

NATIONAL CLEARING COMPANY
OF
PAKISTAN LIMITED

REGULATIONS

NCCPL Regulations updated on August 22, 2017

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NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED**NOTIFICATION**

Karachi, the September 01, 2015

In exercise of the powers conferred on a clearing house by section 26 of the Securities Act, 2015 (Act No. III of 2015), the National Clearing Company of Pakistan Limited, being a clearing house, has made with the prior approval of the Securities and Exchange Commission of Pakistan the following regulations called the “National Clearing Company of Pakistan Limited Regulations, 2015” which shall notified in the official Gazette and come into force on the date as may be specified in the notification.

**THE NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED REGULATIONS,
2015**

Whereas, the National Clearing Company of Pakistan Limited (“Company”) has been formed to establish and operate a national clearing and settlement system (“NCSS”);

And whereas, the Company is licensed as clearing house under the Securities Act, 2015 (the “Act”);

And whereas, Regulations made by the Company pursuant to paragraph (6) of Clause III of its Memorandum of Association with the approval of the Securities and Exchange Commission of Pakistan (SECP) are repealed and substituted with these regulations made pursuant to the section 26 of the Act with prior written approval of SECP under section 27 of the Act;

And whereas the Company being registered authorized intermediary under rule 3 of the Securities (Leveraged Markets and Pledging) Rules, 2011 intends to establish Margin Trading System, Margin Financing System to provide funding system at the national level and Securities Lending and Borrowing System for lending and borrowing of SLB Eligible Securities at the national level.

And whereas, Section 26 and 27 of the Act permits the Company to make amendments to, including additions to or deletions from such Regulations, with prior written approval of SECP;

Now, therefore, the National Clearing Company of Pakistan Limited, in exercise of powers conferred by sub-section (1) of section 26 of the Act, makes with prior approval of SECP the following Regulations, namely:-

CHAPTER 1: SHORT TITLE AND COMMENCEMENT

1.1 Short title

- 1.1.1 These Regulations may be called The National Clearing Company of Pakistan Limited Regulations 2015.

1.2 Commencement

- 1.2.1 These Regulations shall substitute the National Clearing Company of Pakistan Limited Regulations 2003 and be notified in the official Gazette and shall take effect on such date as may be specified in the notification.
- 1.2.2 All actions taken, orders passed, notifications, circulars and guidelines issued, admissions made, eligibility granted, proceedings initiated and instituted (including inspection, investigation, prosecution, etc) , processes issued or communication made and powers conferred, assumed or exercised by the clearing house or the SECP under NCCPL Regulations 2003, shall, on coming into operation of these Regulations, be deemed to have been validly taken, passed issued, made, granted, initiated, conferred, assumed and exercised and any such legal proceedings (civil or criminal) or remedy, may be instituted, continued or enforced and any such penalty, forfeiture, or punishment may be imposed as if the repealing regulation has not been passed.

CHAPTER 2: INTERPRETATION AND DEFINITIONS

2.1 General principles of interpretation

2.1.1 In these Regulations, unless the context otherwise requires:

- (a) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any statutory instrument issued under, that legislation or legislative provision;
- (b) a reference to these Regulations, the Procedures, the Fees, Charges and Security Deposit Schedule, or the Designated Times Schedule is a reference to these Regulations, Procedures, Fees, Charges and Security Deposit Schedule, or the Designated Times Schedule, as modified or amended from time to time;
- (c) if a word or expression is given a particular meaning, another part of speech or grammatical form of that word or expression has a corresponding meaning; and
- (d) a reference to power includes a reference to authority and discretion;
- (e) unless the context otherwise requires, the words importing the singular shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender, and words importing persons shall include companies or other bodies corporate, firms, institutions, authorities, commissions or governments.

2.2 Headings

2.2.1 In these Regulations, headings are for convenience of reference only and do not affect interpretation.

2.3 Conduct, acts and omissions

2.3.1 In these Regulations, a reference to conduct or engaging in conduct includes a reference to doing or refusing to do any act, including the making of, or the giving effect to a provision of, an agreement.

2.3.2 In these Regulations, conduct engaged in or on behalf of a person:

- (a) by an officer, employee, or other agent of the person within the scope of the actual or apparent authority of the officer, employee, or other agent; or
- (b) by any other person at the direction or with the consent or agreement (whether express or implied) of an officer, employee, or other agent of the person, where the giving of the direction, consent or agreement is within the scope of the actual or apparent authority of the officer, employee, or other agent,

is taken to have been engaged in also by the person.

2.3.3 If for the purposes of these Regulations in respect of conduct engaged in by a person, it is necessary to establish the state of mind of the person, it is sufficient to show that an officer, employee, or other agent of the person by whom the conduct was engaged in within the scope of

the actual or apparent authority of that officer, employee, or other agent, had that state of mind.

2.3.4 A reference in Regulation 2.3.3 to the state of mind of a person includes a reference to the knowledge, intention, opinion, belief or purpose of the person and the person's reasons for the person's intention, opinion, belief or purpose.

2.3.5 In these Regulations, unless the contrary intention appears, a reference to doing any act or thing includes a reference to causing, permitting or authorising the act or thing to be done.

2.4 Regard to be had to purpose or object of Regulations

2.4.1 In the interpretation of a Regulation, a construction that would promote the purpose or object underlying the Regulation (whether that purpose or object is expressly stated in the Regulation or not) is to be preferred to a construction that would not promote that purpose or object.

2.5 Examples

2.5.1 If these Regulations or the Procedures include an example of the operation of a Regulation or a Procedure:

- (a) the example is not to be taken to be exhaustive; and
- (b) if the example is inconsistent with the Regulation or Procedure, the Regulation or Procedure shall prevail.

2.6 Notice, notification and service of documents

2.6.1 In these Regulations or the Procedures, a reference to notifying a person of any matter includes a reference to Transmitting a message containing that matter to the person.

2.6.2 For the purposes of these Regulations and the Procedures, a Notice which is Transmitted by the Company to a NCC Participant or to a Settling Bank shall be taken to be received by the NCC Participant or the Settling Bank when matters comprised in the Notice are shown up on the computer terminal that is linked to the Computer System.

2.6.3 Subject to Regulation 2.6.2, if any Regulation requires or permits the giving of Notice of any matter to a person, such Notice shall be given in writing.

2.6.4 For the purposes of any Regulation, or any provision of the Procedure, that requires or permits a notice or document to be given to a person, whether the expression "serve", "give" or "send" or any other similar expression is used, the notice or document may be given:

- (a) to a natural person:
 - (i) by delivering it to the person personally;
 - (ii) by leaving it at, or by sending it by courier or registered post to, the address of the place of residence or business of the person last known to the person serving the notice or document; or
 - (iii) by sending it by facsimile to the person's facsimile number last known to the person

giving the notice or document;

- (iv) by sending it by email to the person's email address that the Company has established for the giving of notices or documents to such person.

(b) to a company or other body corporate:

- (i) by leaving it at, or sending it by courier or registered post to, in the case of a company, its registered office and, in the case of any other body corporate, its head office;
- (ii) by sending it by facsimile to company's or body corporate's facsimile number last known to the person giving the notice or document; or
- (iii) by sending it by email to such company or body corporate's email address that the Company has established for the giving of notices or documents to such Company or body Corporate.

(c) to others:

- (i) by leaving it at, or by sending it by courier or registered post to, the address of the place of business of the addressee last known to the person serving the notice or document;
- (ii) by sending it by facsimile to the facsimile number of the addressee last known to the person giving the notice or document; or
- (iii) by sending it by email to such addressee's email address that the Company has established for the giving of notices or documents to such addressee.

2.6.5 For the purposes of Regulation 2.6.4:

- (a) a notice or document sent by courier shall be taken to be received at the time of delivery to the correct address;
- (b) a notice or document if sent by registered post shall be taken to be received on the 5th Business Day after the notice or document, in a correctly addressed and stamped envelope or other covering, is put in the registered post;
- (c) a notice or document sent by facsimile shall be taken to be received when the sender's facsimile machine indicates a successful transmission to the correct facsimile number;
- (d) a notice or document sent by email shall be taken to be received when the sender's computer indicates a successful transmission; and
- (e) notwithstanding anything to the contrary contained in these Regulations, if a notice or document is sent by courier or registered post, as provided in Regulation 2.6.4, and is returned undelivered because:
 - (i) of the unavailability of the addressee at the address to which the notice or document

was sent, or

- (ii) the place of business, the registered or the head office, as the case may be, to which the notice or the document was sent was found to be closed or found to be not the place of business, the registered or the head office, as the case may be, of the addressee.

such notice or document shall nevertheless be deemed to have been received by the addressee for the purposes of these Regulations.

2.6.6 Nothing in Regulation 2.6.4 prevents notices or documents being sent or given to, or served on, a person in any other manner required or permitted by law or custom.

2.6.7 If under these Regulations the Company is to give any Notice or document to NCC Participant, an accidental omission by the Company to give Notice or document to one or more NCC Participant, does not affect the validity and enforceability of any resolution, decision, proceedings or act in connection with which the Notice or document was to have been given.

2.7 Defect, irregularities and deficiencies

2.7.1 A decision, resolution, proceedings or act of the Company, the Board or the Chief Executive Officer under these Regulations is not invalidated by any:

- (a) defect;
- (b) irregularity; or
- (c) deficiency,

of Notice or time unless:

- (i) a Clearing Member concerned by the defect, irregularity or deficiency requests the Board to resolve that the decision, resolution, proceedings or act is invalid;
- (ii) the Board reasonably believes that the defect, irregularity or deficiency has caused or may cause substantial injustice which cannot reasonably be avoided; and
- (iii) the Board accordingly resolves that the decision, resolution, proceedings or act is invalid.

2.7C Evasion of Requirements Prohibited

A NCC Participant shall not directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the requirements prescribed under these Regulations.

2.7B Other Terms

All words or terms not defined in these Regulations shall have the same meaning as assigned to them in the Securities and Exchange Ordinance 1969, the Securities and Exchange Commission of Pakistan Act, 1997, the Securities and Exchange Rules, 1971 and the Companies Ordinance, 1984.

2.8 Definitions

2.8.1 When used in these Regulations and, where applicable, in the Procedures, the following expressions shall, unless the context otherwise requires, have the meanings herein below specified:

Admission Form		means the relevant admission form, made available for the purpose by the Company from time to time, for use by a person seeking to be admitted in the capacity of a Clearing Member.
Acceptance for Guaranteed Settlement		means Exchange Trades and Non – Exchange Transactions accepted for guaranteed settlement by the Company except for Debt Market trades, Negotiated Deal Market trades, MTS Contracts, MF Contracts or any other trades or transactions as may be prescribed under these Regulations from time to time subject to Regulation 13.2.1, Regulation 13.3, Regulation 29.8 of these Regulations.
Appeal		means an appeal to the Commission under these Regulations.
Appeal Notice		means an Appeal Notice given under these Regulations.
Authorised Person		means any person who has the actual authority of the Clearing Member to make Transmissions or to act on his behalf or to undertake such other actions as he may be authorised so as to legally bind the Clearing Member.
Available Status		where any Securities are delivered to main, house, investor account, temporary account and/or sub account, as the case may be, maintained by a Clearing Member in CDS in available status such that the same may be dealt with by the Clearing Member.
Balance Order Accounting Operation		means all operations having to do with Balance Order
Balance Order Contracts		means the compared contracts for Balance Order Contracts Securities and other transactions in respect of Balance Order Securities submitted to the Company under these Regulations and/or the Procedures.
Balance Order Securities		means Securities that are eligible for book-entry securities transfer in CDS and are subject of Balance Order Contracts
Balance Order Settlement		means netting of Balance Order Contracts generated by NCSS based on Clearing Member wise, UIN wise and corresponding CDS house account /sub-account/ investor account wise and main account/ temporary account wise subject to the conditions applicable under Regulations 11.2.1a and 11.2.1b of the Chapter 11 of these Regulations.
Basic Deposits		means the Basic Deposit to be maintained by a Broker Clearing Member with the Company as per Fees, Charges and Deposits

		Schedule under these Regulations.
Blocked Status		where any Securities are delivered to main, house, investor account, temporary account and/or sub account maintained, as the case may be, by a Clearing Member in CDS in blocked status such that the same cannot be dealt with by the Clearing Member.
Board		means the board of directors of the Company.
Broker Clearing Member		means a TRE Certificate Holder of Stock Exchange(s) admitted as a Clearing Member to CSS under Regulation 5.1.1(a) of these Regulations.
Business Day		means any day on which the Company is open for business, as determined by the Board.
BATS		means Bond Automated Trading System as defined in the relevant regulations of the Stock Exchange.
Cash-Settled Contracts	Futures	The term cash-settled futures contracts shall have the same meaning as set out in the relevant regulations of the Stock Exchange and received from such Stock Exchange in NCSS for settlement through NCSS.
Central Depository		means a central depository as defined in clause (cc) of section 2 of the Securities and Exchange Ordinance, 1969 (XVII of 1969), and registered with the Commission under section 32A of that Ordinance.
CDC		means the Central Depository Company of Pakistan Limited.
CDC Regulations		means the Central Depository Company of Pakistan Limited Regulations.
CDS		means the Central Depository System established by CDC.
Chapter		means a chapter of these Regulations.
Chief Executive Officer		means any person occupying the position of the chief Officer executive of the Company or any person authorised by the Board to perform the functions of Chief Executive Officer during his absence.
Central Counterparty		means the Company when it acts in its capacity as a buyer to every seller and seller to every buyer as a result of Novation in respect of trades reported to it for Clearing and Settlement.
Clearing Member		means a person who is admitted as a Clearing Member under these Regulations
Clearing Member Agreement		means an agreement, in the form prescribed by the Company from time to time, entered into by a person with the Company as a pre-condition to admission of that person to NCC Systems in the capacity of a Clearing Member, Trading Financier, and Margin Financier including an agreement or a supplemental to such agreement

prescribed by the Company from time to time, entered into by a Clearing Member with the Company as a pre-condition to admission of such Clearing Member to NCC Systems in any other capacity.

