



**NOTICE FOR ALL TREC HOLDING MEMBERS**  
**INVITATION TO APPLY FOR DESIGNATED MARKET MAKER**

As you will be aware, the Karachi Stock Exchange Limited (KSE) now has in place relevant regulations for Mark Making (MM). These regulations enable TREC Holders to become MM in Cash Settled Futures (three instruments in Stock Indices and 33 Stock in Single Stock Cash Settled Futures).

This presents a great opportunity to TREC Holders to broaden their product range and client base to generate additional brokerage income beyond the traditional business.

The basic benefit to MM is that the Exchange forgoes its transaction fee (LAGA) for the MM and also passes on the transaction fee obtained from the counterparty to the MM for an initial period of time (e.g. 1 year).

Besides the direct monetary benefit from the above, the market maker also enables his clients to hedge or take positions (long + short) in the Single Stock Cash Settled and Stock Index Future Contracts.

**Why become a Market Maker?**

First, it helps the MM to offer a range of investment opportunities to investors in a higher leverage/lower cost dynamics. Second, by becoming active in a particular Single Stock Cash Settled or Stock Index Futures, the MM develops an insight into the price & volume dynamics of the Futures trading counter. This provides the Market Maker with the opportunity to become specialized in that particular discipline/counter and create a competitive distinction where investors look towards when trading in that counter. Third, it helps the MM to guide investors from a holistic portfolio level investment decision making rather than simply execute trades.

For the market as a whole, activation of MM will generate liquidity and depth thereby facilitating smooth entry and exit while optimizing impact cost.

The Karachi Stock Exchange Ltd. (KSE) has introduced Regulations Governing Market Making enumerating terms and conditions and prescribing benefits for those intending become Market Maker with a view to provide liquidity in the Stock Index Futures and Single Stock Cash Settled Futures.

The Regulations Governing Market Making include the Market Making Agreement with KSE outlining limits for Maintenance of Spreads, Cash Holding requirements, order replenishment and waiver of transaction costs (LAGA) for Market Makers. (Details can be obtained from the KSE website or from Marketing Department of the Exchange)