy Requirements</p> <p>Risk Management</p> <p>7C.6.1 Capital Adequacy Requirements</p> <p><u>1. Finanee shall be required to maintain minimum net capital balance in accordance with the slabs as prescribed in regulations 7C.6.9 and position limits on each slab shall be applied accordingly.</u> Minimum net capital balance for Finanee as Broker Clearing Member of Pakistan</p>

	<p>Stock Exchange will be Rs. 10 million; and</p> <p>3. The aggregate Exposure of each Finanee in respect of MT Market shall not exceed from the capital adequacy limit prescribed in Regulations 7C.6.9, 5 times of its net capital balance.</p> <p>5) Minimum net capital balance for Broker Trading Financier as:</p> <p>(iv) For Broker Clearing Member of Karachi Pakistan Stock Exchange will be Rs. 20 million;</p> <p>(v) For Broker Clearing Member of Lahore Stock Exchange will be Rs. 8 million; and</p> <p>(vi) For Broker Clearing Member of Islamabad Stock Exchange will be Rs. 5 million.</p> <p>6) Minimum paid-up capital for Broker Trading Financier as</p> <p>Broker Clearing Member of Karachi Pakistan Stock Exchange will be Rs. 50 million;</p> <p>(ii) For Broker Clearing Member of Lahore Stock Exchange will be Rs. 20 million; and</p> <p>(iii) For Broker Clearing Member of Islamabad Stock Exchange will be Rs. 10 million</p>
7C.6.3	<p>Approved Collaterals</p> <p>a) For Exposure Margins The Company shall notify from time to time, as declared by the Pakistan Stock Exchange under their respective regulations, the securities that are acceptable to the Company for the purpose of Exposure Margins and any other margins that may be required by the Company from time to time, except Marked-to-Market Losses.</p>
7C.6.4	<p>Exposure and Margins</p> <p>1. Security-wise and client-wise Exposure of each MT Participant will be calculated by the Company or the relevant Pakistan Stock Exchange, as the case may be, at any point in time, subject to the applicable netting rules as prescribed by these Regulations.</p> <p>3. The VaR based margins for each MT Eligible Security shall be calculated by the Company or the relevant Pakistan Stock Exchange, as the case may be, applying VaR estimates calculated by the Risk Meter at the end of each trading day.</p> <p>4. (ai) The Exposure margins shall be deposited by a MT Participant to the Company or relevant Pakistan Stock Exchange as the case may be, within such time as may be determined by the Company or relevant Pakistan Stock Exchange, as the case may be, from time to time but in no case later than the opening of trade on the next trading day.</p> <p>Exposure margins and MT (R) Transaction Margins deposited by a MT Participant under these Regulations must be kept separate by the Company or relevant Pakistan Stock Exchange, as the case may be, segregated from margins of all other Markets. Such margins will be utilized in respect of settlement of relevant obligation in the Ready Market and MT Market, as the case may be, in accordance with these regulations.</p> <p>5. All margins deposited by the MT Participants with the Company or relevant Pakistan Stock Exchange in respect of MT Market, shall be in the form of approved Collaterals, and shall be subject to the following.</p>
7C.6.9	<p>Position Limits</p> <p>1. Position limits shall not exceed the following: <u>PRDD has proposed slab based minimum net capital balance and accordingly position limits are allowed which is attached as Annexure B.</u></p>
7C.6.10	<p>All applicable margins on MT Market shall be calculated on UIN wise in accordance with the client level margining regime applicable at the Pakistan Stock Exchange Exchanges Exchange from time to time.</p>
7C.6.14	<p>Suspension/Default</p> <p>B. Settlement Default by Finanee</p>

