ISO 27001 Certified

National Clearing Company of Pakistan Limited

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

NCCPL/CM/JANUARY-17/12
January 16, 2017

LIST OF MARGIN ELIGIBLE SECURITIES ACCEPTABLE AS COLLATERAL

BASED ON THE REVISED ELIGIBILITY CRITERIA

Dear Clearing Members,

In continuation to our circular NCCPL/CM/DECEMBER-16/11 dated December 23, 2016 regarding the implementation of revised eligibility criteria and applicable haircuts in case of Margin Eligible Securities (MES) acceptable as collateral and our circular NCCPL/CM/JANUARY-17/02 dated January 3, 2017 regarding public comments on the proposed changes in the NCCPL Regulations pertaining to subject matter.

In this respect, all Clearing Members (CMs) are hereby informed that the Securities and Exchange Commission of Pakistan (SECP) has accorded its approval to the proposed amendments in the NCCPL Regulations and approved Regulations are attached herewith as **Annexure - A**.

Accordingly, based on the approved criteria for the selection of ME Securities, a list of 60 MES attached as **Annexure - B** will be acceptable as collateral by the Company with effect from **Wednesday, February 15, 2017** based on 30 days advance notice as required under the clause 12.5.5 (h) of NCCPL Regulations. List of Incoming and outgoing MES is also attached as **Annexure - C and Annexure - D** respectively.

Moreover, the Company has also been accepting T-Bills and electronic units of CDC Eligible Open-End Funds as collateral which are categorized as Money Market Schemes in accordance with the Criteria prescribed by the Commission vide its circular No. 7 dated March 6, 2009, the list of Eligible Open-End Funds is enclosed herewith as **Annexure - E**.

Furthermore, in terms of the definition of Bank Guarantee acceptable as collateral under the NCCPL Regulations, the list of A Rated and above Banks is also enclosed herewith as **Annexure - F**.

Clearing Members are hereby advised to update your collateral deposited with the Company in terms of new MES before **Wednesday, February 15, 2017**, as the Company shall not accept/value any ineligible securities on or after the effective date.

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

City	Telephone Number	UAN Number	Fax Number
Karachi	021-32460811-19 Ext. 209, 214, 217, 218 & 224 Dir. 021-32438531-32-33	**021-111-111-622**	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

Encl: As above

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

ANNEXURE – A

APPROVED AMENDMENTS IN THE NCCPL REGULATIONS PERTAINING TO ELIGIBILITY CRITERIA FOR MARGIN ELIGIBLE SECURITIES

Reg No.	Chapter 7A – Securities Lending and Borrowing
7.A.3.3	**Interim Review** The satisfaction of criteria described in Regulation (7A.3.2 (a) (Eligibility Criteria) above are subject to 45 days review. Such review shall be carried out at the same frequency and simultaneously with the interim review carried out for MT eligible securities and Margin Eligible Securities. Where any security does not meet any of these criteria it shall be excluded from the list of SLB Eligible Securities after giving notice of 30 days to NCC Participants.
7A.3.4	**Eligibility Review** The list of SLB Eligible Securities will be reviewed by the Company in the first 15 days of January and July every year based on their data of immediate preceding 6 calendar months made available by Pakistan Stock Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MT eligible securities, MF eligible securities and Margin Eligible Securities. 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).
	Chapter 7B – Margin Financing System
7B.3.1.3	**Eligibility Review** This list of MF Eligible Securities will be reviewed by the Company in the first 15 days of January and July every year based on their data of immediate preceding 6 calendar months made available by Pakistan Stock Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MT eligible securities, SLB eligible securities and Margin Eligible Securities. 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.
	Chapter 7C – Margin Trading System
7C.1.1	Definitions ~~**Margin Eligible Securities**~~ ~~means securities notified to be acceptable as Collateral pursuant to **Regulation 7C.6.1** (*Approved Collaterals*).~~
7C.3.2 (9)	**Interim Review of Securities** Clause No. 1, 2,4,6,7 & 8 of the criteria shall be reviewed after each 45 days. Such review shall be carried out at the same frequency and simultaneously with the interim review carried out for SLB eligible securities and Margin Eligible Securities and any security which does not meet any of these criteria shall be excluded from the list after giving notice of at least 60 days to market participants.
7C.3.2 (10)	**Final Review for Securities** The list of MT Eligible Securities will be reviewed in the first 15 days of January and July every year based on their data of immediate preceding 6 calendar months made available by Pakistan Stock Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for SLB eligible securities, MF eligible securities and Margin Eligible Securities.
7C.3.2(13)	**Profit Before Tax** Profit before tax as per standalone audited financial statements in any two of the last three years of commercial operations. In case of a company having operating history of less than three years, the company must have completed one year of commercial operations and shown profits before tax as per its latest standalone audited financial statements throughout operating history.
7C.6.1	**Approved Collaterals** Margin Eligible Securities The Company shall notify from time to time pursuant to the provisions contained under Chapter 12 of the NCCPL 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.

