



NOTICE FOR ALL MEMBERS

AMENDMENTS/CHANGES IN REGULATIONS OF KSE

Members are hereby informed that the Securities and Exchange Commission of Pakistan vide its letter No. SMD-South/KSE(0088)/2008 dated October 23, 2008 has approved various amendments in the following four (4) Regulations of the Exchange which are sent for gazette notification by the Exchange and all regulations duly amended are placed in our website: www.kse.com.pk for your reference.

1. Regulations Governing Risk management
2. Regulations Governing Deliverable Futures Contract (DFC)
3. Regulations Governing Stock Cash-Settled Futures Contract (CSF)
4. Regulations Governing Stock Index Futures Contract. (SIFC)

Some major amendments resulting into system changes are reproduced below along with their respective implementation dates:

MAJOR CHANGES IN THE REGULATION GOVERNING RISK MANAGEMENT OF THE EXCHANGE	IMPLEMENTATION DATE
<p>New definition of the Closing Price for the purpose of Risk Management, reference price for determining next Trading Day's Circuit Breakers and all KSE indices closings.</p>	<p>Already notified vide notice No. KSE/N8878 dated October 24, 2008.</p>
<p>3.1 DETERMINATION OF EXPOSURE</p> <p><i>d. Exposure during Calendar Spreads in DFC and CSF markets:</i></p> <p>During the Over-lapping Period of Deliverable Futures Contracts (DFC) or Cash-Settled Futures Contract (CSF), the Exposure in a particular scrip will be calculated based on the higher of Contract Period-wise Net-Buys and Net Sales based on netting mechanism explained in clause 3.4 (Netting within Deliverable Futures Market and 3.6 (Netting within CSF (Cash-Settled Futures) Markets. However, all Contract Period-wise Net Buys or Net-Sales will be added together for determining total Exposure under one UIN in a security.</p>	<p>Will be implemented from January 2008 Contract.</p>
<p>4. EXPOSURE MARGINS</p> <p>4.1 Margin requirements</p> <p>All trades in any security or securities shall be subject to the margin requirements prescribed in these Regulations or such other additional margins in this regard as the Exchange may, with the prior permission of the Commission, from time to time prescribe in addition hereto.</p> <p>However, the total margins requirements (including initial margins and special margins) added together, for a particular scrip under a UIN should not exceed its Exposure amount in any case. In case, where total margin requirements exceed the Exposure amount, special margins requirements shall be reduced to the extent of the exceeding amount.</p> <p>Further, in case where a UIN-wise net-seller in a security under Deliverable Futures Contract Market deposits the net-sold deliveries with the Exchange, his initial margin and special margin requirements to the extent of such pre-settlement tendered deliveries shall not be taken into account by the Exchange, while calculating Member wise initial margin and special margin requirement. MIM Losses or Profit will however, continue to be collected or disbursed accordingly.</p>	<p>Will be implemented from December 2008 Contract.</p>
<p>4.2 VaR BASED MARGINS</p> <p>The VaR based margins for each security shall be calculated by the Exchange applying VaR estimates calculated by the RiskMeter at the end of each trading day. The VaR based margins so determined shall be posted on the website of the Exchange and shall be applicable for <u>determining Margin requirement at the end of each trading day.</u></p>	<p>Will be implemented from December 2008 Contract.</p>