	(iv) All Market wise margins of a suspended Financee, held by the Company and relevant Pakistan Stock Exchange shall be liquidated;
CHAPTER 8:	<p>SECURITY DEPOSITS</p> <p>8.4 Refund of the Security Deposits by the Company</p> <p>8.4.1</p> <p>A NCC Participant or his successor shall be entitled to the return of the actual amount of a NCC Participant’s Security Deposit remaining with the Company (after adjustment of his liabilities, as a NCC Participant, under these Regulations and/or the Procedures and after adjustment of the Company’s claim against him in respect of the fees and charges payable by him to the Company) 90 days after:</p> <p>(a) the NCC Participant ceases to be a NCC Participant; and</p> <p>(b) all obligations to the Company for which the NCC Participant was responsible while a NCC Participant have been satisfied or, at the discretion of the Company, have been deducted by the Company from the Clearing Member’s Security Deposit;</p> <p>PROVIDED that where the NCC Participant has ceased to be a NCC Participant as a consequence of his ceasing to be a TRE Certificate Holder of any Pakistan Stock Exchange(s), the amount of the NCC Participant’s Security Deposit with the Company shall be paid by the Company to the respective Pakistan Stock Exchange(s) where the respective Pakistan Stock Exchange(s) has/have presented to the Company such indemnities or guarantees as the Company deems satisfactory. PROVIDED further that a NCC Participant’s Security Deposit shall be paid to the NCC Participant, or his successor, where the NCC Participant ceases to be a NCC Participant voluntarily, and the NCC Participant, or his successor, has presented to the Company such indemnities or guarantees as the Company deems satisfactory or an other NCC Participant has been substituted on all transactions and obligations of the NCC Participant ceasing to be a NCC Participant voluntarily.</p>
CHAPTER 9:	<p>GENERAL PROVISIONS</p> <p>9.1 Clearing Data and Compared Contracts</p> <p>9.1.1 Valid Exchange trade data covering the “buy side” and the “sell side” (excluding Non-Deliverable Future Contracts) of any contract may be (a) sent by a Pakistan Stock Exchange to the Company, or (b) in the case of Non-Exchange transactions between Clearing Members who are TRE Certificate Holder of Stock Exchange recorded with the Company through its broker to broker delivery module, or (c) in the case of Non-Exchange transactions (i) between any Clearing Member who is a TRE Certificate Holder of any Stock Exchange and any other Clearing Member who is also a TRE Certificate Holder of any Stock Exchange or (ii) between any Clearing Member who is a TRE Certificate Holder of any Pakistan Stock Exchange and a Clearing Member who is not a TRE Certificate Holder of any Pakistan Stock Exchange recorded with the Company through its MF Module, Margin Trading System and SLB System or (d) in the case of Non-Exchange transactions between a Clearing Member who is a TRE Certificate Holder of a Pakistan Stock Exchange and a Clearing Member who is not a TRE Certificate Holder of a Pakistan Stock Exchange, recorded with the Company through its institutional delivery system:</p>
9.7.3	The UIN Registration Details of Clients of every Broker Clearing Member mapped with CDS house, investor account and/or sub-accounts, as the case may be, wherever required by the Company in the UIN Registration Details, will be accessible by the Pakistan Stock Exchange in NCSS as per the transmission mechanism described in the Procedures.
9.8	<p>Entries in the Money Account in respect of Non-Deliverable Future Contracts, Deliverable Future Contracts and/or futures trading in provisionally listed companies market</p> <p>9.8.1 Data in respect of marked-to-market amount of loss to be collected from a Clearing Member and/or the amount of profit to be disbursed to a Clearing Member in respect of Non Deliverable</p>