	Chapter 12 – Risk Management by the Company
12.1	**Definitions** **Haircut** Means the percentage rates prescribed under Schedule III of this Chapter at which the Margin Eligible Securities are discounted for valuation purpose based on their liquidity and volatility. However, the Company may from time to time may make revisions, with the prior approval of the Commission in the applicable Haircuts. **Margin Eligible Security** means: (a) Such Security that meets the quantitative and qualitative criteria laid down by the Company and approved by the Commission from time to time as provided in Schedule III of this Chapter. (b) Treasury Bills (T-Bills), Pakistan Investment Bonds (PIBs) and listed National Saving Bonds valued in accordance with the methodology prescribed by the Company from time to time with prior approval of the Commission. T-Bills shall be valued using the following valuation methodology while accepting as collateral and: (i) 2.5% hair cut on daily valuation shall be applicable; (ii) T-Bills can be of any tenure; (iii) All T-Bills shall be released before 3-working days of their respective maturities; and (iv) All T-Bills shall be valued on daily basis based on the prices published by the Reuter. (c) Any other highly liquid security allowed by the Company with prior approval of the Commission.

12.5.5	**CONDITIONS APPLICABLE TO ALL MARGIN DEPOSITS:** All margins deposited by the Clearing Members with the Company pursuant to these Regulations shall be subject to the following conditions: (a) The Company shall apply the Haircuts prescribed under these Regulations to each Margin Eligible Security. however, in case of MT (R) Transaction Margins, the maximum number of acceptable MT Eligible Securities shall be the same as notified by the Company in 7C.3.2 of these Regulations; (b) The Company shall not accept any Margin Eligible Security for the purpose of margin requirements if acceptance of Margin Eligible Security taken together with the margins already held will exceed Clearing Member/ SLB/MT Participant wide and/or market wide limits of deposit of such Margin Eligible Security as prescribed in Schedule-III hereto; (c) The Security is in book entry form; (d) The issuer of Security is not placed on the defaulter's segment of the Pakistan Stock Exchange; (e) The Corporate Clearing Member listed on the Pakistan Stock Exchange will not be allowed to deposit against the Exposure margins and MtM Losses of their own company's shares (f) The Company may from time to time prescribe, with the prior approval of the Commission, the maximum number of acceptable Margin Eligible Securities; (g) Any other criterion prescribed by the Company and approved by the Commission from time to time; (h) The Company shall give at least 30 days prior notice to the Clearing Members before including or excluding any security from the list of Margin Eligible Securities; and/or (i) The Company shall carry out a review of Margin Eligible Securities as per the provisions stipulated under Schedule III of this Chapter.
Chapter 12 Annexure III	**MARGIN ELIGIBLE SECURITIES** **1. Eligibility Criteria** Eligibility criteria of Margin Eligible Securities shall include the following:

