



NOTICE FOR ALL MEMBERS

PROPOSALS FOR MARKET STABILIZATION

Keeping in view the present continuous declining trend of the Securities Market and consequent possibility of systemic risk resulting in disruption of timely and smooth settlement of trades, the Board of Directors of the Exchange met SECP Chairman, in Karachi CRO Office on June 23, 2008 and recommended SECP to adopt the following market stabilization measures, for which SECP gave its in principal approval:

1. As a *force majeure* for a period of 30 days effective from today, June 24, 2008, the currently applicable security-wise circuit breakers in Ready, Deliverable Future Contracts and Cash Settled Future Contracts markets be revised as follows, which may be reviewed again on July 15, 2008:
 - Lower Circuit Breakers will be applicable at price fluctuation of 1% from the closing price of the previous day, so that the members of the Exchange are able to collect the margins / mark-to-market losses from their respective clients and deposit the same with the Exchange. This measure will provide the necessary cooling period that is essential for the market to recover from its current state of affairs.
 - Upper Circuit Breakers will be applicable at price fluctuation of 10% from the closing price of the previous day as a deterrent to abuse of Short Selling.

However, current circuit breakers applicable in Squaring-up, ODD Lots, SIFC and Provisional Futures markets will remain as same.

2. Short Selling shall be completely prohibited in Deliverable Future Contract Market as currently allowed under Clause 6 (j) of the relevant Regulations. Furthermore, Short Sale in Ready Market with Pre-existing Interest against purchase on another exchange shall also be prohibited.

These prohibitions shall be for a period of one month, effective June 24, 2008. The said prohibitions may be reviewed again one week prior to the start of August Deliverable Futures Contract.

3. Bank Guarantees from "A" and above rated banks shall be allowed as margin eligible security for Margin Deposit in the Ready, Futures and CFS Market. Tender of Mark-to-Market Losses will remain in cash in Deliverable and Cash-settled Futures Markets.
4. The Board of Directors of the Exchange requested SECP to launch a **Market Stabilization Fund of Rs. 30 Billion** in line with International practice. The utilization of the said Fund will be automatically triggered if and when volatile circumstances are witnessed in the Market. The SECP agreed on the establishment of such fund for which the Exchange was advised to submit details to SECP at priority.

SHAFQAT ALI

General Manager Risk

- CC to:**
01. The Director (SMD), Securities & Exchange Commission of Pakistan
 02. The Managing Director, Lahore Stock Exchange (Guarantee) Limited
 03. The Managing Director, Islamabad Stock Exchange (Guarantee) Limited
 04. The Chief Executive, National Clearing Company of Pakistan Limited
 05. The General Manager, IT Division-KSE
 06. DGM Market Control & Surveillance Department-KSE
 07. DGM Clearing & Settlement Department-KSE
 08. Notice Board
 09. KSE Website