	<p>Futures Contracts and/or Deliverable Future Contracts and/or futures trading in provisionally listed companies market representing the daily variation margin or the margin determined upon closing of any such contracts may be Transmitted by a <u>Pakistan</u> Stock Exchange to the Company by the Designated Time on a Trade Date, and the Company shall, before the End of Day on such Trade Date:</p> <p>Provided that marked-to-market losses of Non Deliverable Futures Contracts and/or Deliverable Future Contracts and/or futures trading in provisionally listed companies market shall be collected from the respective Clearing Members on the Trade Date i.e. T+0. However, profit on such contracts shall be disbursed to the respective Clearing Members in accordance with the mechanism described in the relevant regulations of the <u>Pakistan</u> Stock Exchanges<u>Exchange</u>.</p>
9.13.2.4	<p>Dissemination of Reported Transaction to the <u>Pakistan</u> Stock Exchange and Company's Website</p> <p>a) Reported Transactions shall be disseminated to all the three <u>Pakistan</u> Stock Exchanges, as per the mechanism agreed between the Company and the <u>Pakistan</u> Stock Exchange, from time to time, for its onward display on their respective trading systems.</p>
9.14.	<p>Penalty on Non-Affirmation / Rejection of Auto-Initiated Broker-to-Broker Transactions</p> <p>9.14.1 It shall be mandatory for all Broker Clearing Members to affirm their valid auto initiated broker to broker transactions in accordance with the Procedures. However, in case of rejection and/or non affirmation of such auto initiated broker to broker transactions by the Broker Clearing Member, such Broker Clearing Member shall be required to provide to the Company valid reason(s) of such rejection and/or non-affirmation thereof, in accordance with the Procedures.</p> <p>9.14.2 The Company may impose penalty, as per the Fee, Charges and Security Deposit Schedule, on the rejection and/or non-affirmation of broker to broker transaction(s) on the concerned Broker Clearing Member in accordance with the Procedures.</p> <p>9.14.3 The Company shall inform the status of its NCC Participants to the Commission, Stock Exchanges and CDC on six monthly basis.</p>
9.15	<p>FIT & PROPER CRITERIA FOR DIRECTORS OF THE COMPANY</p> <p>(ii). He is not a member or a director, officer, sponsor or direct shareholder of any TRE Certificate Holder of any <u>Pakistan</u> Sstock Eexchange in Pakistan.</p> <p>Provided that sub-clauses (d) (i), (d) (ii) and (d) (iii) shall also be applicable on the directors nominated by a <u>Pakistan</u> Sstock Eexchange on the Board from amongst the professionals who are not members of the nominating <u>Pakistan</u> Sstock Eexchange.</p>
CHAPTER 10: 10.3.2	<p>BALANCE ORDER SYSTEM</p> <p>Clearing Member may deposits Securities, against his client and/or proprietary sell position under ready market and Deliverable Future Contracts, with the Company on Trade Date or before the Settlement Date as per the Procedures. In such case the Company shall Transmit, such pre-settlement delivery information to the relevant <u>Pakistan</u> Stock Exchange as per the mechanism agreed from time to time. Accordingly, the relevant <u>Pakistan</u> Stock Exchange shall provides necessary relief to such Clearing Member in calculating margins and Marked-to-Market Losses, to the extent of such pre-settlement tendered deliveries in accordance with its rules and regulations.</p>
CHAPTER	SETTLEMENT

<p>11: 11.1.6 A</p>	<p>Clearing Member that fails to timely settle shall be subject to:</p> <p>Provided that a Broker Clearing Member that fails to timely settle in full or in part that part of the net amount reflected in a settlement statement which represents the net amount payable by the Broker Clearing Member in respect of the marked-to-market loss to be collected from the Broker Clearing Member in respect of the Non-Deliverable Futures Contracts and/or Deliverable Future Contracts shall not be subject to the action by the Company as above stated, and full particulars of the shortfall shall be communicated by the Company to the <u>Pakistan</u> Stock Exchange concerned by the Designated Time on the Business Day on which the shortfall takes place along with any part payment collected out of the net amount payable by the Broker Clearing Member in respect of the marked-to-market loss recoverable from him, and the shortfall shall be dealt with by such <u>Pakistan</u> Stock Exchange in accordance with the regulations and procedures of the <u>Pakistan</u> Stock Exchange.</p>
<p>11.2.1 b</p>	<p>The settlement of Balance Order Contracts of affirmed Non-exchange Transactions shall be made on the basis of affirming Clearing Member wise, UIN wise and corresponding CDS, house, investor account and sub-account wise. However, in case of un-affirmed/rejected Non-exchange Transactions (excluding broker to broker and institutional delivery transactions), Balance Order Contracts of such un-affirmed/rejected Non-exchange Transactions shall be settled through the CDS main account of the initiating Clearing Member and Balance Order Contracts of un-affirmed/rejected Non-exchange Transactions pertaining to broker to broker and institutional delivery transactions shall be settled in the following manner:</p> <p>i. In case where broker to broker transaction(s) remained un-affirmed within DTS, such un-affirmed transaction(s) shall be settled through CDS house account of the initiating Clearing Member or CDS sub account of the counter Clearing Member maintained with the initiating Clearing Member, as the case may be. Whereas, in case of rejection of broker to broker transaction(s) by counter Clearing Member within DTS, such rejected broker to broker transaction(s) shall be settled through CDS house account of the initiating Clearing Member</p>
<p>11.A.2.1 (b)</p>	<p>The settlement of Balance Order Contracts, under Trade-for-Trade Settlement, of Non-exchange Transactions (excluding MT & MT(R) Transactions MF & MF(R) Transactions and SLB & SLB(R) Transactions) in accordance with these Regulations and Procedures, shall be made on the basis of affirming Clearing Member wise, UIN wise and corresponding CDS investor account, house and sub-account wise. However, in case of un-affirmed/rejected Non-exchange Transactions (excluding broker to broker and institutional delivery transactions), Balance Order Contracts of such un-affirmed/rejected Non-exchange Transactions shall be settled through the CDS main account of the initiating Clearing Member and Balance Order Contracts of such un-affirmed/rejected Non-exchange Transactions pertaining to broker to broker and institutional delivery transactions shall be settled in the following manner:</p> <p>i. In case where broker to broker transaction(s) remained un-affirmed within DTS, such un-affirmed transaction(s) shall be settled through CDS house account of the initiating Clearing Member or CDS sub account of the counter Clearing Member maintained with the initiating Clearing Member, as the case may be. Whereas, in case of rejection of broker to broker transaction(s) by counter Clearing Member within DTS, such rejected broker to broker transaction(s) shall be settled through CDS house account of the initiating Clearing Member.</p> <p>ii. In case where institutional delivery system transaction(s) remained un-affirmed or rejected by Non-Broker Clearing Member within DTS, such un-affirmed or rejected transaction(s)</p>