1.1 Maximum Number of Securities:

All Top 100 book-entry securities will be selected by giving 50% Weight to Average Daily Free Float Market Capitalization and 50% Weight to Average Daily Turnover during the previous six (6) months and same will be filtered based on the following criteria:

a) *Impact Cost:*
Securities that have average daily Impact Cost of Less than 1% during the previous six months.

b) *Public Float*
Securities that have a Free Float of at least 25% of issued capital or 60 million free float shares whichever is lower. Securities which do not fulfill this requirement shall be subject to additional haircut of 15%.

c) *Trading History*
Securities that have traded at least 90% of the trading days during last six months.

d) *Auditors Opinion*
Securities of the company should not have qualified opinion on going concern assumption in Auditor's report on the company's most recent audited annual Financial Statements.

e) *Profit before Tax*
Profit before tax as per standalone audited financial statements in any one of the last three years of operations.

f) Eligibility of companies with principle activity in investment/trading of securities
There should be an additional haircut of 15% if the principal activities of the company is trading/ investing in securities.

1.2 Ineligibility

a) Winding up Proceedings

Where a listed company is subject to winding –up proceedings under relevant provisions of the Companies Ordinance, 1984, it shall be ineligible, even if the same has not been placed on defaulter's segment by the Pakistan Stock Exchange upon initiation of winding-up proceedings.

b)Equity

A company with negative equity should be ineligible for the purpose of Margin Eligible securities.

c) Listing History

All new securities with listing history of less than six months shall not be eligible for Margin Eligible Securities.

1.3 Eligibility Review

a) Interim Review of Securities

Sub Regulations 1.1 (a), (b), (c), (d), (e) and sub Regulation 1.2 (a) and (b) of the criteria to be reviewed after each 45 days. Such review shall be carried out at the same frequency and simultaneously with the interim review carried out for MT eligible securities and SLB eligible securities. Any security which does not meet any of these criteria shall be excluded from the list after giving notice of at least 30 days to market participants.

a) Final Review for Securities

The list of Margin Eligible Securities will be reviewed in the first 15 days of January and July every year based on their data of immediate preceding 6 calendar months made available by Pakistan Stock Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MF eligible securities, MT eligible securities and SLB Eligible Securities. For any resulting change in the securities, the Company shall give at least 30 days prior notice to the Clearing Members before including or excluding any security from the list of Margin Eligible Securities.

1.4 Admissibility

All Margin Eligible Securities selected on the basis as per aforementioned criteria will be acceptable against margins for market segments provided under Schedule II of this Chapter.

1. Haircut percentage

The following haircuts will be applicable on the Margin Eligible Securities selected based on above criteria:

VaR based Margin Bucket	**Haircut applicable on daily closing rate in the Ready Market**
00.00% to < 12.50%	15.00%
12.50% to < 15.00%	17.50%
15.00% to < 20.00%	22.50%
20.00% to < 25.00%	27.50%
25.00% to < 30.00%	32.50%
30.00% to < 40.00%	42.50%
Greater than 40%	60.00%

* The Haircuts specified in sub Regulation 1.1 (b) and (f) of Schedule III shall be applied in addition to the Haircut rates specified in the above table.

3. <u>Acceptable Quantity</u>

The following limits shall be applied for the maximum number of securities in any margin eligible security that may be deposited by a Clearing Member or SLB/MT Participants for collateral purposes:

	VAR BASED MARGIN PERCENTAGES	**MAXIMUM NUMBER OF SHARES IN A SYMBOL THAT MAY BE DEPOSITED AS COLLATERAL**
CLEARING MEMBER*	VaR ≤ 20%	2% of Free-Float
	VaR> 20%	0.5% of Free-Float
SLB/MT Participants**	0<x>20%	1% of Free Float
	x>20%	0.25% of Free Float

*A maximum limit per security, as a percentage of Free-Float, shall apply to all securities deposited as security i.e. margin held by the Company cannot exceed 50% of Free-Float of such scrip.