Clearing Member
ID (CM ID)

means Clearing Member ID issued by the Company

Clearing Account

means the following accounts opened by the Company in the name of a Clearing Member with NCC Systems for the purposes set out in these Regulations in connection with the settlement and clearance of his trades and transactions:

- a) for Debt Market;
- b) for MT Market;
- c) for MF Market; and
- d) for Exchange Trades and SLB Market

Closing Price

- (a) means the closing price of a Security, other than the Debt Market Securities, as defined in the relevant regulations of the Stock Exchanges.
- (b) for listed Debt Market Securities, closing price shall be determined by the Stock Exchanges on the basis of the following rules:
 - (i) If the issue size of Debt Market Securities is below Rs. 1 Billion, then the minimum cut-off threshold of trades considered for price calculation shall be Rs. 15 million or;
 - (ii) If the issue size of Debt Market Securities is above Rs. 1 Billion, then the minimum cut-off threshold of trades considered for price calculation shall be Rs. 25 million
 - (iii) The volume weighted average price of the trades as per the thresholds prescribed above during last thirty calendar days shall be considered for each Debt Market Securities.
 - (iv) In case of no trading in any Debt Market Security or trades are below the above mentioned thresholds during last 30 calendar days, the last reported trade price on BATS or the weighted average of offers, whichever is lower, shall be considered for calculating the price. Provided that only those offers with a minimum value of Rs.10 million shall be considered for this purpose.

Provide further that such offers are entered in BATS at least two hours before the market close and remained unchanged during such period

The system shall clearly identify whether the closing price is calculated on

the basis of weighted average of offers or is reflecting the last reported trade.

Collateral	Includes the cash, margin eligible securities, bank guarantees, treasury bills (“T-Bills”) and/or irrevocable undertakings deposited by a NCC Participant with the Company under these Regulations as security against margin requirements of such NCC Participant. Market collateral shall have the same meaning as ascribed under the Act and shall include the term Collateral wherever used in these regulations.
Commission	means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).
Company	means National Clearing Company of Pakistan Limited.
Computer System	means the computer system forming part of the NCC Systems including the hardware to operate the NCC Systems Software.
Credit Balance	means the excess of the amounts payable by the Company to a Clearing Member on account of Securities movements, and other cash settlements over: (a) the amount which the Company has paid out or is obligated or may become obligated to pay out for the account of such Clearing Member pursuant to these Regulations, and (b) the amounts payable by such Clearing Member to the Company on account of disciplinary charges and for services, if any, rendered by the Company.
Custodian Clearing Member	means a person who is admitted by the Company as a Clearing Member under these Regulations for clearing and settlement of affirmed IDS trades executed on behalf of its clients.
Data Base Tables	means the basic component of a database. A set of tables which forms a database and holds data in the form of rows and columns.
Debit Balance	means: (a) the amount payable by a Clearing Member to the Company on account of Securities movements, and other cash settlements, (b) the amount which the Company has paid out or is obligated or may become obligated to pay out for the account of such Clearing Member pursuant to the Regulations, and (c) the amounts payable by such Clearing Member to the Company on account of disciplinary charges or for services rendered less

the credits to which such Clearing Member has become entitled pursuant to these Regulations.

The Clearing Member's Security Deposit as provided for in Chapter -8 and the amount payable to the Clearing Member or payable by it under the provisions of these Regulations relating to the Security Deposit do not enter into the Debit Balance.

Debt Market	means an automated platform provided by the Pakistan Stock Exchange for the purpose of trading in eligible Debt Market Securities as specified in the relevant regulations in the Pakistan Stock Exchange.
Debt Market Clearing Member	means a Clearing Member, including Broker Clearing Member and Non-Broker Clearing Member as defined in these Regulations, who meets the eligibility criteria as stipulated in these Regulations and has been admitted by the Company as a Debt Market Clearing Member under these Regulations.
Debt Market Protection Fund	means a fund established under this Chapter of these Regulations.
Debt Market Securities	shall have the same meaning as assigned to it in the relevant regulations of the Stock Exchange.
Default Management Committee	means the committee described in Regulation 13.4.5 of these Regulations.
Designated Branch	means a branch of a Settling Bank acceptable to the Company and to be used for performing money settlement services for the benefit of those Clearing Members who have entered into Tripartite Agreements with Settling Bank(s). Explanation: A Clearing Member may also open multiple Settling Bank accounts with any of the Designated Branch and enter into Tripartite Agreement with same title as that of his Clearing Account in NCSS, in connection with money settlement except where otherwise permitted by the Company.
Deliverable Future Contracts	The term deliverable futures contracts shall have the same meaning as set out in the relevant regulations of the Stock Exchange and received from such Stock Exchange in NCSS for settlement through NCSS.
Designated Time	means the time on a Business Day as reflected in NCSS in terms of the Designated Times Schedule, within or by which a requirement under these Regulations and/or the Procedures must be complied with.
Designated Time Schedule	means the Designated Time Schedule made by the Board under Regulation 3.7 and any revision or substitution thereof made by the

	Board or the Chief Executive Officer under the authority of the Board.
Eligible UIN Holder	means a person or an entity having a valid Unique Identification Number registered in UINs Database and become eligible to obtain a set of information as prescribed by the company from time to time.
End of Day	means, on any Business Day, such time as may be specified in the Designated Time Schedule for this purpose.
Exchange trade	means a trade which is affected on a Pakistan Stock Exchange and is received in NCSS as a locked-in trade contract for clearing and settlement through NCSS.
Fees, Charges and Deposits Schedule	means such Fees, Charges and Deposits Schedule as approved by the Board under these Regulations, subject to the approval of the Commission and any amendment, modification, revision, substitution or revision thereof made by the Board with the prior approval of the Commission.
Force Majeure	means: (a) fire, explosion, earthquake, lightning, tsunami, floods, storm, cyclone, typhoon, tornado, chemical contamination, epidemic, plague, power failure or restriction, communication breakdown, accident, war or threat of war (declared or undeclared), invasion, armed conflict, act of enemy, embargo, blockade, revolution, riot, insurrection, civil commotion, act of terrorism, radioactive contamination or ionizing radiation, strike, works to regulation or go slows, boycott, labour dispute or action, unavailability of data processing or any other computer system or facility, act of God or any other similar event; or (b) other event beyond the control of the Company which prevents or significantly hinders the operations of the Company or of NCC Systems
Foreign Entity	means an entity having the country of origin other than Pakistan and is not registered in Pakistan.
Government Securities	means any Government Securities as defined in the Securities Act, 1920 (X of 1920).
ID	means the code allocated by the Company to itself and pursuant to Regulation 4.3.1 to a Clearing Member, and the separate code allocated by the Company to a Trading Financier and Margin Financier pursuant to Regulation 4.3.1A.
International Dealer	Broker Means a Foreign Entity that engages in the business of buying and selling of Securities in the Stock Exchange for its own account or on behalf of its clients.

Locked-in	means the status of a contract in NCSS which require no additional action either by a selling or buying Clearing Member.
Margin Financing System Price	means the last trade price of a Security on the Pakistan Stock Exchange on the trade day on in such Security will be the Margin Financing System Price. Provided that NCSS will ignore the last trade(s) between the client(s) of the same Clearing Member in determining the Margin Financing System Price of a Security.
Marked-to-Market Losses	means the difference between the transaction price of the unsettled Position of an NCC Participant in each security and the Closing Price of such security at the end of each Business Day.
Marketable Lots	Means minimum tradable lot size of the NCSS eligible securities as prescribed by the Company in its Procedures based on the methodology as notified by the Stock Exchanges.
Market	Means all markets as defined in the relevant regulations of the stock exchanges.
Minimum Amount	means the minimum amount required to be deposited by a Clearing Member with the Company in cash by way of or as part of his Security Deposit and/or Basic Deposit in terms of the Fees, Charges and Deposits Schedule under these Regulations.
Money Account	means an account maintained by the Company in the name of an NCC Participant, which shall be debited and credited with moneys payable to or by the Company to arrive at his gross/net pay and/or gross/net collect, as the case may be, on account of all his trades and transactions.
NBFC Rules	means the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
NCC Systems	means collectively NCSS, Margin Trading System, MF System and SLB System and each shall be individually referred to as an NCC System.
NCC Systems Software	means collectively NCSS Software, MTS Software MF Module and SLB Software and each shall be individually referred to as a NCC System Software.
NCC Participant	means a NCSS Participant, and/or a Debt Market Clearing Member as the case may be.

NCSS		means the National Clearing and Settlement System established by the Company under these Regulations.
NCSS Participant		means a clearing member when acting as Broker Clearing Member or as Non-Broker Clearing Member or as Custodian Clearing Member, as the case may be.
NCSS Software		means all systems and application programmes relevant to the operation of the NCSS including all of the computer software maintained and used by the Company for the purposes of the NCSS (other than software used by a Clearing Member to communicate with the Company in relation to the NCSS).
NDM		means the Negotiated Deal Market as defined in the relevant regulations of the Stock Exchange.
NDM Reporting Interface		The term NDM Reporting Interface shall have the same meaning as set out in the relevant regulations of the Stock Exchange.
NDM Reporting Interface Trades		means trades received from the NDM Reporting Interface in NCSS as locked-in contract for clearing and settlement on Trade-for-Trade Settlement Basis through NCSS.
Non-Broker Member	Clearing	means a person who is admitted as a Clearing Member to NCSS under Regulation 5.1.1 and is not a TRE Certificate Holder of a Stock Exchange.
Non-Deliverable Futures Contracts		means: net positions of the marked-to-market loss to be collected from and/or the profit to be disbursed to a Clearing Member in respect of cash settled futures contracts and stock index futures contracts concluded in the cash settled futures market and stock index futures market respectively of a Stock Exchange under the regulations governing cash settled futures contracts and stock index futures contracts of such Stock Exchange determined on a daily basis or upon closing of such contracts and received from such Stock Exchange in NCSS for settlement through NCSS: for the purposes of this definition, the term cash settled futures contracts and stock index futures contracts shall have the same meaning as set out in the relevant regulations of the relevant Stock Exchange.
Non Exchange Transaction		means (i) an institutional delivery system transaction, as per the Procedures, which is not effected on a Stock Exchange and is initiated by a Clearing Member, who is a TRE Certificate Holder of a Stock Exchange, based on an Exchange trade; or and is recorded on NCSS in which the initiating Clearing Member notifies NCSS that the transaction shall be settled by an affirming Clearing Member on his behalf, provided that such affirmation is made by a Clearing Member (who may be a TRE Certificate Holder

or a non-TRE Certificate Holder of a Stock Exchange. Moreover, institutional delivery system transaction based on provisionally listed companies market shall stand null and void in the event of formal listing of such companies being refused by the relevant Stock Exchange.

- (ii) MT Transaction and MT (R) Transaction as defined in these Regulations.
- (iii) SLB Transaction and SLB (R) Transaction as defined in these Regulations.
- (iv) MF Transaction and MF (R) Transaction as defined in these regulations.

Provided that Non Exchange Transaction shall not be allowed on trades executed in the NDM Reporting Interface for T+0 settlement cycle.

Novation means the act of the Company interposing as a Central Counter Party upon Acceptance for Guaranteed Settlement of trades by it, in accordance with the provisions of these Regulations.

Novated Contract A contract between the Company and a Clearing Member arising as a result of the “Novation” of an “Acceptance for Guaranteed Settlement” trade by the Company referred to in Regulation 3.16.

Obtain means:

- (a) to print a Report available on NCC Systems;
- (b) to Transmit, within the Designated Time, a request for any Report to the Company; and
- (c) to receive a Transmission of that Report from the Company in response to a request.

PMEX means Pakistan Mercantile Exchange

Position means the net of a Clearing Member’s open commitment in a security.

Pre-commencement Testing means testing, under the direction of the Company, to establish whether a Clearing Member meets the Technical and Performance Requirements.

Procedures means procedures of NCC System made under Regulation 3.5, and include any amendment, modification, revision and/or substitution thereof.

PMEX Means Pakistan Mercantile Exchange Limited

Ready Delivery Contract or Ready The term Ready Delivery Contract or Ready market Contract shall have the same meaning as set out in the relevant regulations of the

Market Contract	Stock Exchange and received from such Stock Exchange in NCSS for settlement through NCSS.
Report	means any of the reports whose parameters are prescribed in the Procedures from time to time.
Registration Details	means: (a) in respect of an individual: (i) the name; (ii) the address; and (iii) CDC Account number. (b) in respect of a company or other body corporate: (i) the name; (ii) the registered/Head Office address; and (iii) CDC Account number. and includes such other Registration Details as may be prescribed by the Board.
Security	means a Security as defined in Clause 24 of Section 2 of the Central Depositories Act, 1997 [XIX of 1997], which may be subject of contracts eligible to be settled in NCSS.
Security Deposit	means the security deposit to be maintained by a NCC Participant with the Company under Chapter 8.
Settlement Value	means a value, with reference to the settlement of Debt Market Securities that a buyer of Debt Market Securities has to pay to the seller i.e. the purchase price plus an amount equal to the Accrued Interest from the last interest payment date to the disposal date.
Settlement Guarantee Fund (“SGF”)	means the Settlement Guarantee Fund (“SGF”) established by the Company pursuant to Section 26 (1) (d) of the Securities Act, 2015 by a Trust Deed made between the Company, and the trustees named in the said Trust Deed, , in whom the Settlement Guarantee Fund is vested for the purpose of payment of the required amount(s) to the Company from time to time for satisfying Clearing Member(s)’ obligations to the Company in case of the default of such Clearing Members’ in terms of these Regulations and the Procedures.
Settlement Date	means the date on which the delivery of and payment for Securities is due as per Clearing and Settlement Calendar issued by the Company pursuant to Procedures.
Settling Bank	means a bank acceptable to the Company which meets the eligible criteria set out in these Regulations and is a party to a Tripartite Agreement whereby such bank undertakes to perform money settlement services for the Clearing Member through its Designated Branch. Save and specifically provided that, a Clearing Member may

appoint more than one Settling Bank(s) and enter into a Tripartite Agreement with the Designated Branch.

Stock Exchange

means a stock exchange registered under the Securities and Exchange Ordinance, 1969 (XVII of 1969).

System Price

the last trade price of a Security on the Pakistan Stock Exchange on the immediate preceding Business Day of Stock Exchange on which there were trades on in such Security will be the System Price Provided that NCSS will ignore the last trade(s) between the client(s) of the same Clearing Member in determining the System Price of a Security. Notwithstanding the foregoing, the Company may fix the "System Price" of a Security at such amount as it deems necessary and appropriate in the circumstances to protect the respective interests of the Clearing Member(s) and the Company: (a) whenever trading in such Security has been suspended by order of the Commission or by Pakistan Stock Exchange on which such Security is listed or by any other authority having power to suspend trading in such Security, (b) to reflect a dividend or other distribution on such Security, or (c) in other appropriate circumstances.