	shall be settled through CDS house account of the initiating Clearing Member.
CHAPTER 12:	RISK MANAGEMENT BY <u>PAKISTAN STOCK EXCHANGE</u>
12.1	Monitoring & Management of the Clearing Members Exposure. 12.1.1 The Pakistan Stock Exchanges Exchange shall continue to monitor and manage the exposure of their respective TRE Certificate Holders as are Clearing Members as well in respect of Exchange trades in Balance Order Securities and in respect of Non Deliverable Futures Contracts and/or Deliverable Future Contracts, in accordance with their respective relevant regulations and procedures up to the time that such trades are settled on NCSS.
12.A.1.iii	Concentration Margins Concentration Margin shall be applicable in accordance with regulations of the <u>Pakistan</u> Stock Exchange governing deliverable futures contract and risk management, as amended from time to time.
12.A.3	Determination of the Exposure The Company shall determine the Exposure of the Non-Broker Clearing Members, and in the case of CDC acting as a Non Broker Clearing Member, the exposure of its clients, by applying a netting mechanism by which netting of open positions shall be allowed across the affirmed IDS transactions based on Exchange trades in the ready market and odd lot market. However, netting of such affirmed IDS transactions of ready and odd lot markets shall not be allowed with deliverable futures contract market. In case of off-setting positions in two consecutive contracts of a particular scrip during the over-lapping period of Deliverable Futures Contract Market, the exposure in such scrip will be calculated based on the higher of off-setting positions of contract period-wise net buys and net sales based on netting mechanism as described in 12.A.3.iii. However, in the absence of off-setting positions all contracts period-wise net buys or net sales will be added together for determining total exposure in a particular security. The Exposure margins shall be calculated by Value at Risk (VaR) based method in accordance with the following netting mechanism. However, the Exposure margins for provisionally listed companies shall be determined in accordance with the relevant regulations of the <u>Pakistan</u> Stock Exchanges Exchange . 12.A.3.i Within Ready and Odd Lot Markets: (a) Netting shall be allowed between buy and sell positions in the same scrip on the same day. However, in case of CDC being a Non Broker Clearing Member, netting shall be allowed between buy and sell positions in the same scrip for the same Settlement Date for the same UIN; (b) Netting shall not be allowed across all the three Stock Exchanges; 12.A.3.ii Within Deliverable Futures Contract Market a) Netting shall be allowed between buy and sell positions in the same scrip on the same contract period; (b) Netting shall not be allowed across all the three Stock Exchanges. 12.A.3.iii Within Provisionally Listed Companies Market a) Netting shall be allowed between buy and sell positions in the same scrip on the same contract

