



NOTICE FOR ALL MEMBERS

UN-FREEZING OF VaR RATES

This is in continuation of our earlier Notice No. KSE/N-5256 dated September 4, 2008 regarding notification on freezing of VaR rates as of September 2, 2008 in consideration of artificially restriction in the market volatility due to implementation of Floor-Price-Levels as of August 27, 2008.

The objective was to mitigate the systemic risk, which otherwise could have caused withdrawal of margins by the participants. Now, the market has been opened with its normal circuit breakers effective from December 15, 2008, therefore, it needs to restore the calculation of actual VaR rates from that date.

Further, it was observed that during the floored period a negligible trading activity in the scrips falling under categories A & B (containing the liquid scrips in terms of VaR calculations) prior to placing market at floor in all three exchanges have resulted into shifting of such scrips under category C (containing illiquid scrips in terms of VaR calculations).

In view of the above, the Board has approved the following through a Resolution by Circulation dated December 16, 2008:

1. Consequent upon removal of floor placed on prices of securities, actual VaR rates have been restored effective from December 15, 2008 and started applying the same with effect from December 16, 2008 for risk management purposes of the Exchange.
2. In order to remove anomaly, whereby liquid scrips were shifted to category of illiquid scrips for the purpose of VaR calculations, the period during which the floor on prices of securities prevailed, has been excluded from the calculation of VaR rates effective from December 15, 2008.

Members are requested to note the same.



SHAFIQAT ALI

General Manager Risk

Copy to:

01. The Director (SMD), Securities & Exchange Commission of Pakistan
02. The Managing Director, Karachi Stock Exchange (Guarantee) Limited
03. The Managing Director, Lahore Stock Exchange (Guarantee) Limited
04. The Managing Director, Islamabad Stock Exchange (Guarantee) Limited
05. The Managing Director, National Commodity Exchange Limited
06. The Chief Executive, Central Depository Company of Pakistan Limited
07. The Chief Executive, National Clearing Company of Pakistan Limited
07. The General Manager, I.T. Division-KSE
09. The General Manager (Operations)
10. The General Manager (Law)
11. Deputy General Manager, Market Control & Surveillance Department-KSE
12. Deputy General Manager, Clearing & Settlement Department-KSE
13. Deputy General Manager, Trading Affairs Department, KSE
14. Notice Board
15. KSE Website