- (a) whenever trading in such Security has been suspended by order of the Commission or by any Stock Exchange on which such Security is listed or by any other authority having power to suspend trading in such Security,
- (b) to reflect a dividend or other distribution on such Security, or
- (c) in other appropriate circumstances.

Technical and Performance Requirements

means the requirements to be satisfied by a Clearing Member under Regulation 4.2 and Chapter 5.

Term Finance Certificate ("TFC")

means a Security as defined in these Regulations, which may be subject of contracts eligible to be settled in NCSS.

Transmit

means to cause a message, document or other information to be sent through electronic or any other suitable mean.

Trade Date

means the date on which the Exchange trade was entered into between a buying and a selling Clearing Member.

Trader ID

Pakistan Stock Exchange TRE Certificate Holder code issued by Pakistan Stock Exchange to their TRE Certificate Holders. Provided that, after integration of Stock Exchanges, codes issued to the TRE Certificate Holder of Karachi Stock Exchange before integration shall remain the same. Whereas, codes issued to the TRE Certificate Holder of Lahore Stock Exchange from 001 to 200 before integration of Stock Exchanges shall be replaced with 201 to 400 and codes issued to the TRE Certificate Holder of Islamabad Stock Exchange from 501 to 650 before integration of Stock Exchanges shall be replaced with 401 to 550 after integration.

Tripartite Agreement	an agreement, in the form prescribed by the Company from time to time, entered into between the Company, a Clearing Member and a Settling Bank where under the Settling Bank undertakes to perform money settlement services for the Clearing Member in connection with all his trades and transactions other than those entered into as Debt Market Clearing Member, including an agreement or a supplemental to an existing Tripartite Agreement in the form prescribed by the Company from time to time, entered into between the Company, Debt Market Clearing Member, and a Settling Bank where under the Settling Bank undertakes to perform money settlement services for the Debt Market Clearing Member on account of Debt market trades only.
Trade for Trade Settlement	means a separate Balance Order Contract generated for every Debt Market trade and NDM Reporting Interface Trade by NCSS based on Clearing Member wise, UIN wise and corresponding CDS investor account/ house/sub-account wise and main account / temporary account wise in accordance with the conditions applicable under Regulations 10A.1 of the Chapter 10A of these Regulations.
TRE Certificate	means a Trading Right Entitlement (TRE) Certificate as defined in the relevant regulations of the Stock Exchanges.
TRE Certificate Holder	Means a Trading Right Entitlement (TRE) Certificate Holder as defined in the relevant regulations of the Stock Exchanges.
Unique Identification Number (UIN)	for the following client types of a Broker Clearing Member means: (I) For individual Pakistani including individual Broker Clearing Member – Computerized National Identity Card Number (CNIC) issued by National Database Registration Authority (NADRA); (II) For individual foreigner / overseas Pakistani citizen (without CNIC) – Passport number; (III) For overseas Pakistani – Computerized National Identity Card for Overseas Pakistanis (NICOP) number issued by NADRA; (IV) For foreign individual of Pakistan Origin – Pakistan Origin Card (POC) number issued by NADRA; (V) For a Non-Pakistani residing in Pakistan – National Alien Registration (NAR) number issued by the National Alien Registration Authority; (VI) For a corporate entity including a Corporate Broker Clearing Member – Registration number issued by the Commission; (VII) For a mutual fund / modaraba – Specific number issued by the Company;

- (VIII) For foreign institutional investor IBD Registration number issued by the concerned authority in the country of incorporation or registration of the foreign institutional investor IBD placing the order with an alphabetical prefix or suffix attached to such number by the Company. Provided that where an IBD is involved in trading on behalf of its clients, it shall be issued a separate UIN and such UIN shall not be allowed to be used for proprietary trading.
- (IX) For a trust, foundation, gratuity fund, provident fund, co-operative society or similar other entity – Registration number, if any, issued by the concerned authority where registration number is not issued by the Commission; and
- (X) Where (i) to (ix) do not apply, or cannot be given effect to, any other number issued by the Company to a Broker Clearing Member client as per the scheme prescribed by the Company and approved by the Commission for this purpose from time to time.

EXPLANATION

Provided that the term “client” as used above for the purposes of UIN shall mean the client of a Broker Clearing Member and the Broker Clearing Member itself if it trades on its own account.

Provided further that there shall be only one UIN for all of the categories mentioned above i.e. from (i) to (xi), in order to avoid duplication / multiplication of UINs.

UIN Database	means a set of information consisting of the UINs generated in NCSS by the Broker Clearing Members. Such information would include the form and fields, as may be required for the registration of clients by Broker Clearing Members in NCSS. This may also include the UIN information, provided by the Commission or by the Company or by the CDC or by the PMEX to provide UIN Registration Details in the UINs Database.
UIN Mapping Table	Database Tables in NCSS for UIN Mapping available to the Commission and to Pakistan Stock Exchange for the purpose of ensuring that all trades are executed in a transparent manner.
UIN Registration Details	means: the following details of the trading accounts of the Broker Clearing Members: (i) Client name; (ii) Applicable UIN; (iii) Client Code/Client ID issued by a Broker Clearing Member; (iv) Client Type; and (v) CDS house, investor account and/or sub-account number, as the case may be.

EXPLANATION:Client Code / Client ID

means the Code or ID assigned by the Broker Clearing Members to their clients in their back office system and on the Stock Exchanges' trading terminal.

A Client Code once used for a client cannot be assigned to another client of the same Broker Clearing Member even after the closure of the account. Thus a Client Code once assigned against a UIN cannot be changed / altered or assigned to another client of the same Clearing Member ID and Trader ID.

Client Codes which are tagged with the Trader IDs of BCMs of Lahore Stock Exchange and Islamabad Stock Exchange shall be tagged with the new Trader IDs of such BCMs, issued by the Pakistan Stock Exchange after the integration of Stock Exchanges.

Client Name

means the name of the client of the Broker Clearing Member, as evident from any registration document referred to or contemplated in the definition of UIN above.

Client Type

means the status of the client of a Broker Clearing Member. This can be one of the following:

- (i) individual Pakistani citizen (which will include individual Broker)
- (ii) individual foreigner/overseas foreign national of Pakistani origin/non Pakistani residing in Pakistan
- (iii) Non-Individual (local or foreign):
 - (a) corporate Broker;
 - (b) company registered with the Commission;
 - (c) all other entities described in the definition of UIN.

CDS house, investor account and/or sub-account number means the CDS house, investor account and/or sub-account number that shall be required to be mapped with the respective UIN Registration Details in a manner whereby UINs appearing in the CDS house, investor account and/or sub-account shall be similar with the NCSS UIN Registration Details. However, multiple client codes of a same UIN under same Clearing Member may be mapped with the single CDS house, investor account and/or sub-account under the same CDS Account Holder of the same UIN.

Aforementioned requirement shall not be applicable for client codes pertaining to the Non-broker Clearing Member, clients having CDS sub-account maintained with the Custodian Clearing Member of the Company, those clients not registered for the purposes of trading in

the Stock Exchanges, and for those clients which may be allowed by the Commission from time to time. Provided that in case, where Broker Clearing Member intends to tag client code(s) of IBD with its UIN issued for trading on behalf of its clients, such Broker Clearing Member shall obtain approval from the Company before tagging of UIN with respective client code(s) and CDS sub-account and provide to the Company, necessary supporting documents and information as prescribed in the procedures, duly attested by Broker Clearing Member. The Company, after review of the provided documents and information may allow mapping the respective UIN. The Company may, however, reject any such request based on the reasons to be recorded in writing after providing opportunity of being heard.

UIN Registration
Screen

means the Registration Screen in NCSS whereby the Broker Clearing Members will provide Clients UIN Registration Details to the Company as described in the Procedures.

CHAPTER 3: THE NCC SYSTEMS

3.1 Operations of the NCC Systems

3.1.1 NCC Systems shall be maintained and operated or caused to be maintained and operated by the Company in accordance with these Regulations and the Procedures.

3.1.2 As notified by Notice to:

- (a) the Commission;
- (b) each Stock Exchange; and
- (c) all Clearing Members,

NCSS became operational as of December 24, 2001.

3.1.3 Margin Trading System, MF System and SLB System shall become operational on a date to be notified by the Company by issuing a notice to:

- (a) the Commission;
- (b) each Stock Exchange; and
- (c) all NCC Participants.

3.2 Powers of the Company

3.2.1 The Company has such powers as are conferred on it by or under:

- (a) any law;
- (e) these Regulations;
- (c) the Procedures; and
- (d) any contract or arrangement with a Clearing Member, Settling Bank, Pakistan Stock Exchange, CDC or any other person.

3.2.2 Unless the contrary intention appears, powers conferred on the Company by or under these Regulations and/or the Procedures shall be exercised in such manner as the Board may from time to time prescribe in this behalf.

3.2.3 If under any of these Regulations or the Procedures, the Company or the Board has power to make, issue Regulations, Procedures, specifications, determinations, schedules, conditions or restrictions on or in respect of admission to NCC Systems or other instruments (in this Regulation 3.2.3 called, collectively "instruments"), this power includes a power exercisable in the same manner and subject to the same conditions (if any) to repeal, rescind, revoke, amend or vary any of such instruments.

3.2.4 The Board may, subject to Regulation 3.2.5, exempt any person or group of persons from the

obligation to comply with a provision of these Regulations or the Procedures, either generally or in a particular case, and either unconditionally or subject to such conditions as the Board thinks fit.

- 3.2.5 The Board shall not exempt any person or group of persons under Regulation 3.2.4 from an obligation to comply with:
- (a) a Warranty and Indemnity Provision;
 - (b) a provision of this Chapter and of Chapter 8 (SECURITY DEPOSIT/BASIC DEPOSIT) except the provisions of Regulation 8.4.1, Chapter 13 (MONEY DEFAULT MANAGEMENT), Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) and Chapter 23 (HEARING AND APPEAL PROCEDURES).
- 3.2.6 Failure to comply with a condition imposed under Regulation 3.2.4 is a contravention of that Regulation.
- 3.2.7 The Board may specify the period during which any exemption from an obligation to comply with a provision of these Regulations or of the Procedures will apply. If the Board:
- (a) does not specify a period, the period shall be 30 Business Days; or
 - (b) does specify a period, the period shall not exceed 30 Business Days,
- unless:
- (c) (i) the Company gives Notice to the Commission of a proposed extension of the period at least 5 Business Days before the expiry of the period; and
 - (ii) before the expiry of the period the Commission does not advise the Company that it has an objection to the extension of the period.
- 3.2.8 The Company shall set up and maintain a register for recording details of exemptions granted by the Board under Regulation 3.2.4.
- 3.2.9 If the Board exempts a person or group of persons from the obligation to comply with a provision of these Regulations or of the Procedures under Regulation 3.2.4, the Company shall enter the following details in the register maintained under Regulation 3.2.8:
- (a) the date that the exemption takes effect;
 - (b) the person or group of persons exempted from the obligation;
 - (c) the provision to which the exemption applies;
 - (d) brief reasons for the exemption;
 - (e) any condition that applies to the exemption; and
 - (f) description of exemption granted.

3.3 Exercise and delegation of functions and powers

- 3.3.1 Unless the contrary intention appears, the Board shall exercise all the powers and functions of the Company under these Regulations and the Procedures.
- 3.3.2 Unless the contrary intention appears, the Board may delegate any of the Boards or the Company's powers and functions under these Regulations and/or the Procedures to:
- (a) the Chief Executive Officer; or
 - (b) any one or more other officers of the Company or any other person or persons.
- 3.3.3 Where the Board delegates any powers or functions in accordance with Regulation 3.3.2, the Board may authorise those delegates to sub-delegate any of the delegated powers.
- 3.3.4 A delegation of a power or function, or of a specified class of powers or functions, may be made either generally or as otherwise provided by the terms of delegation.
- 3.3.5 If any power or function is delegated:
- (a) performance or exercise by the delegate of the power or function shall be taken to be performance or exercise by the Company or the Board, as the case requires;
 - (b) the delegation shall not prevent the performance or exercise of the power or function by the Company or the Board, as the case requires; and
 - (c) where the performance or exercise depends upon the opinion, belief or state of mind of the Company or the Board, as the case requires, the power or function may be performed or exercised by the delegate upon the opinion, belief or state of mind of the delegate.

3.4 Binding effect of the Regulations and Procedures

- 3.4.1 These Regulations (other than, except as provided in these Regulations, a Warranty and Indemnity Provision) and the Procedures shall have the effect of a contract between the Company and each NCC Participant under which:
- (a) each NCC Participant covenants with the Company to observe the Regulations and the Procedures, and to perform the obligations which the Regulations and the Procedures purport to impose on the Clearing Member, in the manner provided by the Regulations and the Procedures; and
 - (b) subject to Regulations 3.9 and 3.10, the Company covenants with each NCC Participant to observe the Regulations and the Procedures, and to perform the obligations which the Regulations and the Procedures purport to impose on the Company, in the manner provided by the Regulations and the Procedures.
- 3.4.2 The Company and the NCC Participant are not liable for failure to comply with a Regulation or any requirement of the Procedures (other than a Warranty and Indemnity Provision), if and to the extent to which, compliance has been delayed, interfered with, curtailed or prevented by the occurrence of an event of Force Majeure affecting the Company and or NCC Systems.

- 3.4.3 The Company shall not be liable to any NCC Participant or to any other person, company or other entity whatsoever which may have any rights under these Regulations or the Procedures for any failure or delay in the performance of its functions and obligations under these Regulations, the Procedures or under any applicable agreements or for any failure, break-down or suspension of NCC Systems if such failure, delay, break down or suspension is directly or indirectly attributable to the occurrence of an event of Force Majeure or any other events or circumstances or combination of events and circumstances beyond the reasonable control of the Company. Notwithstanding any other Regulation, this Regulation has the effect of a contract between the Company and all NCC Participants and all other persons, companies and entities which may have any rights under these Regulations, the Procedures or under any agreements entered into by them with the Company.
- 3.4.4 The Company Indemnity under Regulation 3.8 has the effect of a contract between the Company and each NCC Participant.
- 3.4.5 The NCC Participant Warranties and Indemnities under Regulation 5.9 and 7.2.7 have the effect of a contract between NCC Participant, the Company and every other NCC Participant.

