



**THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED**  
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**KSE/N-2774**

**May 6, 2011**

**NOTICE FOR ALL MEMBERS**

**Direction under Rule 7 of Central Depository Companies  
(Establishment and Regulation) Rules, 1996.**

Members of the Exchange are hereby informed that the Securities and Exchange Commission of Pakistan vide their letter no. SM/KSE/CDC/2011, dated April 29, 2011 addressed to the CEO of Central Depository Company of Pakistan Limited, with a copy endorsed to the Karachi Stock Exchange, on the subject, has noted certain anomalies in the data provided by the CDC relating to participants admitted in Central Depository System (CDS). It has been observed that some CDS participants at the time of admission were members of the stock exchange(s) (hereinafter referred to as the "member participants") however at present do not hold valid membership of any stock exchange (hereinafter referred to as the "ex-member participants"). Also, there are number of member participants who are not registered with the SECP as broker under Brokers and Agents Registration Rules, 2001 (hereinafter referred to as the "unregistered member participants").

Whereas, the Securities and Exchange Ordinance, 1969 defines a broker as "any person engaged in the business of effecting transactions in securities for the account of others". And whereas, the CDC Regulations allows a member participant to open sub-account(s) under its umbrella for other investor(s). And whereas, member participants who are not registered with the SECP as broker are not authorized to trade and hence shall not be allowed to open sub-accounts.

And whereas, to address this issue, CDC has been asked to make suitable amendments in its Regulations restricting opening of sub-account(s) under the umbrella of a unregistered member participant.

Therefore, till the finalization and implementation of the amended CDC Regulations, the SECP in the public interest, for the protection of investors and in order to enhance integrity and transparency of the Pakistani capital markets, in exercise of powers vested under Rule 7 of Central Depository Companies Rules, 1996 directs CDC to:

- a) terminate admission of ex-member participants with immediate effect;
- b) suspend admission of unregistered member participants for a period of 60 days provided that such suspension shall be removed on production of broker registration certificate by such participants. In case of non-production of broker registration certificate by such participants within the period of suspension, the CDC shall terminate admission of such unregistered member participants; and

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