	<p>period;</p> <p>(b) Netting shall not be allowed across all the three Stock Exchanges</p>
12.A.5.4.ii	<p>Securities:</p> <p>(a) Securities declared by the Pakistan Stock Exchange as margin eligible securities from time to time, shall be acceptable as Collateral by the Company. However, the Board may also approve additional securities as margin eligible securities, whenever it is necessary or expedient as per the eligibility criteria prescribed by the Company with the prior approval of the Commission.</p>
12.A.8.2	<p>Transmission of Affirmed IDS Transactions to the Pakistan Stock Exchange</p> <p>The Company shall transmit, in accordance with the Procedures, to the respective Stock Pakistan Stock Exchange information about the IDS transactions affirmed by any Non Broker Clearing Members in respect of which the required Collaterals securing the Exposure margins and Mark-To-Market Losses have been duly deposited by such Non Broker Clearing Members with the Company. Upon receipt of such information, respective Pakistan Stock Exchange will be free to release the exposure margins and the mark-to-market losses deposited by those TRE Certificate Holders of such Pakistan Stock Exchange as had entered into the Exchange trades in respect of which the said IDS transactions were affirmed.</p>
CHAPTER 12B:	
12.B.3	<p>Determination of the Exposure – Debt Market Securities</p> <p>b) Netting shall not be allowed across all the three Stock Exchanges;</p>
12.B.7	<p>Failure of a Debt Market Clearing Member to Deposit Collateral with the Company</p> <p>(a) In case broker Debt Market Clearing Member: The Notice, as mentioned above, shall also be send to the relevant Pakistan Stock Exchange, Upon receipt of such Notice, such broker Debt Market Clearing Member shall be required to deposit required Collateral within the time as specified in the said Notice. In case where such broker Debt Market Clearing Member fails to deposit required Collateral within the time as specified in the said Notice, such broker Debt Market Clearing Member shall be required to identify the defaulted UIN. Accordingly, the Company shall restrict such UIN’s access to take further position in the Debt Market.</p>
12.C	RISK MANAGEMENT OF CUSTODIAN CLEARING MEMBER
12.C.1	<p>The Pakistan Stock Exchange shall continue to monitor and manage the exposure of their respective TRE Certificate Holders as Broker Clearing Members for their Pakistan Stock Exchange trades executed for the respective clients of Custodian Clearing Members, and the respective Broker Clearing Members shall be responsible for depositing all margins and fulfilling other obligations related to risk management in respect of such trades in accordance with relevant regulations and procedures of Pakistan Stock Exchange up to the time that such trades are settled by respective Custodian Clearing Members through NCSS.</p>
CHAPTER 13:	MONEY DEFAULT MANAGEMENT (OTHER THAN TRADE-FOR-TRADE SETTLEMENT)
13.1.2	<p>Where a Clearing Member fails to settle his money obligations within the Designated Time, the Company shall issue a notice to such Clearing Member and to the Pakistan Stock Exchange. This</p>

13.1.3

notice shall contain the details of the unpaid amount and shall require the Clearing Member to pay such amount within thirty (30) minutes of the receipt of the notice. However, on the occurrence of a failure by a Custodian Clearing Member to meet the money obligation, within Designated Time, for its affirmed IDS transaction(s), the Company shall revert such money obligation to the concerned counter initiating Broker Clearing Member(s) for its settlement. Accordingly, the Company shall issue a notice to such Broker Clearing Member along with the details of such money obligation and shall require such Broker Clearing Member to pay such amount within the time specified in DTS.

Where a Clearing Member fails to pay the amount as specified in the notice referred to in Regulation 13.1.2 within the deadline for its payment, the Company may in accordance with the requirements of Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) of these Regulations, suspend or restrict access of such Clearing Member (hereinafter in this Chapter referred to as the “Suspended Clearing Member”) to any or all of the services provided by the Company. Where the Company has allocated an additional IDs to a Clearing Member pursuant to Regulation 4.3.1A and the Company has taken action against such Clearing Member under the preceding sentence of this Regulation in respect of the notice served on him under Regulation 13.1.2 with regard to his money obligations under all of his IDs, the Company shall suspend or restrict such Clearing Member’s access to any or all of the services provided by the Company to the Clearing Member under both his IDs. The Company shall deliver suspension or restriction notice to (i) the Suspended Clearing Member, (ii) **Pakistan Stock Exchange**, (iii) all Clearing Members and (iv) CDC.

Upon receipt of such notice, **the Pakistan Stock Exchange** and CDC shall take necessary actions against such Clearing Member in accordance with their regulations.

13.2.1 d

Notwithstanding the above, in case where such suspended Clearing Member is also a MT Participant, necessary actions shall also be taken against such Clearing Member in accordance with the Chapter 7C of these Regulations.

13.2.5

In respect of a Suspended Clearing Member, funds realized by using cash and/or cash equivalent deposited by such Clearing Member as collateral to the Company and /or to the **Pakistan Stock Exchange**.

