



NOTICE FOR ALL MEMBERS

REGULATIONS GOVERNING RISK MANAGEMENT

Members are hereby informed that the Karachi Stock Exchange (Guarantee) Limited, with the prior approval of Securities & Exchange Commission of Pakistan (SECP), makes the following amendments in its **Regulations Governing Risk Management** and the same has been sent for gazette notification.

1. Existing Regulation No. 2 shall be substituted to read as under:

"2. **CAPITAL ADEQUACY**

2.1 Capital Adequacy Procedures and Exposure Limit based thereon:

The Net Capital Balance for the purpose of these Regulations shall be calculated in accordance with the Third Schedule to the Securities & Exchange Rules, 1971 and its certificates will be submitted to Exchange in the following manner:

- (a) Maximum Exposure in each and/or All Markets of a member shall not exceed the number of times of his Net Capital Balance attributed to the Exchange for the purpose, as provided in Schedule 1 to these Regulations;
- (b) The Members of the Exchange shall submit bi-annually a certificate from an auditor selected from the panel of auditors prescribed by the Exchange under Regulations Governing System Audit of the Brokers of the Exchanges, 2004, confirming their Net Capital Balance on the format prescribed by the Exchange, as on the dates and within such time as may be notified by the Exchange for the purpose;
- (c) The certificate shall specify that the Net Capital Balance calculated have been duly audited/verified by the auditor referred in 2(b) above;
- (d) Net Capital Balance certificate shall be submitted by the Members within the time as may be prescribed by the Exchange, failing which penalty shall be imposed as provided in Schedule 5 to these Regulations.

2.2 Monitoring

The Exchange will monitor compliance with the Exposure limits and availability of margins as prescribed by or pursuant to these Regulations. Such monitoring, however, will not in any manner diminish the responsibility of the members to ensure compliance with these Regulations."

2. Existing Regulation 4.1 shall be substituted to read as under:

"4. **EXPOSURE MARGINS**

4.1 Margin Requirements

- (a) 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.