

## PRESS RELEASE

### MEASURES FOR MARKET STABILIZATION

(Karachi, June 23, 2008): In view of the present continuous declining trend of the Securities Market and consequent possibility of systemic risk resulting in disruption of timely and smooth settlement of trades, a meeting was held today between the officials of Securities & Exchange Commission of Pakistan (SECP) and the Board of Directors & management of the Karachi Stock Exchange under the chairmanship of Mr. Razi-ur-Rahman Khan, Chairman SECP. It was mutually decided to adopt the following market stabilization measures:

1. As a *force majeure* for a period of 30 days, the currently applicable security-wise circuit breakers in Ready, Deliverable Future Contracts and Cash Settled Future Contracts markets will be revised as follows, which will be reviewed again on July 15, 2008:
  - Lower Circuit Breakers will be applicable at price fluctuation of 1% from the closing price of the previous day.
  - Upper Circuit Breakers will be applicable at price fluctuation of 10% from the closing price of the previous day.
2. Short Selling will be completely prohibited in Deliverable Future Contract Market as currently allowed under Clause 6 (i) of the relevant Regulations. Furthermore, Short Sale in Ready Market with pre-existing interest against purchase on another exchange will also be prohibited. These prohibitions shall be for a period of one month, effective June 24, 2008. The said prohibitions will be reviewed again one week prior to the start of August Deliverable Futures Contract.
3. Bank Guarantees from “A” and above rated banks will be allowed as margin eligible security for Margin Deposit in the Ready, Futures and CFS Market. Tender of Mark to Market Losses will remain in cash in the Futures Markets.
4. After seeking necessary approvals from the competent authority, changes will be brought in the methodology for calculating receivables in members’ Capital Adequacy as follows:

<b>No. of outstanding days</b>	<b>Provisioning against Receivables</b>
Less than 15 days	0%
Greater than or equal to 15 days but less than 30 days	25%
Greater than or equal to 30 days but less than 60 days	50%
Greater than or equal to 60 days but less than 90 days	75%
Greater than or equal to 90 days	100%

5. A Market Stabilization Fund of Rs. 30 Billion will be launched in line with International practice. The utilization of the said Fund will be automatically triggered if and when volatile circumstances are witnessed in the Market. KSE has been advised to submit detailed proposal for the same.