The Company shall refer the case to the NCC Default Management Committee. The Default Management Committee, shall initiate and/or cause to initiate squaring-up/ closing-out process on the Suspended Clearing Member’s unsettled Balance Orders, Positions and other Margin Eligible Securities held by the Company and/or by **the Pakistan Stock Exchanges** as the case may be and any other outstanding positions communicated by the **Pakistan Stock Exchanges**. The squaring-up/closing-out shall be undertaken by the Default Management Committee in accordance with these Regulations and Procedures. The amount realized shall be applied towards (i) the repayment to the Company of the outstanding amount of the Security Deposit utilized under Regulation 13.2.1(a) and (ii) the Settlement Guarantee Fund in repayment of the outstanding amount of that fund utilized under the said Regulation. Regulation. The Final loss of the Suspended Clearing Member shall be determined after utilizing of and application of the funds realized by the Company through

<p>13.2.6</p> <p>13.2.7</p> <p>13.2.8</p>	<p>squaring-up / closing-out of the Suspended Clearing Member’s unsettled Balance Orders and Positions and liquidation and enchasing of margins, as above stated. However, in case where Suspended Clearing Member is also a Trading Financier, the settlement obligation pertaining to the MT Market and MT Financed Securities held in Blocked Status of such suspended Trading Financier shall be dealt in accordance with the Regulation 7C.6.14-1and Chapter 12 of these Regulations. In case where such Suspended Clearing Member is also a Finanee in MT Market, the settlement obligation pertaining to the MT Market shall be dealt in accordance with the Regulation 7C.6.14-21and Chapter 12 of these Regulations.</p> <p>Upon determination of the final loss of a Suspended Clearing Member, the Company shall serve a loss notice on the Suspended Clearing Member in accordance with these Regulations demanding payment within the banking hours by the next Business Day and shall send copies of such notice to <u>Pakistan Stock Exchanges</u>. On non-compliance of any such notice, the Company shall declare such Clearing Member as a defaulter (hereinafter in this Chapter referred to as the “Defaulter Clearing Member”) and the Company shall terminate the Defaulter Clearing Member’s admission to NCC Systems and his access to the services offered by the Company. A notice of the declaration by the Company of a Clearing Member as a defaulter shall be sent by the Company to the Defaulter Clearing Member, the <u>Pakistan Stock Exchange</u>, all Clearing Members, CDC and the Commission</p> <p>Upon receiving of a notice from the Company under the last sentence of Regulation 13.2.6 the <u>Pakistan Stock Exchange</u> shall also declare such Clearing Member in case of a TRE Certificate Holder , as a defaulter under its relevant regulation in all markets and CDC shall also suspend and/or restrict such defaulter Clearing Member’s access to its accounts in the CDS. However, where in case the defaulter Clearing Member is also a MF Participant and/or MT Participant the default of such defaulter Clearing Member shall also be dealt in accordance with the Chapter 7B, 7C and 12 respectively, of these Regulations.</p> <p>After the declaration by the Company of a Broker Clearing Member as a defaulter and by the <u>Pakistan Stock Exchange</u>, all the assets, including but not limited to any cash deposits held, margins and premises occupied at the <u>Pakistan Stock Exchange</u> of such defaulting Broker Clearing Member under the control of <u>Pakistan Stock Exchange</u> and / or the Company shall be liquidated by <u>Pakistan Stock Exchange</u> and / or the Company as per the manner prescribed in the relevant regulations of the <u>Pakistan Stock Exchange</u> and these Regulations and the proceeds shall be proportionately allocated to the net losses of such Broker Clearing Member in all the markets.</p>
<p>CHAPTER 15:</p> <p>15.1</p>	<p>WHEN THE COMPANY RESTRICTS, SUSPENDS OR TERMINATES ITS SERVICES TO A NCC PARTICIPANT</p> <p>Notice to NCC Participant when the Company ceases to act for him</p> <p>15.1.1</p> <p>When the Company takes any action in respect of a NCC Participant pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY), it shall provide to that NCC Participant with a Notice to this effect and general Notice to all NCC Participants, the <u>Pakistan Stock ExchangesExchange</u>, Commission and CDC of the action taken by the Company. Such Notice shall also be placed on the Company’s</p>