3.5 Procedures

- 3.5.1 The Board may make Procedures from time to time relating to the operations and functions of NCC Systems and implementations of these Regulations.
- 3.5.2 The Procedures shall have binding effect upon the NCC Participants.
- 3.5.3 If a Regulation requires a person to comply with any part of the Procedures, failure by the person to comply with that part of the Procedures is a contravention of these Regulations.
- 3.5.4 The Company shall have the right at any time to make such changes in the Procedures, including substituting the same, as it may deem necessary, provided that the Company shall give such Notice as is reasonable in the circumstances, being of not less than ten (10) Business Days, to NCC Participants prior to implementing changes in or substitution of the Procedures.

3.6 Fees, Charges and Deposits

- 3.6.1 The Board shall, with the prior approval of the Commission, make a Fees, Charges and Deposits Schedule specifying (i) the fees and charges payable for facilities and services provided by the Company and the time by which, or period within which, the fees and charges must be paid, and (ii) the Security Deposit and Basic Deposit to be maintained by the NCC Participants with the Company. The Fees, Charges and Security Deposit Schedule as in force on the date of coming into force of these Regulations (as approved by the Commission) shall be deemed to have been made under this Regulation.
- 3.6.2 In consideration for the facilities and services provided to it by the Company, each NCC Participant shall pay fees and charges to the Company in accordance with the Fees, Charges and Security Deposit Schedule.
- 3.6.3 The Fees, Charges and Security Deposit Schedule may include fees and charges imposed to recover costs, damages and expenses incurred by the Company by reason of a failure by a NCC Participant to comply with these Regulations and/or the Procedures.

- 3.6.4 The Company shall have the right, with the prior approval of the Commission, at any time to make such changes in the Fees, Charges and Security Deposit Schedule as it may deem necessary, provided that the Company shall promptly notify the NCC Participant of any changes to the Fees, Charges and Security Deposit Schedule prior to implementing those changes.
- 3.6.5 A may be charged for any unusual expenses caused directly or indirectly by such NCC Participant including but without limitation, the cost of producing records pursuant to a court order or other legal process in any litigation or other legal proceeding to which such NCC Participant is a party or in which such records relating to such NCC Participant are so required to be produced, whether such production is required at the instance of such NCC Participant or of any other party other than the Company.

3.7 Designated Time Schedule

- 3.7.1 The Board shall make a Designated Time Schedule specifying the Designated Times. The Designated Time Schedule as in force on the date of coming into force of these Regulations shall be deemed to have been made under this Regulation.
- 3.7.2 The Chief Executive Officer or any Officer of the Company designated by the Chief Executive Officer may relax the requirements of the Designated Time Schedule or grant extension in any Designated Time in an emergency or on a case to case basis.
- 3.7.3 The Board, or the Chief Executive Officer, where authorized by the Board, shall have the right at any time to make such amendment, modification, revision in/or substitution of the Designated Time Schedule as the Board, or the Chief Executive Officer, as the case may be, may deem necessary, provided that the Company shall promptly notify the NCC Participants, and the Settling Banks of any changes to the Designated Time Schedule prior to implementing those changes.

3.8 Company Indemnity

- 3.8.1 The purpose of Regulations 3.8, 3.9 and 3.10 is to set out the circumstances in which the Company may become liable to compensate a NCC Participant or other person for loss arising out of any act or omission of the Company.
- 3.8.2 Subject to Regulations 3.8.8, 3.9 and 3.10, if:
- (a) the Company Transmits a Report or takes any action, as the case may be, in accordance with these Regulations and/or the Procedures, and the Report or action, as the case may be:
 - (i) has been Transmitted or taken, as the case may be, by mistake; or
 - (ii) the Report or action, as the case may be, contains a mistake,
due to any wrongful act or omission on the part of or negligence of the Company; and
 - (b) the NCC Participant to whom or in respect of whom the Company:
 - (i) took the mistaken action suffers a loss because of the mistake; or

- (ii) Transmitted the mistaken Report and the NCC Participant relies upon the Report and suffers a loss because of the mistake,

the Company shall indemnify the NCC Participant for that loss, PROVIDED that the NCC Participant has filed his claim with the Company within seven (7) days of the occurrence of the mistaken action or Transmission of the mistaken Report by the Company, where after, (if the NCC Participant has not filed his claims with the Company within the said seven (7) days), the Company shall stand discharged of its obligations under this Regulation.

PROVIDED further that:

- (d) the amount of any compensation payable by the Company for that loss shall be reduced to the extent that the mistake was caused or contributed to by negligent conduct or omission, or contravention of these Regulation and/or of the Procedures and/or of any applicable agreements by the NCC Participant ; and
- (e) if the Company makes a payment to a NCC Participant in discharge of its liability to that person under this Regulation, the Company is subrogated to all rights which that person may have against any other person with respect to the matter which was the subject of the claim against the Company.

3.8.3 The indemnity contained in Regulation 3.8.2 does not apply if the mistaken information contained in a Report is derived from information supplied to the Company or another person by any NCC Participant, Pakistan Stock Exchange, Settling Bank or any third party.

3.8.4 The indemnities contained in this Regulation are not applicable to any losses, damages, costs or expenses suffered or incurred by any NCC Participant to the extent that such losses, damages, costs or expenses would have been avoided if the Clearing Member had acted reasonably in accordance with prudent practices.

3.8.5 If a provision of Regulation 3.8, 3.9 or 3.10 purports to exempt the Company from liability or to limit its liability, such provision is intended to operate to the full extent permissible by law, but is to be read subject to any qualification imposed by law.

3.8.6 Every exemption from or qualification of liability applicable to the Company in these Regulations shall also extend to protect every director, officer, employee or agent of the Company and any contractor engaged by the Company to perform services with respect to the NCC Systems.

3.8.7 Each NCC Participant and the Company acknowledges that the Commission shall not have any liability to any person in respect of any act or omission of the Company in connection with the NCC Systems and in respect of any aspect of the administration of the NCC System to the full extent permitted by law.

3.8.8 Subject to Regulations 3.8, Regulations 3.9 and 3.10, neither:

- (a) the Company;
- (b) an employee of the Company or any other person who is authorised to perform or exercise a function or power of, or on behalf of, the Company;
- (c) the members of the Board; nor

(d) the Chief Executive Officer,

is liable to an action or other Proceeding for damages for or in relation to an act done or omitted in good faith in performance or purported performance of any function, or in exercise or purported exercise of any power, conferred or expressed to be conferred by or under these Regulations, the Procedure and/or any applicable agreement.

3.8.9 The amount payable by the Company in pursuance of its indemnity contained in Regulation 3.8.2 shall not exceed the market value of the Securities or any amount in respect of which the Company took the mistaken action or Transmitted the mistaken Report.

3.9 Specific exclusion of liability provisions

3.9.1 Regulations 3.4, 3.8 and 3.10 are subject to this Regulation 3.9, which applies whether or not the Company is negligent or in willful default.

3.9.2 The Company is not liable to compensate any person for any losses, damages, costs or expenses suffered or incurred by him in consequence of a failure or refusal to admit a person as a NCC Participant.

3.9.3 The Company is not liable to compensate any person for any losses, damages, costs or expenses suffered or incurred in consequence of the Company not declaring any Securities as eligible to be cleared and settled in NCSS and not declaring any Security as eligible for MT Market, MF Market and SLB Market.

3.9.4 The Company is not liable to compensate any person for losses, damages, costs or expenses suffered or incurred by him in consequence of:

- (a) suspension or revocation of the eligibility of any Security to be cleared and settled in NCSS;
- (b) suspension or revocation of the eligibility of any Security in MT Market, MF Market and SLB Market;
- (c) any Appeal whether in accordance with these Regulations or not;
- (d) any enforcement action taken by the Company in accordance with a determination of the Chief Executive Officer, the Disciplinary Tribunal or the Commission under Chapter 23 (HEARING AND APPEAL PROCEDURES); or
- (e) any action to suspend, prohibit or limit a NCC Participant with respect to access to services offered by the Company in terms of these Regulations.

3.9.5 If the Company is obliged under these Regulations to notify a person of a matter and fails to do so, the Company is not liable to compensate any person other than the person to whom the notification should have been given.

3.9.6 If the Company is obliged under any Regulation and/or the Procedures and/or any applicable agreement to keep information confidential and the Company fails to do so, the Company is not liable to compensate any person other than the person who supplied the information to the

Company, or on whose behalf information was supplied.

- 3.9.7 The Company is not liable to compensate any person for losses, damages, costs or expenses suffered or incurred in consequence of any action taken under Chapter 8 (Security Deposit/Basic Deposit), Chapter 15 (WHEN THE COMPANY RESTRICTS, SUSPENDS OR TERMINATES ITS SERVICES TO A CLEARING MEMBER), Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) and Chapter 24 (RELEASE OF CLEARING DATA).

3.10 Exclusion of other liabilities

- 3.10.1 The Company is not liable to compensate, indemnify or pay any amounts to any NCC Participant for losses, damages, costs or expenses suffered or incurred in consequence of a contravention by the Company of, or failure by the Company to comply with, any provisions of these Regulations and/or the Procedures unless the contravention or failure is caused by wrongful act or omission on the part of or negligence of the Company.
- 3.10.2 The Company is not liable to compensate, indemnify or pay any amounts to any person other than a NCC Participant for losses, damages, costs or expenses suffered or incurred in consequence of wrongful act or omission on the part of or negligence of the Company except as provided in Regulation 3.8.

3.11 NCC Participant Indemnity

If as consequence of any mistaken action or mistaken Report of the Company, any Securities are delivered to the Clearing Member or any amount is paid in to his settling account to which such NCC Participant is not entitled, the NCC Participant shall return the same to the Company by the End of Day on the next Business Day following the Business Day on which he came to know of such delivery or payment, provided that the NCC Participant shall be deemed to have come to know of such delivery or such payment by the End of Day on the second Business Day following the Business Day on which such delivery or payment was made. Provided further that where the Company has itself discovered making of such delivery or payment, as the case may be, the NCC Participant shall forthwith by the End of Day on the next Business Day following the Business Day on which the Company by Notice requires return of the said Securities or the said amount, as the case may be, return the same to the Company. If the NCC Participant does not return the Securities or the amount delivered or paid to him by mistake within the period(s) stipulated above in this Regulation, and, as a consequence, the Company becomes liable to pay any compensation and/or expenses to any other NCC Participant or NCC Participants, such non-compliant NCC Participant shall indemnify the Company for such compensation and/or expenses.

3.12 Intellectual property

- 3.12.1 Subject to payment of fees and charges in accordance with the Fees, Charges and Security Deposit Schedule, the Company grants to each NCC Participant a non-exclusive, non-transferable license to use NCC Systems' Software to communicate with the NCC Systems to the extent and in the manner required or permitted by these Regulations and the Procedures.
- 3.12.2 Subject to the license granted in Regulation 3.12.1, the Company reserves all intellectual property rights it has or may have in relation to NCC Systems and NCC Systems' Software and also reserves any rights that it may have in relation to the confidentiality of information passing

into or out of, or held within NCC Systems.

3.12.3 To the fullest extent permitted under the law for the protection of the intellectual property rights referred to in Regulation 3.12.2, the Company prohibits each NCC Participant from:

- (a) attempting to alter or modify all or any part of NCC Systems' Software;
- (b) attempting to recreate, reverse engineer or in any other way derive the source code or object code for all or any part of NCC Systems' Software;
- (c) using or communicating with NCC Systems otherwise than as required or permitted by these Regulations and the Procedures; or
- (d) allowing a person that is not an Authorised Person access to NCC Systems.

3.13 Dispute resolution between NCC Participants

3.13.1 Any dispute between any NCC Participants in relation to matters arising under or regulated by these Regulations and/or the Procedures may be referred by any NCC Participant to the Chief Executive Officer for determination in accordance with Regulations 3.13.3 to 3.13.6.

3.13.2 The reference made to the Chief Executive Officer under Regulation 3.13.1 shall:

- (a) be accompanied by such payment to the Company as the Board may from time to time in this behalf determine;
- (b) be made in writing together with the statement that the complaint is made pursuant to this Regulation 3.13; and
- (c) must contain sufficient particulars for the Chief Executive Officer to form a view that prima facie the NCC Participant referring the dispute has suffered, or is likely to suffer, a loss as a result of contravention of these Regulations and/or the Procedures by another NCC Participant.

3.13.3 A dispute between NCC Participants may be referred to the Chief Executive Officer whether or not any NCC Participant is a Party to a Proceeding or Appeal in relation to the events which have given rise to the dispute.

3.13.4 Upon referral of a dispute, the Chief Executive Officer may inquire into all facts, matters and circumstances relevant to the dispute and for this purpose may take statements (orally or in writing) from persons, request documents or other evidence and generally conduct his inquiries and Proceedings for the resolution of the dispute as he thinks fit.

3.13.5 Except as required by law, no person (including the Chief Executive Officer) may use or disclose information, statements, documents or other evidence obtained by the person as a result of an inquiry of the Chief Executive Officer into a dispute, for any purpose other than resolution of that dispute.

3.13.6 Subject to the right of any person to have a dispute or any connected matter determined by a court or arbitration, the Chief Executive Officer may determine any dispute referred to him, and

the parties to the dispute shall accept and abide by the determination of the Chief Executive Officer.

- 3.13.7 For the purpose of this Regulation 3.13, the term Chief Executive Officer shall include a person designated by the Chief Executive Officer.

3.14 Complaints against the Company

- 3.14.1 Subject to Regulations 3.8 to 3.10, if a NCC Participant has a complaint in relation to:

- (a) any failure, complete or partial, or inefficiency in the performance of any function of the Company; or
- (b) any contravention by the Company of its obligations under these Regulations,

such complaint may be referred to the Chief Executive Officer for determination in accordance with Regulation 3.14.3.

- 3.14.2 The reference made to the Chief Executive Officer under Regulation 3.14.1 shall be made in writing together with the statement that the complaint is made pursuant to this Regulation 3.14.1.

- 3.14.3 Upon referral of a complaint, the Chief Executive Officer may inquire or may authorise any person to inquire into all facts, matters and circumstances relevant to the complaint and take such action for the resolution of the complaint as he thinks appropriate in the circumstances.

- 3.14.4 Any NCC Participant aggrieved by the determination of the Chief Executive Officer under Regulation 3.14.3 may refer his complaint to the Board for determination. A request to the Board for determination must be in writing and filed by the NCC Participant with the Company Secretary of the Company within Seven (07) Business Days after receipt from the Company of the determination of the Chief Executive Officer under Regulation 3.14.3.