The Company will notify the market when 70%, 80% and 90% limits in security are reached.

** A maximum limit per Margin Eligible Security, as a percentage of free float, shall apply to all Margin Eligible Securities deposited as margin held by the Company i.e. margin held by the Company cannot exceed 25% of free float of such Margin Eligible Security.

ANNEXURE – B

Revised List of Margin Eligible Securities Acceptable as Collateral

Review Period: From July 1, 2016 to December 31, 2016

S. No.	Symbol Code	Security Name
01	ABL	Allied Bank Limited
02	AICL	Adamjee Insurance Company Limited
03	AKBL	Askari Bank Limited
04	ATRL	Attock Refinery Limited
05	BAFL	Bank Alfalah Limited
06	BAHL	Bank AL Habib Limited
07	BOP	The Bank of Punjab
08	BYCO	Byco Petroleum Pakistan Limited
09	CHCC	Cherat Cement Company Limited
10	DAWH	Dawood Hercules Corporation Limited
11	DGKC	D.G. Khan Cement Company Limited
12	EFERT	Engro Fertilizers Limited
13	EFOODS	Engro Foods Limited
14	ENGRO	Engro Corporation Limited
15	FABL	Faysal Bank Limited
16	FATIMA	Fatima Fertilizer Company Limited
17	FCCL	Fauji Cement Company Limited
18	FFBL	Fauji Fertilizer Bin Qasim Limited
19	FFC	Fauji Fertilizer Company Limited
20	GLAXO (*)	GlaxoSmithKline Pakistan Limited
21	HASCOL	Hascol Petroleum Limited
22	HBL	Habib Bank Limited
23	HCAR (*)	Honda Atlas Cars (Pakistan) Limited
24	HTL (*)	Hi-Tech Lubricants Limited
25	HUBC	The Hub Power Company Limited
26	INDU (*)	Indus Motor Company Limited
27	ISL	International Steels Limited
28	JSCL (*)	Jahangir Siddiqui & Co. Ltd.
29	KAPCO	Kot Addu Power Company Limited
30	KEL	K-Electric Limited
31	KOHC	Kohat Cement Company Limited

32	LUCK	Lucky Cement Limited
33	MARI (*)	Mari Petroleum Company Limited
34	MCB	MCB Bank Limited
35	MLCF	Maple Leaf Cement Factory Limited
36	MTL	Millat Tractors Limited
37	NBP	National Bank of Pakistan
38	NCL	Nishat Chunian Limited
39	NML	Nishat Mills Limited
40	NRL	National Refinery Limited
41	OGDC	Oil & Gas Development Company Limited
42	PACE	Pace (Pakistan) Limited
43	PAEL	Pak Elektron Limited
44	PIBTL	Pakistan International Bulk Terminal Limited
45	PIOC	Pioneer Cement Limited
46	PKGS	Packages Limited
47	POL	Pakistan Oilfields Limited
48	POWER	Power Cement Limited
49	PPL	Pakistan Petroleum Limited
50	PSMC	Pak Suzuki Motor Company Limited
51	PSO	Pakistan State Oil Company Limited
52	PTC	Pakistan Telecommunication Company Limited
53	QUICE	Quice Food Industries Limited
54	SEARL	The Searle Company Limited
55	SSGC	Sui Southern Gas Company Limited
56	THALL	Thal Limited
57	TPL	TPL Trakker Limited
58	TREET	Treet Corporation Limited
59	TRG	TRG Pakistan Limited
60	UBL	United Bank Limited

Note:

(*) Securities Eligible as Collateral with 15% Additional Haircut.