	website preferably on the same day on which the action is taken. In addition to the above, the Company shall also provide above referred notice to the Eligible UIN Holders who have subscribed for UIN Information Systems in accordance with Regulation 9.12.
15.1.4	Any Exchange trades so excluded shall be settled by the relevant by Pakistan Stock Exchange in appropriate manner deemed necessary by such Pakistan Stock Exchange and not through the Company.
15.2	<p>Balance Order Securities deliverable to Clearing Member in respect of whom the Company has taken action.</p> <p>15.2.1 Except as otherwise may be determined by the Company in any particular case, Balance Order Securities deliverable to the Clearing Member in respect of whom the Company has taken any action pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) shall be retrieved by NCSS and the Company shall cause sell-out of such Securities in accordance with the Procedures. The Balance Order Securities deliverable by such a Clearing Member shall be caused to be bought-in by the Company in accordance with the Procedures and delivered to the Clearing Member to whom such Securities are to be delivered. If any profit or loss, as the case may be, accrues to the Company as a result of the purchases or sales effected as above stated under the Balance Order Settlement System, such profit or loss shall be credited or debited to the Clearing Member's Money Account, provided that payment of profit shall be subject to the approval of the relevant Pakistan Stock Exchange.</p>
CHAPTER 18:	RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY
18.1	<p>(a) Being a stockbroker, his registration is cancelled by the Commission or his request for renewal of registration is refused by the Commission. In such case of cancellation or refusal for renewal of broker registration, the Company shall also restrict mapping of his proprietary UIN with any other Broker Clearing Member of the same Pakistan Stock Exchange for execution of trades;</p> <p>(b) being a TRE Certificate Holder of one Pakistan Stock Exchange, he is suspended or ceases to be a TRE Certificate Holder of that Pakistan Stock Exchange, due to any reason including non-submission of the broker registration certificate after the expiry of its registration or non-submission of capital adequacy certificate with the Pakistan Stock Exchange, or its failure to apply to Pakistan Stock Exchange for renewal till the date of expiry of its registration. The Company shall also restrict mapping of his proprietary UIN with any other Broker Clearing Member of the same Pakistan Stock Exchange for execution of trades; provided that where he is a TRE Certificate Holder of more than one Stock Exchange and is suspended by or ceases to be a TRE Certificate Holder of one Stock Exchange whilst remaining an active TRE Certificate Holder of any other Stock Exchange, the Company shall not (except if any other paragraphs of this Regulation applies to such NCC Participant restrict, suspend or terminate his access to the services offered by the Company in respect of his Exchange trades and Non-Exchange Transactions on NCC Systems);</p> <p>(j) the NCC Participant, in case of a TRE Certificate Holder of Pakistan Stock Exchange, has voluntarily switched-off his trading terminal. Further, in such case the Company shall also restrict mapping of his proprietary UIN with any other Broker Clearing Member of the same Pakistan Stock Exchange for execution of trades; or</p> <p>(k) being a TRE Certificate Holder of a Pakistan Stock Exchange, his trading terminals are restricted for closing-out the open outstanding positions by the relevant Pakistan Stock Exchange in accordance with its relevant rules and regulations. In addition to any other actions, the Company shall also restrict all Non Exchange Transactions, in case the settlement obligation of such member may increase, and UIN Registration facility of such NCC Participant.</p>