- 3.14.5 Upon referral of a complaint by a NCC Participant to the Board for determination under Regulation 3.14.4, the Board may authorise a committee of the Board to inquire into all facts, matters and circumstances relevant to the complaint in the light of the Chief Executive Officer's determination under Regulation 3.14.3, and the Board may take such action for the resolution of the complaint as it thinks fit.

- 3.14.6 A NCC Participant may file an Appeal against the decision of the Board under Regulation 3.14.5. The provisions of Regulations 23.4, 23.5 and 23.6 shall mutatis mutandis apply to such Appeal.

3.15 Reports available in NCC Systems

Such Reports as may be prescribed from time to time in the Procedures may be Obtained from the Company by any NCC Participant.

3.16 NOVATION

- 3.16.1 The Company shall act as a Central Counter Party through Novation in respect of trades accepted for guaranteed settlement reported for clearing and settlement.
- 3.16.2 After Acceptance for Guaranteed Settlement by the Company, as a consequence of the Company acting as a Central Counterparty in respect of such transactions, the trades covered under such guaranteed settlement transactions shall stand novated to the Company and replaced with two Novated Contracts.
- 3.16.3 Upon novation of the trades covered under the guaranteed settlement transactions to the Company:
- (i) the money obligation of the buying Clearing Member to the selling Clearing Member is replaced by the money obligation of the buying Clearing Member to the Company;
 - (ii) the right of the buying Clearing Member to receive the securities from the selling Clearing Member is replaced by the right of the buying Clearing Member to receive the securities from the Company;
 - (iii) the obligation of the selling Clearing Member to deliver the securities to the buying Clearing Member is replaced by the obligation of the selling Clearing Member to deliver the securities to the Company; and
 - (iv) the right of the selling Clearing Member to receive payment from the buying Clearing Member is replaced by the right of the selling Clearing Member to receive the payment from the Company.
- 3.16.4 The obligation and rights under Novated Contracts:
- (i) between the buying Clearing Member and the Company; and
 - (ii) between the selling Clearing Member and the Company,
- are owed by and to parties of the Novated Contracts, i.e. the Company and Clearing Members, to each other notwithstanding that the buying and selling Clearing Members may have acted as agents for their respective clients in executing or clearing and settling the relevant transactions which have been accepted by the Company for guaranteed settlement.
- 3.16.5 Unless otherwise provided in these Regulations, the terms of the Novated Contracts shall be on the same terms as the relevant trade accepted for guaranteed settlement replaced by such Novated Contracts.

CHAPTER 4: COMMUNICATIONS IN THE NCC SYSTEMS

4.1 Communication by and between NCC Participants and NCC Systems

4.1.1 Each NCC Participant shall:

- (a) establish and maintain an interface with the NCC Systems; and
- (b) ensure that no person other than the NCC Participant itself or an Authorised Person has access to that interface with the NCC Systems.

4.1.2 A NCC Participant shall promptly give Notice to the Company if it or its Authorised Person:

- (a) is aware of any fact or matter; or
- (b) intends to take any action,

that may affect its capacity to communicate reliably with NCC Systems.

4.1.3 The Company shall promptly give Notice to a NCC Participant if the Company's ability to communicate with the NCC Participant through the NCC Participant's interface with NCC Systems is or may be impaired.

4.1.4 If a NCC Participant gives Notice to the Company under Regulation 4.1.2 or if the Company gives Notice to a NCC Participant under Regulation 4.1.3, the Company may take such steps as it considers necessary or desirable for the integrity or orderly operation of the NCC Systems, including giving advice or directions to the NCC Participant to:

- (a) restore communications; or
- (b) prevent or minimize impairment to communications,

between the Company and that NCC Participant, as the case requires.

4.1.5 If the Company gives advice or directions to a NCC Participant under Regulation 4.1.4, the NCC Participant shall observe and give effect to that advice or directions.

4.1.6 Communications between NCC Participants and NCC Systems shall be by electronic means.

4.1.7 Every NCC Participant shall file with the Company a list of its Authorized Persons together with, in case the NCC Participant is a body corporate, Board Resolutions or notarially attested Powers of Attorney pursuant which the appointment of such Authorised Persons was made.

4.2 Technical and Performance Requirements

4.2.1 A NCC Participant shall ensure at all times that:

- (a) it has the capacity to communicate reliably with the NCC Systems; and
- (b) it employs or retains such personnel familiar with these Regulations and the Procedures as are necessary to allow the NCC Participant to carry out its obligations in accordance

with these Regulations and the Procedures and to generate, receive and Obtain Reports in accordance with the Procedures.

- 4.2.2 The Company may give advice or directions to a NCC Participant in order to ensure that the NCC Participant meets or continues to meet the Technical and Performance Requirements.
- 4.2.3 A NCC Participant shall observe and give effect to any advice or directions given under Regulation 4.2.2.
- 4.2.4 Without limiting Regulation 4.2.2, the Company may on reasonable Notice require a NCC Participant to undertake additional testing of the NCC Participant's ability to meet the Technical and Performance Requirements if:
- (a) the Company reasonably believes that the number of erroneous Transmissions to, or electronic communications problems with, that NCC Participant warrants such action;
 - (b) the Company introduces new NCC Systems' Software or make any modification therein, that will affect that NCC Participant's ability to meet those Technical and Performance Requirements;
 - (c) the NCC Participant gives Notice to the Company under Regulation 4.1.2; or
 - (d) the NCC Participant fails to give Notice to the Company under Regulation 4.1.2 but the Company becomes aware that the NCC Participant has effected or proposes to effect:
 - (i) any change to its interface with NCC Systems; or
 - (ii) any changes to its computing environment that alters or may alter its capacity to communicate with NCC Systems.

4.3 Validation of Transmission

- 4.3.1 The Company shall allocate an ID to each NCC Participant on admission to NCC Systems; and
- 4.3.1A The Company shall allocate a separate ID to each NCC Participant on his admission as a Trading Financier, Margin Financier, Debt Market Clearing Member or a Custodian Clearing Member.
- 4.3.2 A NCC Participant shall use the ID allocated to it pursuant to Regulations 4.3.1 and 4.3.1A in each Transmission made by it to identify the source of the Transmission.

4.4 Source of a Transmission on NCC Systems

- 4.4.1 If a Transmission identifies the source of that Transmission:
- (a) as the Company by specifying the ID of the Company; or
 - (b) as a NCC Participant by specifying the ID of the NCC Participant,

that Transmission is taken for all purposes under these Regulations and/or the Procedures to have been made by the Company or that NCC Participant, as the case may be.

4.5 Validation of trade/transaction data

- 4.5.1 Any trade/transaction data received by NCC Systems from Pakistan Stock Exchange and/or from the Company shall be treated as valid, subject to these Regulations and/or the Procedures.

CHAPTER 5: APPLICATIONS FOR ADMISSION AND ADMISSION CRITERIA FOR NCSS PARTICIPANTS

5.1 Application for admission to the NCSS as Clearing Member

5.1.1 Any:

- (a) TRE Certificate Holder of a Stock Exchange;
- (b) banking company within the meaning of the Banking Companies Ordinance, 1962 (LVII of 1962) which has been allocated minimum short term credit rating of A3;
- (c) financial institution within the meaning of the Financial Institutions (Recovery of Finances) Ordinance, 2001 [No. XLVI of 2001] which has been allocated minimum short term credit rating of A3;
- (d) company, corporation or institution to which Section 3A of the Banking Companies Ordinance, 1962 (LVII of 1962) is applicable which has been allocated minimum short term credit rating of A3;
- (e) investment company registered with the Commission, and any investment advisor licensed by the Commission under The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 which has been allocated minimum short term credit rating of A3 and any custodian appointed with the approval of the Commission pursuant to the said Rules which has been allocated minimum short term credit rating of A3;
- (f) asset management company licensed by the Commission under The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, which has been issued minimum asset manager rating of AM3, eligible collective investment scheme registered under the Non Banking Finance Companies and Notified Entities Regulations, 2008 which has been issued minimum long term capital protection rating of CP3 and/or issued minimum fund stability rating of A(f) as the case may be provided that in case of a collective investment scheme which has not been issued the minimum rating as mentioned above the said requirement as to the rating shall be deemed to have been complied with if the asset management company managing such collective investment scheme has been issued minimum asset manager rating of AM3 provided further that where such asset management company has not been issued minimum asset manager rating of AM3, this requirement shall be deemed to have been complied with for a period of one year in the case of a new asset management company if the principle sponsor of the asset management company has been issued minimum short term credit rating of A3; or
- (g) any entity as described in (b), (c), (d), (e) and (f) above, which has been allocated minimum short term credit rating of B, subject to the additional requirement as set out in clause 12.A.8.3 of these Regulations; or
- (h) An insurance company registered with the Commission which has been allocated minimum insurer financial strength long-term rating of A+; or
- (i) other person about which the Board is satisfied that it has a good financial standing, has the capability to satisfy the requirements of these Regulations and is otherwise a fit and proper person to be admitted a Clearing Member,

may apply to the Company for admission to NCSS as a Clearing Member, PROVIDED that the TRE Certificate Holders of the Stock Exchanges and other persons, companies and entities who were admitted as Clearing Members pursuant to the 2001 NCSS Regulations shall continue to remain as Clearing Members as if admitted as Clearing Members under these Regulations, provided that such Clearing Members shall be required to comply with any additional or modified admission requirements as set out in these Regulations.

5.2 Admission as Clearing Member

5.2.1 The Company shall admit as a Clearing Member a person making an application pursuant to Regulations 5.1.1 and 5.3.1 if the Company is satisfied that:

- (a) the applicant has complied with the requirements of Regulation 5.3.1;
- (b) the applicant has supplied additional information required by the Company pursuant to Regulation 5.3.2;
- (c) the Company is satisfied with any information obtained in pursuance of Regulations 5.3.1, 5.3.2 and 5.3.3;
- (d) the applicant meets the Technical and Performance Requirements of Regulation 4.2 and of this Chapter;
- (e) the applicant meets the business integrity requirements of this Chapter;
- (f) the applicant meets the capacity requirements of this Chapter;
- (g) the Company has the data processing capacity and operational capabilities to provide service to additional Clearing Member without endangering or impairing the integrity of NCSS or its orderly functioning.
- (h) the applicant meets the financial requirements of these Regulations.
- (i) the applicant, in case of an applicant who is a TRE Certificate Holder of Pakistan Stock Exchange, is registered with the Commission under the Brokers and Agents Registration Rules, 2001, and has submitted such the registration certificate to the Company. However, in case where registration with the Commission under the Brokers and Agents Registration Rules, 2001, such certificate is not submitted by the applicant, the Company shall only create the ID without assigning any NCSS authorities. and access to NCSS services shall not be allowed till the time the registration certificate is submitted.
- (j) The applicant, who is a TRE Certificate Holder of Pakistan Stock Exchange, is registered with the Commission under the Brokers and Agents Registration Rules, 2001, and has submitted the registration certificate to the Company. However, in case such certificate is not submitted by the applicant, the Company shall only create the ID and access to NCSS services shall not be allowed till the time the registration certificate is submitted.

5.3 Requirements for applications for admission to the NCSS

5.3.1 Any application for admission to NCSS as a Clearing Member shall:

- (a) be in the most current version of the Admission Form in which shall be filled-up all the information required to be set out therein;
- (b) be accompanied by the relevant application fee, Basic Deposit and Security Deposit as specified in the Fees, Charges and Deposits Schedule;
- (c) contain a covenant by the applicant that if his application is accepted the applicant shall enter into a Clearing Member Agreement and a Tripartite Agreement;
- (d) be executed by or on behalf of the applicant and shall be delivered to the Company; and
- (e) complies with any further requirements of these Regulations and Procedures.

5.3.2 The Company may by Notice require an applicant for admission to NCSS as a Clearing Member to provide the Company with any additional information in relation to the application which the Company thinks necessary for the consideration of the application.

5.3.3 The Company may seek information from persons other than the applicant to the extent that the Company thinks necessary in considering whether to grant admission to NCSS to the applicant.

5.3.4 Subject to any need to disclose information in order to seek other information under Regulation 5.3.3, or unless disclosure is required by law, the Company shall maintain the confidentiality of each application and information contained in or supplied in connection with an application.

5.4 Technical and Performance Requirements

5.4.1 The technical requirements of this Chapter are that, to the reasonable satisfaction of the Company:

- (a) as determined during Pre-commencement Testing, the applicant has the capacity to communicate reliably with NCSS; and
- (b) the applicant has the operational capabilities to the extent envisaged in these Regulations, in the Procedures and in the user manual prescribed by the Company.

5.4.2 The performance requirements of this Chapter are that, to the reasonable satisfaction of the Company, the applicant employs or retains such personnel familiar with these Regulations and the Procedures as are necessary to allow the applicant to carry out its obligations in accordance with these Regulations and the Procedures.

5.5 Capacity requirements

5.5.1 The capacity requirements of this Chapter are:

- (a) for an applicant which is a company or other body corporate, that:
 - (i) if the applicant is a company, the applicant is not in receivership, court-appointed manager ship or under winding-up/liquidation; or
 - (ii) if the applicant is a body corporate other than a company, the applicant is not under any equivalent form of administration or winding-up/liquidation; and
- (b) for an applicant which is an individual, that:
 - (i) the applicant is not a minor;

- (ii) the applicant is not of unsound mind;
- (iii) the applicant has not applied to be adjudicated as an insolvent or has suspended payment or has compounded with his creditors; or
- (iv) the applicant is not an undischarged insolvent.

5.6 Business integrity requirements

5.6.1 The business integrity requirements of this Chapter are:

- (a) for an applicant which is a company or other body corporate, that:
 - (i) any Chief Executive, directors or other officers of the applicant have not, at any time within 5 years before making an application for admission to the NCSS, been convicted of an offence under any law in connection with business, professional or commercial activities;
 - (ii) being a TRE Certificate Holder of Pakistan Stock Exchange, the applicant was never declared as a defaulter by Pakistan Stock Exchange or by any other Stock Exchange of which the applicant was a TRE Certificate Holder or member prior to the date of demutualization; and
 - (iii) the Company has no reason to believe that the applicant will not carry out its obligations in connection with the NCSS efficiently, honestly and fairly; and
- (b) for an applicant which is an individual, that:
 - (i) the applicant has not, within 5 years before making an application for admission to the NCSS, been convicted of an offence under any law in connection with business, professional or commercial activities;
 - (ii) the applicant has not, within 5 years before making an application for admission to the NCSS served any sentence of imprisonment following such a conviction;
 - (iii) being a TRE Certificate Holder of a Stock Exchange, the applicant was never declared as a defaulter by that Stock Exchange or by any other Stock Exchange of which the applicant was a TRE Certificate Holder or member prior to the date of demutualization;
 - (iv) the Company has no reason to believe that the applicant is not of high business integrity; and
 - (v) the Company has no reason to believe that the applicant will not carry out his or her obligations in connection with the NCSS efficiently, honestly and fairly.