ANNEXURE – C

List of Incoming Margin Eligible Securities

S. No.	Symbol Code	Security Name
01	HTL	Hi-Tech Lubricants Limited
02	INDU	Indus Motor Company Limited
03	KOHC	Kohat Cement Company Limited
04	MTL	Millat Tractors Limited
05	PKGS	Packages Limited
06	THALL	Thal Limited

ANNEXURE – D

List of Outgoing Margin Eligible Securities

S. No.	Symbol Code	Security Name
01	ADAMS	Adam Sugar Mills Limited
02	AHCL	Arif Habib Corporation Limited
03	AHL	Arif Habib Limited
04	AKZO	Akzo Nobel Pakistan Limited
05	AMTEX	Amtex Pakistan
06	ANL	Azgard Nine Limited
07	ANSM	Ansari Sugar Mills Limited
08	ASC	Al Shaheer Corporation Limited
09	ASTL	Amreli Steels Limited
10	AVN	Avanceon Limited
11	BERG	Berger Paints Pakistan Limited
12	BNWM	Bannu Wollen Mills Ltd
13	CENI	Century Insurance Company Limited
14	CEPB	Century Paper & Board Mills Limited
15	CJPL	Crescent Jute Products Limited
16	CLOV	Clover Pakistan Limited
17	CSAP	Crescent Steel & Allied Products Limited
18	CSIL	Crescent Star Insurance Limited
19	DCL	Dewan Cement Limited
20	DCR	Dolmen City Reit
21	DFML	Dewan Farooque Motors Ltd
22	DKL	Drekkar Kings Way Limited
23	DOL	Descon Oxychem Limited
24	DSFL	Dewan Salman Fibre Limited
25	ECOP	Ecopak Limited
26	EPCL	Engro Polymer & Chemicals Limited
27	EPQL	Engro Power Gen Qadripur Ltd
28	FECTC	Fecto Cement Limited
29	FEROZ	Ferozsons Laboratories Limited
30	FFL	Fauji Foods Limited
31	FFLNV	Fauji Foods Limited (Non Voting Ord Shares)

32	GAIL	Ghani Auto Mobile Industries Limited
33	GAMON	Gammon Pakistan Limited
34	GASF	Golden Arrow Selected Stock Fund Ltd
35	GATM	Gul Ahmed Textile Mills Ltd
36	GGGL	Ghani Global Glass Limited
37	GGL	Ghani Gases Limited
38	GHNI	Ghandhara Industries Limited
39	GHNL	Ghandhara Nissan Ltd
40	GTYR	The General Tyre & Rubber Company Of Pakistan Ltd
41	HADC	Haydari Construction Company Limited
42	HINO	Hino Pak Motors Ltd
43	HINOON	High Noon Laboratories Ltd
44	HMB	Habib Metropolitan Bank Limited
45	HUMNL	Hum Network Limited
46	IBLHL	Ibl Health Care Limited
47	IFSL	Invest & Finance Securities Limited
48	JOPP	Johnson & Phillips (Pakistan) Limited
49	JPGL	Japan Power Generation Limited
50	KOHP	Kohinoor Power Company Limited
51	KOIL	Kohinoor Industries Limited
52	KTML	Kohinoor Textile Mills Limited
53	LOTCHEM	Lotte Chemical Pakistan Limited
54	LPL	Lalpir Power Limited
55	MEBL	Meezan Bank Limited
56	MUGHAL	Mughal Iron & Steel Industries Limited
57	NCPL	Nishat Chunian Power Limited
58	NETSOL	Netsol Technologies Limited
59	NPL	Nishat Power Limited
60	NRSL	Nimir Resins Limited
61	OTSU	Otsuka Pakistan Limited
62	PAKRI	Pakistan Reinsurance Company Limited
63	PASL	Pervez Ahmed Securities Limited
64	PGF	Picic Growth Fund
65	PIAA	Pakistan International Airlines Corporation
66	PKGP	Pakgen Power Limited
67	PRL	Pakistan Refinery Ltd

