



KARACHI STOCK EXCHANGE LIMITED

Stock Exchange Building, Stock Exchange Road, Karachi
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KSE/N – 3481

NOTICE

June 10, 2013

FOR ALL MARKET PARTICIPANTS

EFFECTIVE IMPLEMENTATION OF THE RISK MANAGEMENT FRAMEWORK

As you are aware of the facts that our capital market has been revived from last couple of months, driving KSE benchmark index to its historical levels while enhancing the trading activities on the Ready and Deliverable Futures Counters. It is definitely the moment of celebration that after the long struggle since 2008 the market has regained the confidence of investors however, at the same time it is very much important to retain the same and strengthen our capital market by adhering to and complying with all the Regulations of the Exchange.

In view of above, you are requested to adhere with risk management measures in place and give your special attention to back offices to ensure the following:

1. Formulate and implement an effective Know Your Customer (KYC) and Customer Due Diligence (CDD) internal policy and framework in accordance with the guidelines issued by the Exchange.
2. Collect margins and MtM losses from your clients in accordance with the regulation 9.1 of the Regulations Governing Risk Management of the Exchange.
3. Ensure that assets belonging to your clients are kept separate from the assets of the Brokerage House as required under clause 41 of the General Regulations of the Exchange, which could be achieved by;
 - Maintaining a separate bank account for keeping clients funds into that account;
 - Keeping clients' securities in their respective sub-accounts under your CDS Participant Account to maintain segregated custody of securities either deposited as margins by or bought for clients;
4. Open and maintain Collateral Account under your CDS Participant Account for keeping collective custody of the securities bought for those clients who would not pay purchase amount on/before the Settlement Date and report the same to the Exchange as required under clause 41(c) of General Regulations of the Exchange.

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