5.7 Execution of Clearing Member Agreement and Tripartite Agreement

5.7.1 An applicant shall, as a pre-condition to admission to the NCSS in the capacity of a Clearing Member pursuant to Regulation 5.2.1, enter into a Clearing Member Agreement and Tripartite Agreement.

- 5.7.1.1 However, an applicant may enter into more than one Tripartite Agreement with any of the Designated Branch of Settling Banks. In such cases of having more than one settling account to be maintained with the Designated Branch of a Settling Bank, an applicant shall also be required to identify its main Designated Branch for NCSS money settlement. Accordingly, the Company shall process NCSS money settlement activities through NCSS pay & collect in accordance with the Procedures.
- 5.7.1.2 Save and specifically provided that, existing Clearing Member may also have more than one settling account maintained with the Designated Branch of a Settling Banks. In such cases of having more than one settling account maintained with the Designated Branch of a Settling Bank, a Clearing Member shall also be required to identify its main Designated Branch for NCSS money settlement. Accordingly, the Company shall process NCSS money settlement activities through NCSS pay & collect in accordance with the Procedures.
- 5.7.1.3. In case whenever a Clearing Member opted to settle its NCSS money settlement activities other than the main Designated Branch of a Settling Bank, the Company shall collect fee in accordance with the Fee, Charges and Security Deposit Schedule of these Regulations.
- 5.7.2 Regulation 5.2.1 is subject to Regulation 5.7.1.

5.8 Non-acceptance of an application

- 5.8.1 The Company shall not reject an application made under Regulation 5.2.1, unless the Company:
- (a) gives Notice to the applicant of the reasons why it proposes to reject the application;
 - (b) affords the applicant a period of 10 Business Days after giving the Notice (or such longer period as the applicant reasonably requires) in which to provide further information or otherwise take steps to address the reasons stated in the Notice; and
 - (c) after the end of that period, considers whether any further information provided or steps taken by the applicant address the reasons in the Notice.
- 5.8.2 If, after following the procedure in Regulation 5.8.1, the Company is not satisfied that the applicant meets the requirements set out in Regulations 5.2.1 and 5.3.1, the Company may give Notice to the applicant rejecting the application and giving reasons why the application is rejected.
- 5.8.3 An applicant may request for a hearing under CHAPTER 23 (HEARING AND APPEAL PROCEDURES) in accordance with that Chapter if the Company rejects his application under Regulation 5.8.2.
- 5.8.4 Notwithstanding anything contained in Regulations 5.8.1 to 5.8.3, if the Company rejects an application on the basis that the Company does not have the data processing capacity or operational capabilities to provide services to additional Clearing Members it shall give Notice of such decision to the applicant which shall be final and binding upon the applicant and shall not form the subject of a hearing pursuant to Regulation 5.8.3.
- 5.8.5 If at any time subsequent to the service of the Notice referred to in Regulation 5.8.4 the Company forms the opinion that the Company has acquired the data processing capacity and operational

capabilities to provide the requested services to an applicant on whom the Notice was served, the Company shall entertain the applicant's application in the order in which it served similar Notices to other applicants rejecting their applications for similar reasons.

5.9 Clearing Member Warranties and Indemnities

5.9.1 A Clearing Member supplying any information to the Company in pursuance of any obligation of the Clearing Member under these Regulations and the Procedures, shall:

- (a) be deemed to have warranted to the Company that the information supplied is true and correct; and
- (b) indemnify the Company if any losses, damages, costs or expenses are suffered or incurred by the Company as a result of any inaccuracy contained in the information supplied by the Clearing Member.

5.10 Eligible Criteria for Admission as Settling Bank

5.10.1 The Company may admit a bank as a Settling Bank if:

- (a) (i) It is duly licensed to carry on banking business in Pakistan under the Banking Companies Ordinance, 1962 (LVII of 1962), or, being a statutory corporation, it is otherwise entitled to carry on banking business under the law by which it is created,
- (ii) it has been allocated minimum short-term credit rating of A1; and
- (v) it also complies with minimum paid up capital (free of losses) requirement as prescribed by State Bank of Pakistan from time to time.
- (b) It has designated bank branches (“Designated Branches”) having physical presence in the premises or building in which Stock Exchange(s) are located or in the vicinity of Stock Exchange(s). However, the Board may relax such condition from time to time;
- (c) It has designated a bank branch located in Karachi and acceptable to the Company as its main contact branch;
- (d) It is capable of maintaining online linkage with NCSS; and
- (e) It has signed or agreed to sign with the Company an agreement (“Settling Bank Agreement”) in the form prescribed by the Company whereby it undertakes to perform money settlement services for the benefit of the Company and those Clearing Members who become customers of the Designated Branch (es) and have entered into Tripartite Agreements with the Company and such Clearing Members.

Provided that the banks admitted as Settling Banks pursuant to these Regulations, shall continue to remain as Settling Banks as if such Settling Banks fulfill the requirements mentioned in Regulation 5.10.1 above and in case any Settling Bank fails to comply with these requirements, it shall be terminated from being a Settling Bank after giving notice of 15 days to market participants. Provided further that all Settling Banks shall comply with any additional or modified admission requirements as are presently or in future set out in these Regulations.

CHAPTER 6: ESTABLISHMENT AND MAINTENANCE OF CLEARING ACCOUNTS & MONEY ACCOUNTS

6.1 Establishment of Clearing & Money Accounts

- 6.1.1 Forthwith upon admitting a person as a Clearing Member pursuant to Regulation 5.2, the Company shall establish a Clearing Account and a Money Account in the name of such Clearing Member in NCSS.
- 6.1.1A Forthwith upon admitting a Clearing Member, as a Trading Financier and Margin Financier the Company shall establish a separate Clearing Account and a separate Money Account in the name of such Trading Financier and Margin Financier in NCSS in connection with his MT Market and MF Market transactions respectively.
- 6.1.1B Forthwith upon admitting a Clearing Member as a Debt Market Clearing Member, the Company shall establish a separate Clearing Account and a separate Money Account in the name of such Debt Market Clearing Member in NCSS in connection with his Debt market trades.
- 6.1.2 The Clearing Account of a Clearing Member shall bear such Registration Details and other information as are supplied by the Clearing Member in the Admission Form referred to in Regulation 5.3.1(a) and/or obtained from CDC under the authority of the Clearing Member. Every Clearing Member shall ensure that the Registration Details and other information supplied to the Company as above referred are correct and complete in every respect and shall be responsible for any and all inaccuracies and/or inadequacy in such Registration Details and other information
- 6.1.3 If at any time a change occurs in the Registration Details and other information supplied by a Clearing Member to the Company and/or obtained by the Company from CDC as above mentioned, the Clearing Member shall notify such change to the Company forthwith.

6.2 Board to prescribe Registration Details

- 6.2.1 The Board shall from time to time prescribe any additional Registration Details as may be necessary to facilitate the smooth functioning of the NCSS.
- 6.2.2 Where any additional Registration Details are prescribed pursuant to Regulation 6.2.1:
 - (a) the Company shall give prompt Notice of same to all Clearing Members; and
 - (b) all Clearing Members shall promptly furnish such additional Registration Details to the Company.

CHAPTER 7 CONTINUOUS FUNDING SYSTEM MK II

Deleted

CHAPTER 7A SECURITIES LENDING AND BORROWING**7A.1. Definitions**

When used in this Chapter of these Regulations and, where applicable, in the Procedures, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

Accelerated Maturity Date	means, in respect of SLB Contract, any Business Day prior to the Maturity Date on which a Borrower initiates a SLB(R)Transaction
Applicant	means an NCC Participant who has applied to the Company for admission as a Lender and/or Borrower.
Bid	means a quotation displayed on the SLB Portal by a Borrower to borrow the SLB Eligible Security.
Borrowed Securities	means the SLB Eligible Securities which are delivered to the Borrower by the Lender pursuant to a SLB Transaction.
Borrower	means an NCC Participant, who meets the eligibility criteria as stipulated in the Rules and these Regulations and has been admitted by the Company as a Borrower under this Chapter of these Regulations to borrow SLB Eligible Securities from the SLB Market.
KIBOR	means the daily average of one-month Karachi Interbank Offered Rate (Ask Side) as published on Reuters page KIBR or as published by the Financial Markets Association of Pakistan in case the Reuters page is unavailable.
Lender	means an NCC Participant, who meets the eligibility criteria as stipulated in the Rules and these Regulations and has been admitted by the Company as a Lender under this Chapter of these Regulations to lend SLB Eligible Securities through the SLB Market.
Maturity Date	means, in respect of SLB Contract, Business Day on which the NCSS will automatically initiate a SLB (R) Transaction before the opening of business, which shall be settled in accordance with the NCSS Procedures.
Offer	means a quotation displayed on the SLB Portal by a Lender for lending the SLB Eligible Security.
Premium	means the amount payable by the Borrower as a return on the Borrowed Securities under a SLB Contract.

Rules	means the Securities (Leveraged Markets and Pledging) Rules, 2011.
Security Deposit	means the security deposit to be maintained by SLB Participants with the Company under these Regulations.
Securities Lending and Borrowing (SLB)	means lending and borrowing of SLB Eligible Securities by the SLB Participants through the platform provided by the Company, in the capacity of an authorized intermediary, as provided in Chapter V of the Rules
SLB Contract	means the product of applicable Premium specified in the Bid, the SLB Transaction Value and SLB Contract Period. Provided that, in case where SLB (R) Transaction is initiated on Accelerated Maturity Date, the actual duration of SLB Contract Period shall be used instead of using SLB (R) Transaction Date.
SLB Contract Price	means the product of applicable Premium specified in the Bid, the SLB Transaction Value and SLB Contract Period. Provided that, in case where SLB (R) Transaction is initiated on Accelerated Maturity Date, the actual duration of SLB Contract Period shall be used instead of using SLB (R) Transaction Date.
SLB Contract Period	means the period lapsed from (and including) the SLB Transaction Date until and including the SLB (R) Transaction Date. For each SLB Eligible Security, separate SLB Contracts shall be made available in SLB Market from one Business Day to next 14 Business Days except where book-closure of a security falls within 14 Business Days. <i>Explanation:</i> if the SLB (R) Transaction Date is same as the SLB Transaction Date, the SLB Contract Period shall be one day.
SLB (R) Transaction Date	means, in respect of SLB Contract, any Business Day on which an SLB (R) Transaction is initiated.
SLB Eligible Securities	means the securities prescribed and notified by the Company from time to time under 7A.3.2 for lending and borrowing through the SLB Market.
SLB Market	means the market for lending and borrowing in respect of SLB Eligible Securities through SLB Transactions and incidental transactions thereof, pursuant to this Chapter of these Regulations.

SLB Spot Market	means the market for lending and borrowing of SLB Eligible Securities through SLB Transactions for the purpose of making delivery of securities on behalf of a Clearing Member (other than a Lender) where such Clearing Member has defaulted on his delivery obligations under the Balance Order Settlement System. However, in such market, the Company may borrow the SLB Eligible Securities on behalf of the delivery defaulter Clearing Member, of ready market seller, upon receipt of written request, to the extent of undelivered securities on or before NCSS Settlement Date within Designated Time Schedule. For the purpose of such borrowing by the Company, such delivery defaulted Clearing Member shall be the underlying Borrower of such SLB Transaction and shall also be held responsible for the corresponding settlement of SLB (R) Transaction.
SLB System	means a system provided by the Company in the capacity of an authorized intermediary, to SLB Participants for lending and borrowing in SLB Eligible Securities in an undisclosed manner through SLB Portal in accordance with these Regulations.
SLB Portal	means an automated portal provided by the Company to SLB Participants for the purpose of the SLB Market and accessible through their interface with computer system.
SLB Software	means all systems and application programmes relevant to the operation of the SLB System including all computer software maintained and used by the Company for the purposes of the SLB System (other than software used by a SLB Participant to communicate with the Company in relation to the SLB System).
SLB Participant	means a Lender or Borrower as the case may be.
SLB ID	means the code allocated by the Company to Lender and/or Borrower.
SLB Transaction	means a transaction between the Lender and the Borrower pursuant to execution of an SLB Contract for the purpose of lending and borrowing of SLB Eligible Securities against the agreed rate of return and is received in NCSS as a locked-in contract for clearing and settlement through NCSS.
SLB Transaction Date	means the date on which an Offer and Bid is matched to form a SLB Transaction is initiated.
SLB (R) Transaction	means a release transaction for the return of Borrowed Securities by the Borrower to the Lender on the maturity date or Accelerated Maturity Date.

SLB Transaction Value means the amount of SLB Transaction, calculated at the immediate preceding price of a SLB Eligible Security in the Ready Market at the time of the execution of SLB Transaction.

7A.2. Admission and Eligibility Criteria for SLB Participants

7A.2.1 Eligibility Criteria for SLB Participant

A Clearing Member will be eligible to apply to the Company for admission as Lender and/or Borrower if such Clearing Member fulfills the criteria as laid down in Chapter V of the Rules and, in case of:

- (i) a Broker Clearing Member fulfills the capital adequacy requirements specified in Chapter 12's Schedule I;
- (ii) a banking company within the meaning of the Banking Companies Ordinance, 1962 (LVII of 1962), it has been allocated minimum short-term credit rating of A3;
- (iii) a financial institution to which Section 3A of the Banking Companies Ordinance, 1962 (LVII of 1962) is applicable, it has been allocated minimum short-term credit rating of A3;
- (iv) an investment finance company licensed by the Commission to provide investment finance services, it has been allocated minimum management quality rating of AM3 minus;
- (v) an insurance company registered with the Commission and it has been allocated minimum insurer financial strength long-term rating of A+;
- (vi) any other corporate entity about which the Board (subject to final approval by the Commission) is satisfied that it has a good financial standing, has the capability to satisfy the requirements of these Regulations and is otherwise a fit and proper person to be admitted as a SLB Participant;

7A.2.2 Admission / Refusal to Admission of SLB Participant

1. The Company may admit an Applicant as a Lender and /or Borrower by a written notice issued to such Applicant, subject to the fulfillment of registration requirement and documentation as prescribed in Rule 25 of the Rules;
2. The Company may refuse an Applicant from admission as SLB Participant after providing an opportunity of hearing by a written notice issued to such Applicant.

