



NOTICE FOR ALL MEMBERS

UNUSUAL READY FUTURE SPREAD

Due to continuous decline in the securities market, most of the scrips have been trading in their lower circuit breakers since the opening of July 2008 contract, which has resulted into abnormal spreads in those scrips in their Ready and Deliverable Future Contracts (DFC) markets. Due to which following issues were needed to be addressed preemptively:

1. Accumulation of un-recovered MtM Losses in DFC which may cause a systematic risk at the Final Settlement Price.
2. Due to no trading in Deliverable Futures Market, the investors having open positions in such scrips are unable to reduce their positions due to inflated price in the DFC market.

Keeping in view of the above, the Board of the Directors of the Exchange, in its meeting held on July 16, 2008, reviewed this scenario and subject to prior approval of SECP decided in line with of clause 10 (ii) of the Regulations Governing Deliverable Futures Contract of the Exchange, which empowers the Board to impose further risk mitigation, to adjust the Closing Price of the scrips in Deliverable Futures Market based on the following formula:

"Adjusted DFC Price = Ready Market Price of underlying scrip x {1+(One Month KIBOR+4%)/365 x DTM}; where DTM stands for Date to Maturity, which equals to Calendar Days difference in the Settlement Dates of the Ready Market and DFC Market on any applied trade date."

The adjusted price as computed in terms of the above mentioned formula was agreed to be used as Closing Price for the collection of MtM losses. It is also decided that the demand of MtM losses so raised will be collected in cash in **5 (five) equal installments** against which 1st installment will be settled **today i.e. July 18, 2008**.

As approved by the SECP, above arrangement will be effective from Friday, July 18, 2008.

All members are requested to note the same.

SHAFIQAT ALI
GM Risk Management

CC to:

01. The Executive 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, Central Depository Company of Pakistan Limited
05. The Chief Executive, National Clearing Company of Pakistan Limited
06. The General Manager, IT Division-KSE
07. The General Manager (Operations)
08. DGM Market Control & Surveillance Department-KSE
09. DGM Clearing & Settlement Department-KSE
10. Notice Board
11. KSE Website / NCCPL Website