

KSE/N-3862

**NOTICE**

July 05, 2013

Reproduced hereunder letter No. SMD-/MSRD-C&IW/22-1(132)/2013 dated July 3, 2013 received from **SECURITIES & EXCHANGE COMMISSION OF PAKISTAN, Securities Market Division, Market Supervision and Registration Department**, for information of all concerned.  
(Copy of the same is also available on our Website [www.kse.com.pk](http://www.kse.com.pk)).



**SECURITIES & EXCHANGE COMMISSION OF PAKISTAN**  
Securities Market Division  
Market Supervision and Registration Department

File No. SMD-/MSRD-C&amp;IW/22-1(132)/2013

July 3, 2013

Mr. Nadeem Naqvi,  
Managing Director,  
Karachi Stock Exchange Limited,  
Karachi Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

Mr. Aftab Ahmed,  
Managing Director,  
Lahore Stock Exchange Limited,  
19, Khayaban-e-Aiwan-e-Iqbal,  
Lahore.

Mian Ayyaz Afzal,  
Managing Director,  
Islamabad Stock Exchange Limited,  
ISE Towers, 55-B, Jinnah Avenue,  
Islamabad.

**SUBJECT: CLARIFICATIONS/GUIDELINES IN RESPECT OF THIRD SCHEDULE OF SECURITIES AND EXCHANGE RULES, 1971**

Dear Sir(s),

Securities and Exchange Commission of Pakistan ("the Commission"), during the course of inspections of the brokerage houses, observed various non-compliances of applicable laws and shortcomings on the part of the brokerage houses. The major irregularities include miscalculation and misinterpretation of the requirements regarding Net Capital Balance ("NCB") as prescribed in the Third Schedule read with Rule 2(d) of the Securities and Exchange Rules, 1971 ("SEC Rules").

In view of inconsistent approach and misinterpretation of the requirements prescribed in Third Schedule of SEC Rules resulting in miscalculation of NCB and in the light of the queries and suggestions received from different market participants from time to time, the Commission deems it appropriate and expedient to issue certain clarifications/guidelines in respect of Third Schedule of SEC Rules to ensure clarity and consistency. Moreover, inconsistency has also been observed on the part of Auditors with regard to format for certification of NCB.

Furthermore, in order to monitor the NCB of brokerage houses and to protect the interest of investors, the Commission considers it necessary that the brokerage houses to submit their NCB under regulatory requirements after taking into consideration information and details as mentioned in these guidelines. Accordingly, the following clarifications/guidelines are hereby issued with respect to Third Schedule read with Rule 2(d) of the SEC Rules including certification of NCB under regulatory framework.