7A.2.3 Annual Fee

Each Non-Broker Clearing Member admitted as SLB Participant shall pay an annual fee to the Company as specified in the Schedule of Fee, before the commencement of each calendar year. The payment shall be made in such account as may be designated by the Company for such purpose from time to time.

7A.2.4 Restriction, Suspension or Termination of SLB Participant

The Company shall impose restriction on a SLB Participant or suspend or terminate admission of a SLB Participant in accordance with the provisions of Rules. However, in the event that a SLB Participant is suspended or terminated as a Clearing Member pursuant to these Regulations, such SLB Participant shall also stand suspended or terminated as SLB Participant automatically without any further action being taken on the part of the Company. The Company shall immediately notify the same to Pakistan Stock Exchange and CDC for suspension, forfeiture or cancellation of TRE Certificate of Pakistan Stock Exchange and restriction of access in CDS respectively in accordance with the respective regulations.

7A.2.5 SLB Participant's Warranties and Indemnities

A SLB Participant supplying any information to the Company in pursuance of any obligation of the SLB Participant under these Regulations and the Procedures shall:

- (a) be deemed to have warranted to the Company that the information supplied is complete, true and correct and nothing has been omitted which will make such information misleading; and
- (b) indemnify the Company if any losses, damages, costs or expenses are suffered or incurred by the Company as a result of any inaccuracy contained in or omission from the information supplied by the SLB Participant or such information being misleading.

7A.3 SLB Eligible Securities

7A.3.1 Eligibility Declaration

The Company shall select the securities that are eligible to be declared as SLB Eligible Securities for the purpose of SLB Market in accordance with the eligibility criteria described in Regulation 7A.3.2 and such other criteria as may be prescribed by the Company from time to time with prior approval of the Commission. The list of the securities so selected shall be declared by the Company as SLB Eligible Securities.

7A.3.2 Eligibility Criteria

- (a) SLB Eligible Securities - Category A available for short-selling at the Pakistan Stock Exchange, in addition to requirements of their relevant regulations, shall comply with the following:
 - 1. Security has been traded at least 80% of the trading days during the review period of last 6 months.
 - 2. Average Impact Cost of the security will not be greater than 2% as calculated based on daily Impact Costs of the review period of last 6 months.
 - 3. Average Daily Traded Volume of security during review period of last six months in the

Ready Market selected based on above criteria will not be less than 0.5% of its Free Float or 100,000 shares, whichever is lower.

4. The security is in book entry form.
5. The issuer of security is not placed on the defaulter's counter of the Exchange

(b) SLB Eligible Securities - Category B for any purpose shall be selected in the following manner:

1. The Listed security is in book entry form.
2. The issuer of security is not placed on the defaulter's counter of the Exchange.

7A.3.3 Interim Review

The satisfaction of criteria described in Regulation (7A.3.2 (a) (Eligibility Criteria) above are subject to 45 days review. Such review shall be carried out at the same frequency and simultaneously with the interim review carried out for MT eligible securities and Margin Eligible Securities. Where any security does not meet any of these criteria it shall be excluded from the list of SLB Eligible Securities after giving notice of 30 days to NCC Participants.

7A.3.4 Eligibility Review

The list of SLB Eligible Securities will be reviewed by the Company in the first 15 days of January and July every year based on their data of immediate preceding 6 calendar months made available by Pakistan Stock Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MT eligible securities, MF eligible securities and Margin Eligible Securities. In consequence of any additions and/or deletions to the existing list, the Company will give at least 30 days prior notice to the NCC Participants for introduction of incoming and phasing out of outgoing SLB Eligible Securities.

After expiry of the said notice period, SLB positions in the outgoing securities shall be frozen and will be available only for release for the purposes of settlement or squaring-up. Any unreleased position in an SLB Contract on the expiry of notice period relating to outgoing securities shall stand released on its respective Maturity Date(s) or Accelerated Maturity Date(s).

7A.4. SLB Contracts and Settlement

7A.4.1 SLB Portal

SLB Portal will be made available by the Company to all SLB Participants.

7A.4.2 Undisclosed Trading

All SLB Contracts shall be facilitated by the Company by acting as an authorized intermediary for the respective SLB Participants, which are underlying parties to a

SLB Contract. SLB Participants will not be able to access the identity of the underlying counter-party to any of the SLB Contracts.

7A.4.3 Procedure

1. All Offers and Bids for the SLB Transactions will be displayed directly on the SLB Portal.
2. An Offer shall specify the following:
 - (i) SLB Eligible Securities that the Lender intends to lend;
 - (ii) The applicable rate of Premium;
 - (iii) SLB ID of the Lender and UIN details of its client where securities of such client are being used; and
 - (iv) UIN Registration Details filled in the UIN Registration Screen of NCSS.

Provided that the information relating to (iii) and (iv) above shall not be displayed on the SLB Portal.

1. A Bid shall specify the following:
 - (i) SLB Eligible Securities that the Borrower intends to borrow;
 - (ii) The applicable rate of Premium;
 - (iii) Trader ID of the Borrower; and
 - (iv) UIN Registration Details filled in the UIN Registration Screen of NCSS

Provided that the information relating to (iii) and (iv) above shall not be displayed on the SLB Portal.;

4. The execution of a SLB Transaction will be confirmed when an Offer is matched with a Bid or *vice versa*. Once confirmed, an SLB Transaction shall be irrevocable except as provided in these Regulations and simultaneously a SLB(R) Transaction shall be generated by the SLB System.

7A.4.4 Revocation of Offers and Bids

SLB Participants will be allowed to modify or cancel any Offers or Bids placed by them respectively in the SLB Market before the same are matched.

7A.4.5 Irrevocability of SLB / SLB (R) Transactions

Neither the Lender nor the Borrower will be allowed to modify and/or cancel any part of SLB Transaction or SLB (R) Transaction.

7A.4.6 SLB Participants shall not be allowed to lend and borrow the same SLB Eligible Security for the same client or for proprietary position until settlement of existing SLB Contract in such SLB Eligible Security. No SLB Participant shall further lend any Borrowed Securities.

7A.4.7 Settlement Mechanism

The SLB Transactions and SLB (R) Transactions shall be settled under Balance Order System as prescribed in these Regulations and the Procedures as follows:

- i) in the case of SLB Transaction, the Borrower shall be obliged to pay the SLB Transaction Value to the Company and the Lender shall be obliged to deliver the Borrowed Securities. Accordingly - 100% amount of such SLB Transaction Value shall be paid to the Lender by the Company.

Provided that, in case where SLB Transaction executed in SLB Spot Market, the Borrower shall be obliged to pay the SLB Transaction Value to the Company and the Lender shall be obliged to deliver the Borrowed Securities to the CDC account of the Company, within the time specified by the Company from time to time. Accordingly, the Company shall transfer such Borrowed Securities to the respective CDC main, house and sub-accounts, as the case may be, of the buyer Clearing Members. Accordingly -100% amount of that SLB Transaction Value shall be paid to the Lender by the Company.

- ii) in the case of SLB (R) Transaction, generated either on the basis of SLB Transactions in SLB Market or SLB Spot Market as the case may be,;
 - a. the Borrower shall deliver the SLB Securities and the Company shall pay the remaining amount of SLB Transaction Value to the Borrower after adjusting SLB Contract Price, provided that where SLB Contract Price exceeds the SLB Transaction Value, the Borrower shall pay such excess amount to the Company in accordance with the procedures; and
 - b. the Lender shall pay 100% amount of the SLB Transaction Value to the Company and the Company shall deliver the Borrowed Securities along with the adjusted SLB Contract Price to the Lender.

7A.4.8 Functions of the Company

- (i) Subject to Regulation 7A.4.10, the Company in its role as the authorized intermediary shall act as a common agent of SLB Participants for settlement of the SLB Contracts between the SLB Participants and for delivering securities to and receiving securities from and for receiving or paying any amounts payable to or payable by such SLB Participants in connection with any of the SLB Contracts and to do all things necessary or proper for carrying out the foregoing purposes in accordance with these Regulations without incurring any liability or obligations as a principal.
- (ii) The Company shall collect advance tax from the Lenders in respect of SLB Contracts in accordance with Section 233AA of the Income Tax Ordinance, 2001.

7A.4.9 Liability of Company

1. The only obligation of the Company with regard to the settlement of the SLB Transactions and SLB (R) Transactions shall be to facilitate the delivery and payment in respect of such transactions between the SLB Participants in accordance with these Regulations. Each SLB Participant acknowledges and confirms that the Company shall not be responsible for:
 - (a) the title, ownership, genuineness, regularity or validity of any security or any other documents or instrument passing through the NCSS;
 - (b) the execution, genuineness, validity, enforceability or sufficiency of any agreement or any other document relating thereto;
 - (c) the collectability of amounts payable in respect of SLB Contracts;
 - (d) the financial condition of any SLB Participant;
 - (e) the performance and observance by SLB Participants of their obligations under the agreements or any other documents executed between them in respect of SLB System; or
 - (f) the accuracy of any statements (whether written or oral) made by a SLB Participant in or in connection with any agreement or documents in respect of SLB Contracts.
2. Each SLB Participant confirms to the Company that it has made its own independent investigation and assessment of the risk involved in connection with its participation in the SLB System and has not relied on any information provided to it by the Company in connection with the SLB System; and
3. The Company's obligation to make payments and to deliver securities to SLB Participants under these Regulations is conditional upon it receiving the applicable payment or securities and none of the SLB Participants shall have any recourse to the Company if the Company has not received the corresponding payment or securities. The Company shall not have any obligation to pay any amount or deliver any securities except to the extent that the Company has received such corresponding payment, it being acknowledged and agreed by the SLB Participants that the credit risk assumed by the SLB Participants in relation to their participation in the SLB System is that of the SLB Participants.

7.4.10 Liability of the SLB Participants

All outstanding SLB Transactions and SLB (R) Transactions shall be binding upon the SLB Participants until settled in accordance with these Regulations.

7A.4.11 Transaction Costs

All SLB Participants shall pay prevailing transaction costs to the Company in accordance with Fees, Charges and Security Deposit Schedule for all transactions relating to SLB Contracts.

7A.4.12 Cost of Lending

The applicable rate of Premium on SLB Transactions shall be determined by the matching of Offer and Bids. Such rate, however, shall not be greater than one month KIBOR (prevailing at the close of immediately preceding working day) plus 15% per annum.

7A.5. Risk Management

The risk management of SLB Participants for SLB Contracts shall be managed by the Company as per Chapter 12 of these Regulations.

CHAPTER 7B MARGIN FINANCING SYSTEM

7.B1 Definitions inception

7.B1.1 Definitions

When used in this Chapter of these Regulations and, where applicable, in the Procedures, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

Application Form		means the application form prescribed and made available by the Company from time to time, for admission of a Clearing Member as a Margin Financier in the MF Market under these Regulations.
Applicant		means a Clearing Member who has applied to the Company for admission as a Margin Financier.
Blocked Status		means where any MF Eligible Securities and/or Financier's Acceptable Securities are delivered to the CDC account of a Margin Financier in such status that the same cannot be dealt with by the Margin Financier.
Broker Financier	Margin	means a Broker Clearing Member of the NCSS who has been admitted as a Margin Financier by the Company under these Regulations. Such Broker Clearing Member can provide financing in accordance with the Rules and these Regulations.
Financing Participation ("FPR")	Ratio	means the ratio between the minimum equity participation required to be paid by the Margin Financee (defined as financee in the Rules) for the purchase of each MF Eligible Security and the MF Transaction Value. Provided that the minimum equity participation to be paid by the Margin Financee, as prescribed by the Company shall always be collected in the form of cash only.
Financier's Securities	Acceptable	Means any security negotiated and accepted by Margin Financier as collateral to MF Contract with applicable haircuts and other terms as appropriate.
KIBOR		means the daily average of one-month Karachi Interbank Offered Rate (Ask Side) as published on Reuters page KIBR or as published by the Financial Markets Association of Pakistan in case the Reuters page is unavailable.
MF Blocked Status		means where any MF Financed Securities and/or other Securities against Pledge Position are delivered or held to the respective CDS account maintained by a Margin Financier in block status such that the same cannot be dealt with by the Margin Financier with the exception of pledging of Margin Financed Securities as specified in clause 7.B.3.4a.

MF Contract Period	means the period agreed among the MF Participants before execution of MF Transactions.
MF Eligible Securities	means the Securities declared by the Company as such pursuant to Regulation 7B.3.1.1 (Eligibility Declaration).
MF Market	means the market for offering and availing financing in respect of MF Eligible Securities through MF Transactions and incidental transactions thereof, pursuant to this Chapter of these Regulations.
MF Mark-up Rate	means the applicable rate of return specified at the time of MF Transaction. The mark-up rate for this purpose shall be capped on KIBOR + 8% per annum.
MF Module	means a module provided by the Company in NCSS to MF Participants for the purpose of the initiation, affirmation and recording of MF Transactions and MF (R) Transactions in MF Eligible Securities and for any other purpose in relation to Margin Financing, pursuant to this Chapter of these Regulations.
MF Participant	means a Margin Financier or a Margin Finantee as the case may be.
MF System	means a system provided by the Company in the capacity of an authorized intermediary to MF Participants for Margin Financing based on margin financing agreement (as defined in the Rules) and the initiation, affirmation and recording of MF Transactions and MF (R) Transactions through MF Module in accordance with these Regulations.
MF (R) Transaction	means a transaction which is effected on the MF System for the purpose of (i) return of the Margin Financed Securities and MF Transaction Value by the Margin Financier and the Margin Finantee respectively who are party to the corresponding MF Transaction or (ii) closing the MF Transaction as envisaged in paragraph 2 of Regulation 7B.3.4 or 7B.10.3.
MF Transaction	means a transaction which is effected on the MF System to partially finance the purchase of MF Eligible Securities in the ready market and is received in NCSS whereby settlement obligation relating to the relevant ready market purchase will stand transferred from the Margin Finantee to the Margin Financier to the extent of the agreed FPR.
MF Transaction Value	means the amount of financing agreed to be provided by a Margin Financier in a MF Transaction based on the applicable FPR.
Margin Finantee	means a Clearing Member of the Company, who enter into MF Transaction(s).

