

Reproduced hereunder letter No. 2(32)/SE/2001 dated July 22, 2009 received from Securities and Exchange Commission of Pakistan for information of Members of the Exchange.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

2(32)/SE/2001

July 22, 2009

Mr. Adnan Afridi
Managing Director
Karachi Stock Exchange (G) Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Sub: Roadmap for the Development of the Market

Dear Sir,

This refers to Karachi Stock Exchange (G) Limited (KSE) letter No. nil dated July 17, 2009 on the subject noted above.

1. Re-Launch of Deliverable Futures Contract (DFCM)

(i) Eligibility Criteria for Deliverable Futures Market (DFM) Securities:

The Securities and Exchange Commission of Pakistan (SECP) has reviewed the existing eligibility criteria for selection of scrips for DFCM and revised criteria earlier approved by the KSE Board of Directors in its meeting of January 9, 2009 and forwarded for the SECP approval vide letter No. KSE/SECP-246 dated January 9, 2009. Keeping in view the stock market situation during the recent past and in order to provide for a successful and smooth re-launch of the DFM, the SECP approves the attached eligibility criteria for DFCM (annexure "A").

One of the conditions contained in the above criteria also included the maintenance of average VaR percentage at 12.5% or below during the review period. However, based on the data provided by the Exchanges it transpired that the past six months market activity had resulted in comparatively higher VaR numbers even for the blue chip companies which may not be a true representative. Accordingly, this condition has not been made part of the approved criteria at this stage. Nevertheless, you would concur that VaR captures both the liquidity and volatility of scrips and thus is an important perimeter for short listing / screening companies for trading in the DFCM. The Exchange is therefore advised to include VaR as part of the criteria at the time of review of the same. ✓

Based on the data provided by the Exchange the list of securities qualifying for trading under the said criteria is also enclosed as annexure "B".

(ii) Collection of VaR Margins:

Collection of VaR margins as proposed by the Exchange is already covered under the Risk Management Regulations of KSE.