68	SING	Singer Pakistan Limited
69	SML	Shakarganj Limited
70	SNBL	Soneri Bank Limited
71	SNGP	Sui Northern Gas Pipeline Limited
72	SPL	Sitara Peroxide Limited
73	SSOM	S.S. Oil Mills Limited
74	STCL	Shabbir Tiles & Ceremics Limited
75	STPL	Siddiqsons Tin Plate Limited
76	SYS	Systems Limited
77	TELE	Tele Card Limited
78	TGL	Tariq Glass Industries Limited
79	TSPL	Tri-Star Power Limited

ANNEXURE – E

List of Eligible Open-End Funds

S. No.	Fund Name	Asset Management Company	Category	Front-End Load	Back-End Load
01	ABL Cash Fund	ABL Asset Management Company Limited	Money Market	0%	0%
02	Askari Sovereign Cash Fund	Askari Investment Management Limited	Money Market	0%	0%
03	Atlas Money Market Fund	Atlas Asset Management Limited	Money Market	0%	0%
04	BMA Empress Cash Fund	BMA Asset Management Company Limited	Money Market	1%	0%
05	Faysal Money Market Fund	Faysal Asset Management	Money Market	0%	0%
06	HBL Money Market Fund	HBL Asset Management Limited	Money Market	0%	0%
07	JS Cash Fund	JS Investment Limited	Money Market	1%	0%
08	MCB Cash Management Optimizer Fund	MCB - Arif Habib Savings and Investments Limited	Money Market	0%	0%
09	Meezan Cash Fund	Al Meezan Investment Management Limited	Islamic Money Market	0%	0%
10	NAFA Government Securities Liquid Fund	NBP Fullerton Asset Management Limited	Money Market	0%	0%
11	Pakistan Cash Management Fund	MCB - Arif Habib Savings and Investments Limited	Money Market	0%	0%
12	PIML Daily Reseve Fund (Primus Daily Reserve Fund)	Primus Investment Management	Money Market	0%	0%
13	PICIC Cash Fund	PICIC Asset Management Company Limited	Money Market	1%	0%
14	UBL Government Securities	UBL Fund Managers Limited	Money Market	0%	0%
15	Al Amin Islamic Sovereign Fund (UBL Islamic Sovereign Fund)	UBL Fund Managers Limited	Money Market	1%	0%
16	UBL Liquidity Plus Fund	UBL Fund Managers Limited	Money Market	0%	0%
17	UBL Money Market Fund (Formerly UBL Saving Income Fund	UBL Fund Managers Limited	Money Market	0%	0%

ANNEXURE – F

List of Banks Eligible to issue Bank Guarantee

S. No.	Commercial Bank	Credit Rating Agency	Long Term Rating
01	Habib Bank Limited	JCRVIS	AAA
02	MCB Bank Limited	PACRA	AAA
03	Standard Chartered Bank (Pakistan) Limited	PACRA	AAA
04	National Bank of Pakistan	JCRVIS/PACRA	AAA
05	United Bank Limited	JCRVIS	AAA
06	Allied Bank of Pakistan Limited	PACRA	AA+
07	Habib Metropolitan Bank Limited	PACRA	AA+
08	Bank Al Habib Limited	PACRA	AA+
09	Askari Bank Limited	PACRA	AA+
10	Sindh Bank Limited	JCRVIS	AA
11	Meezan Bank Limited	JCRVIS	AA
12	Bank Al Falah Limited	PACRA	AA
13	Samba Bank Limited	JCRVIS	AA
14	Faysal Bank Limited	JCRVIS/PACRA	AA
15	The Bank of Punjab	PACRA	AA
16	NIB Bank Limited	PACRA	AA-
17	Soneri Bank Limited	PACRA	AA-
18	JS Bank Limited	PACRA	AA-
19	Dubai Islamic Bank Limited	JCRVIS	A+
20	Bank Islami Pakistan Limited	PACRA	A+
21	Al Baraka Bank Pakistan Limited	JCRVIS /PACRA	A
22	The Bank of Khyber	JCRVIS/PACRA	A
23	MCB Islamic Bank Limited	PACRA	A