THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED

KSE/N-6977 **NOTICE** OCTOBER 28, 2008

The Board of Directors of Karachi Stock Exchange had several detailed discussions with State Bank of Pakistan (SBP) and Pakistan Banking Association (PBA). The SBP circular reproduced hereunder reflects the decisions taken in the meetings.

Members of the Exchange who are facing any problem with their bank(s) related to the below mentioned SBP circular, conversion of Running Finance (RF) to Term Finance (TF) and availability of sanctioned Running Finance (RF) limits (despite sufficient collateral) may contact in writing with **Mr. Abbas Mirza, DGM- Operations** at 2nd floor, Administration Block, Karachi Stock Exchange Building.

Please note that your applications/complaints must be on company letterhead and should reach the designated person by **2:30pm everyday** so that management of the Exchange may take up the matter with concerned authorities.

State Bank of Pakistan بینک دولت پاکستان

Circulars/Notifications

BPRD Circular Letter No. 30 of 2008	October 26, 2008

The Presidents/Chief Executives
All Banks/DFIs

Dear Sirs/Madam,

EXPOSURE AGAINST SHARES

In order to facilitate the on going efforts of the stakeholders for development of capital market, it has been decided to amend the Prudential Regulations as under:

1) **Limit on total investment in shares:** In terms of Para 1-B (a) of Regulation 6 of the Prudential Regulations for Corporate/Commercial Banking, total investment of banks in shares should not exceed 20% of their equity whereas in the case of Islamic banks and DFIs mobilizing deposits, the total investment should not exceed 35% of their equity. Furthermore, as per Para 1-B (b) the exposure of banks and DFIs in future contracts should not exceed 10% of their equity.

It has been decided to allow the banks/DFIs to combine the two limits provided in Para 1-B (a) and Para 1-B (b) of the Prudential Regulation 6 for ready market and future contracts and have the aggregate exposure in shares to the extent of 30% of their equity (in case of Islamic Banks/DFIs upto 45% of their equity) provided that investment in future contracts shall not exceed 10% of their equity.

2) **Minimum Margin Requirement on exposure against shares:** In terms of Para 3 of the Prudential Regulation 6 of Prudential Regulations for Corporate/Commercial Banking, banks/DFIs are required to maintain a minimum margin of 30% of current market value while lending against shares.

It has been decided to allow the banks/DFIs to continue to maintain a minimum margin of 30% on their lending against shares; however, they should not give a margin call until the margin reaches to the level of 25%.

The above amendments shall be effective from 27th October 2008 and will be reviewed in due course in line with the prevailing market conditions.

Other instructions on the subject will remain the same.

Please acknowledge receipt.

Yours Truly,

(Syed Irfan Ali)
Director

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