	The actions specified under clause (a), (b), (j) and (k) shall be taken upon intimation from the concerned <u>Pakistan</u> Stock Exchange to the Company.
18.1.2	The Company may restore access to NCSS services restricted consequent to disciplinary action(s) taken by the <u>Pakistan</u> Stock Exchange subject to clearance from such <u>Pakistan</u> Stock Exchange.
CHAPTER 22: 22.1.2	AMENDMENTS IN THE REGULATIONS (ii) Chairman or a person nominated by the Board of Directors of the <u>Pakistan</u> Stock exchanges <u>Exchange</u> ;
CHAPTER 24:	RELEASE OF CLEARING DATA h) for the purpose of enabling or assisting <u>Pakistan</u> Stock Exchange or a Central Depository or any other Governmental or other competent authority to discharge its functions; (k) For the purpose of enabling or assisting the <u>Pakistan</u> Stock Exchange(s) or Commission on the request of Managing Director(s) of the <u>Pakistan</u> Stock Exchange(s) or the authorized officer(s) of the Commission, as the case may be, to effectively enhance the market monitoring and surveillance capacity of <u>Pakistan</u> Stock Exchange(s) and Commission. The Company shall provide the Clearing Data having the Client UIN Registration Detail of a Broker Clearing Member which the <u>Pakistan</u> Stock Exchange(s), or the Commission, as the case may be has requested. Such Clearing Data will be provided on the condition that the <u>Pakistan</u> Stock Exchange or the Commission, as the case may be, will ensure confidentiality of this data and will use it only for the purpose for which the data was required.
24.1.5	With respect to the foregoing, except as regards the release of any Clearing Data pursuant to an order of a Court, the Commission, the relevant <u>Pakistan</u> Stock Exchange or other competent authority, the release of any Clearing Data to a person shall be conditional upon either: (a) a written request, or (b) the execution of a written agreement with the Company, whichever is appropriate in the Company's discretion, and the Company, in its discretion, shall establish the conditions under which such data shall be released and the fees, if any, to be paid for such data.
CHAPTER 25: 25.1.2	LISTS TO BE MAINTAINED (a) such Security shall have been suspended from trading on all <u>Pakistan</u> Stock Exchange on which it is listed; (c) the Company determines, after discussion with the Commission and <u>Pakistan</u> Stock Exchanges <u>Exchange</u> , where possible, that continued clearance and settlement by the Company presents unacceptable risks to the Company and/or Clearing Members.
CHAPTER 28: 28.1.	REGULATIONS FOR COMPUTATIONS, DETERMINATION, COLLECTION AND DEPOSIT OF CAPITAL GAIN TAX ON DISPOSAL OF LISTED SECURITIES AND OTHER RELATED MATTERS (CGT REGULATIONS) Definitions Foreign Institutional Investors means the foreign investor investing in the <u>Pakistan</u> Stock Exchanges <u>Exchange</u> through international broker dealer/global custodians and whose incorporation/ registration number is issued by the relevant authority in the country of incorporation or the registration and has been assigned a UIN by the Company. Listed Securities means securities listed on <u>Pakistan</u> S stock E exchange and declared NCSS Eligible Securities by the Company.
28.3	Data Requirement for CGT Computation, Determination and Collection 28.3.1

	For the performance of the functions entrusted to the Company by the FBR in terms of the Ordinance and the Rules made there under, the Company shall obtain requisite information from <u>Pakistan</u> Stock Exchange, CDC and from any other entity, as per the agreed transmission/communication mechanism, that may be required by the Company from time to time.
28.4	CGT Determination, Computation and Collection 28.4.1 The Company, through its CGT System, shall compute and determine capital gain or loss, as the case may be, on trades/transactions of listed securities as reported to or provided to or extracted from the systems or procedures in place with the Company, <u>Pakistan</u> Stock Exchange and CDC. Accordingly, tax thereon shall be collected and deposited in accordance with the Ordinance and Rules made there under. The amount of tax on capital gains from Clearing Member's clients/investors shall be collected by the Company from or through the respective Clearing Members.
CHAPTER 30: 30.8	NATIONAL CUSTODIAL SERVICES (NCS) NCS Transaction Execution 30.8.1 For the purposes of trading in the ready market, odd lot market, NDM and BATS Market, an NCS Client will be required to open an account with a Broker Clearing Member. Accordingly, trades of NCS Clients will be executed by their respective Broker Clearing Members at the <u>Pakistan</u> Stock Exchange in accordance with the rules and regulations of the said <u>Pakistan</u> Stock Exchange.
30.11	Transmission of Affirmed NCS Transactions to the Pakistan Stock Exchanges-Exchange The Company shall transmit, during the Trade Date in different time intervals, to the respective <u>Pakistan</u> Stock Exchange information about the NCS Transactions affirmed by the Company in respect of which the required Collaterals securing the Exposure margins and Mark-To-Market Losses have been duly deposited by the respective Broker Clearing Members with the <u>Pakistan</u> Stock Exchange. Upon receipt of such information, the respective <u>Pakistan</u> Stock Exchange will be free to release the exposure margins and the Mark-to-Market losses deposited by those Broker Clearing Members of such <u>Pakistan</u> Stock Exchange pertaining to such affirmed NCS Transactions.
30.18.2	The Company shall not be responsible for validating the authenticity or accuracy of any such NCS transactions and shall automatically process them for affirmation and subsequent settlement subject to the percentage assigned by the NCS Client to such broker from his Cash Available Balance or Securities Available Balance as the case may be. The Company shall not be a part of any dispute arising on account of execution of NCS Transaction between a Broker Clearing Member and an NCS Client. All such disputes shall be dealt with in accordance with the relevant Rules, Regulations of the respective <u>Pakistan</u> Stock Exchange.