



THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED
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KSE/N-3348

July 18, 2012

Notice for All Members

SUBJECT: AGREEMENTS REACHED IN SECP- KSE MEETING OF JULY 12, 2012 AT KSE

Reproduced hereunder the communication received today from SECP on the captioned subject for information of Members of the Exchange.

1. Margin Free Exposure/ Utilization of CHPF for Intra Day

As agreed earlier in January 2012, in order to enhance brokers' capacity to execute business, additional business limit and clearing of approximately Rs.50 million per broker of KSE will be allowed against collateral/limit of Rs.10 million per broker of its CHPF.

The above scheme of arrangement will be available for a period of one year effective the date of its implementation and will be extended for T +2 trades. Details are as under:

KSE to issue bank guarantee against consolidated amount from the Fund for trades executed on the Exchange. This will account for the pre-trade and exposure margin requirements, whereas marked-to-market margins shall continue to be paid by brokers as usual. In case of default, NCCPL shall use the amount of collateral/limit utilized by such defaulting broker to meet the settlement shortfall which will be in addition to the existing threshold allocated as per to NCCPL Regulations

KSE/NCCPL to put in place mechanism for reduction in enhance exposure and collateral/margin limits assigned to brokers so as to ensure one-third amount/limit is adjusted at the end of six months and subsequently at the end of three months each.

Amendments to be carried out in the RMS Regulations, Default Management Regulations and Trust Deed, if needed.

2. Settlement Guarantee Fund /NCCP to act as Central Counter Party/Shifting of RMS to NCCPL

In line with international best practices risk management needs to be consolidated and shifted to NCCPL with a settlement guarantee fund so as to support NCCPL to function as a central counter party. The existing NCCPL and stock exchanges Committee to finalize necessary modalities for the same and submit its recommendations to the SECP by August 15, 2012.

3. Reviving and Activating MTS and SLB :

Stringent measures to be taken to stop in house badla;

- NCCPL proposal of paying out the 100% cash to the lender (50% retained at present) substituted by VaR margin payment and other margin and marked-to market losses
- SECP will review the proposal when received from NCCPL
- Availability of 50% MTS shares lying in financier's blocked account to be allowed for pledging
- SECP to review and revert to KSE