Margin Finnee Clearing Member Agreement	means an agreement setting out the terms relating to the Margin Financing, in the form prescribed by the Company from time to time, entered into by a Broker Clearing Member and Company as a pre-condition to admission of that Broker Clearing Member as a Margin Finnee.
Margin Financier	means a Clearing Member who meets the eligibility criteria as stipulated in these Regulations and has been admitted by the Company as a Margin Financier under this Chapter of these Regulations.
Margin Financier Clearing Member Agreement	means an agreement setting out the terms relating to the Margin Financing, in the form prescribed by the Company from time to time, entered into by a Clearing Member and Company as a pre-condition to admission of that Clearing Member as a Margin Financier.
Margin Financing	means a financing facility made available by the Margin Financier to its Margin Finnee pursuant to this Chapter of these Regulations to partially finance the purchase of MF Eligible Securities in the ready market.
Margin Financed Securities	means the MF Eligible Securities the purchase whereof is partially financed by a Margin Financier pursuant to a MF Transaction.
Non-Broker Margin Financier	means a Non-Broker Clearing Member of the NCSS who has been admitted as a Margin Financier by the Company under these Regulations.
Rules	means the Securities (Leveraged Markets and Pledging) Rules, 2011.
Security Deposit	means the security deposit to be maintained by MF Participants with the Company under these Regulations.
Securities against Pledge Position	means securities deposited from the normal proprietary CDS House Account of Broker Margin Financier to the proprietary CDS MF House Account of the respective Broker Margin Financier in MF Blocked Status. Provided that a separate proprietary CDSMF House Account of a Broker Margin Financier shall be opened for the movement of such securities

7B.2. Applications for Admission and Admission Criteria for MF Participants

7B.2.1 Eligibility Criteria for a Margin Financier

A Clearing Member will be eligible to apply to the Company for admission as Trading Financier if such Clearing Member fulfills the criteria as laid down in Chapter III of the Rules and, in case of:

1. a TRE Certificate Holder of a Stock Exchange, it has been admitted as Broker Clearing Member by the Company and fulfills the net capital requirements as prescribed in these regulations;

2. a banking company within the meaning of the Banking Companies Ordinance, 1962 (LVII of 1962) it has been allocated minimum short-term credit rating of A3;
3. a financial institution covered under section 3A of the Banking Companies Ordinance, 1962 (LVII of 1962) it has been allocated minimum short-term credit rating of A3;
4. an investment finance company licensed by the Commission to provide investment finance services, it has been allocated minimum management quality rating of AM3 minus;
5. any other Corporate entity about which the Board (subject to final approval by the Commission) is satisfied that it has a good financial standing, has the capability to satisfy the requirements of these Regulations and is otherwise fit and proper to be admitted as a Margin Financier.

7B.2.2 Admission/ Refusal to Admission of a Margin Financier

1. The Company may admit an Applicant as a Margin Financier by a written notice issued to such Applicant, subject to the fulfillment of registration requirement and documentation as prescribed in Rule 9 of the Rules.
2. The Company may refuse an Applicant for admission as a Margin Financier after providing an opportunity of hearing by a written notice issued to such Applicant

7B.2.3 Margin Finances for Margin Financing

All Broker Clearing Members shall be Margin Finances in the MF Module of NCSS, provided that the Company is satisfied that each such Broker Clearing Member:

1. holds a valid TRE Certificate under the respective regulations, rules and procedures governing their admission to the Pakistan Stock Exchange;
2. has no action, pending in any court, which might materially and adversely affect such Broker Clearing Members TRE Certificate, or no such action has been initiated by Pakistan Stock Exchange or the Commission against such Broker Clearing Member;
3. is not in breach of these Regulations, any law or other regulations applicable to such Broker Clearing Member; and
4. has submitted an agreement appropriately stamped and duly executed by its authorised representative(s).

Margin Financer may avail financing on behalf of its clients as well, against the client's ready market purchase.

7B.2.4 Suspension or Termination of MF Participant

The Company shall impose restriction on a MF Participant or suspend or terminate admission of a MF Participant in accordance with the provisions of the Rules. However, in the event that a MF Participant is suspended or terminated as a Clearing Member pursuant to these Regulations, such MF Participant shall also stand suspended or terminated as MF Participant automatically without any further action being taken on the part of the Company. The Company shall immediately notify the same to Pakistan Stock Exchange and CDC for suspension, forfeiture or cancellation of TRE Certificate of Pakistan Stock Exchange and restriction of access in CDS in accordance with the respective regulations.

7B.2.5 MF Participant's Warranties and Indemnities

A MF Participant, supplying any information to the Company in pursuance of any obligation of the MF Participant under these Regulations and the Procedures, shall:

- (a) be deemed to have warranted to the Company that the information supplied is true and correct; and
- (b) indemnify the Company if any losses, damages, costs or expenses are suffered or incurred by the Company as a result of any inaccuracy contained in the information supplied by the MF Participant.

7B.3. MF Transactions and Settlement

7B.3.1 MF Module

MF Module shall be made available by the Company in NCSS to all MF Participants for recording of initiation and affirmation of MF Transactions and MF (R) Transactions and for any other purpose in relation to Margin Financing.

7B.3.1.1 Eligibility Declaration

The Company shall select the securities that are eligible to be declared as MF Eligible Securities for the purpose of MF Market in accordance with the eligibility criteria described in Regulation 7B.3.1.2 and based on the data made available by Pakistan Stock Exchange. Securities so selected shall be declared by the Company as MF Eligible Securities.

7B.3.1.2 Eligibility Criteria

1. The Listed security is in book entry form.
2. The issuer of security is not placed on the defaulter's counter of the Exchange.

7B.3.1.3 Eligibility Review

This list of MF Eligible Securities will be reviewed by the Company in the first 15 days of January and July every year based on their data of immediate preceding 6 calendar months

made available by Pakistan Stock Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MT eligible securities, SLB eligible securities and Margin Eligible Securities. In consequence of any additions and/or deletions to the existing list, the Company will give at least 60 days prior notice to the NCC Participants for introduction of incoming and phasing out of outgoing MF Eligible Securities. After expiry of the said notice period, MF positions in the outgoing securities shall be frozen and will be available only for release for the purposes of settlement or squaring-up.

7B.3.2 Margin Financing Agreement

1. Before execution of MF Transaction in MF Module, MF Participants shall be required to arrange the credit lines and execute margin financing agreement with the client(s) in accordance with the Rules.
 - a) list of MF Eligible Securities acceptable for Margin Financing and an MF Eligible Security included in such list shall not be excluded from such list except by giving a notice of at least two weeks in advance.
 - b) FPR for each MF Eligible Security, which is acceptable to the Margin Financier;
 - c) Limit of Margin Financing Facility
 - d) MF Mark-up Rate;
 - e) MF Contract Period;
 - f) forms of acceptable Collateral for margin and MtM losses;
 - g) Default management procedures
 - h) any other matter as agreed upon between the MF Participants.
2. The Broker Margin Financiers shall only provide Margin Financing to its clients and shall be required to execute an agreement with such client on the aforementioned conditions and in accordance with the Rules.
3. A Margin Financier shall be allowed to provide Margin Financing in MF Eligible Securities only to the extent of 5% of such MF Eligible Security's free float. Free float for this purpose shall be as determined by Pakistan Stock Exchange.
4. The Margin Finantee shall be required to execute an agreement with their client for the purposes of availing Margin Financing. Such agreement shall clearly specify that such client takes the risk that his securities may be sold by the Margin Financier, in case of any default by such Margin Finantee including the default on any margin call made by the respective Margin Financier. Marked-to-market collection from client as per clause 7B.9 of these Regulations and such arrangement shall also be covered in margin financing agreement.

7B.3.2a Margin Financing Tri-Partite Agreement

1. Where funds are borrowed from bank by the Broker Margin Financier to provide Margin Financing to its clients, in such case, a tri-partite margin financing agreement shall be executed between Broker Margin Financier, its client and the bank.

- a) Name of Broker Margin Financier, client of a Broker Margin Financier and relevant bank.
 - b) Date and terms of tri-partite margin financing agreement.
 - c) Broker Margin Financier CDS Participant Account and clients normal and MF sub-account numbers along with CDS pledge/group IDs.
 - d) Acceptable form of collateral to be pledged with bank.
 - e) Client authorization to the Broker Margin Financier in terms of Sections 12 & 24 of the Central Depositories Act, 1997.
 - f) No objection clause for sale of pledge securities by bank.
 - g) Pledge, lien and authority of pledge securities as per the terms and conditions of bank.
 - h) Terms of tri-partite agreement with respect to period of validity and renewal.
 - i) Conditions under which tri-partite agreement may be altered, terminated and implications thereof.
 - j) Coverage for provisions as mentioned in clause 7B.3.4 d of these Regulations in case of default by Broker Margin Financier to fulfill any margin call made by bank.
 - k) Functions to be performed in accordance with 7B.3.4a, 7B.3.4b, 7B.3.4d, 7B.3.5 (2), 7B.3.6, 7B.4 and 7B.9 of these Regulations.
 - l) Signatures of authorized persons of all parties to the tri-partite agreement.
 - m) Any other condition as mutually agreed by the parties to the tri-partite agreement.
2. Such Broker Margin Financier shall be required to open and maintain, in accordance with CDC Regulation, a CDS sub-account of such client in MF Blocked Status and provide copy of tri-partite agreement to the Company and CDC. Multiple sub-account of a client under CDS Participant Account in MF Blocked Status of a Broker Margin Financier shall be restricted. Moreover, it shall be mandatory for such client to have subscribed for access to UIS at the time of opening of his account. The Company shall provide necessary information to CDC as per mutually agreed mechanism.
 3. It shall be the responsibility of a Broker Margin Financier to immediately report to the Company and CDC, in case of any change/cancellation in the existing tri-partite agreement and/or signing of any new tri-partite agreement.

7B.3.3 MF Transaction Initiation and Affirmation Process

1. Margin Financier will be required to define the requisite details in MF Module such as Margin Finantee, maximum Margin Financing amount, MF Eligible Security (ies), FPR and any other information that may be required by the Company from time to time.
2. Margin Financing facility shall be available against ready market net purchases on each trade date and shall be available to the MF Participants in accordance with the Designated Time Schedule. For this purpose, the Company shall calculate the Margin Finantee-wise, security-wise and UIN-wise (including proprietary account) net purchases from ready market trades for each trade date received on NCSS for each broker as Margin Finantee. The net purchases shall not include purchases that are financed in the MT Market.

Margin Financing facility against ready market net purchases may also be made available to the MF Participants on the settlement date as per the Designated Time Schedule. The net purchases shall not include purchases that are financed on trade date as stated above. Such financing facility may only be extended by the Company to the MF participants if the Company, at its sole discretion, determines that requirement of financing by MF Participants on settlement date is genuine.

3. Based on the above net purchases calculated by the Company as provided in paragraph 2 above, the Margin Financee may initiate MF Transaction (until affirmed by the Margin Financier, such transaction will be hereinafter referred to as “Initiated Transaction”) fully or partially in whole multiples of Marketable Lots on NCSS. Such Initiated Transactions can be initiated by the Margin Financee and transmitted to Margin Financier within Designated Time Schedule. Provided that a Broker Margin Financier cannot provide Margin Financing to another Broker Clearing Member or its clients. Where Margin Financee and Margin Financier is the same Broker Clearing Member, in such case, at the time of MF Transaction initiation, it shall be identified that funding will be provided by Broker Margin Financier from its own resources to its client and/or funding is arranged from bank as specified in the Rules. In case where MF Transaction is initiated to provide funding by Broker Margin Financier from its own resources, in such case, CDS MF house account in MF Blocked Status of a Broker Margin Financier will be linked with such initiated MF Transaction. In case where MF Transaction is initiated against arrangement of funding from bank, in such case, CDS MF sub account of a client in MF Blocked Status will be linked with such initiated MF Transaction.
4. Upon initiation, the details of such Initiated Transaction shall be reflected on NCSS to the counter-party Margin Financier for its affirmation. However, affirmation shall be restricted up to FPR.
5. Affirming Margin Financier shall not be allowed to edit the details of an Initiated Transaction and shall have an option to affirm or reject the entire Initiated Transaction within Designated Time Schedule on the Trade Date.
6. Initiating Margin Financee can cancel an Initiated MF Transaction at any time before it is affirmed by the Margin Financier. Upon cancellation of any Initiated Transaction by the initiating Margin Financee or its rejection by the counter-party Margin Financier, NCSS shall allow generation of further MF Transactions up to limit of underlying net purchases in such MF Eligible Security.
7. Where an Initiated Transaction is neither affirmed nor rejected within the specified time as per Designated Time Schedule on the Transaction Date, NCSS shall automatically drop it from MF Module during End of Day process and such Initiated Transaction shall cease to exist.
8. The initiation and affirmation of MF Transactions shall be subject to the fulfillment of the following conditions precedent:
 - a) Credit line is available from Margin Financier along with list of MF Eligible Security(ies) and its respective FPR;

- b) An Eligible Financier shall not finance any MF Eligible Security in excess of 5% of the free float of that MF Eligible Security.
- c) Margin Finanee-wise, security-wise and UIN-wise (including proprietary account) net purchases from ready market trades are available for such MF Eligible Security(ies);
- d) Position limits (market-wide, Margin Finanee-wide, client-wide) as defined in this Chapter of these Regulations are available; and
- e) Capital adequacy limit as defined in this Chapter of these Regulations is not being exceeded.

7B.3.4 Settlement of MF Transactions

1. Settlement Date of each MF Transaction shall be the same of the underlying purchases of MF Eligible Securities in ready market. Once the MF Transaction is affirmed by the respective counter-party Margin Financier, such MF Transactions shall be settled under Balance Order System as prescribed in these Regulations and the Procedures whereby, the Margin Financier shall be obliged to pay the affirmed MF Transaction Value on the Settlement Date. The remaining portion of the ready market purchases shall be settled by the respective Margin Finanee on the respective Settlement Date. Upon settlement, all the Margin Financed Securities shall be delivered to the CDC MF house account of the respective Margin Financier in MF Blocked Status. Where MF Transactions reinitiated/affirmed against arrangement of funding from bank by Broker Margin Financier, in such case, upon settlement, all the Margin Financed Securities shall be delivered to the CDC MF sub-account of the respective client in MF Blocked Status.

MF Transaction(s) which are affirmed by the respective counter-party Margin Financier on the settlement date, such MF Transactions shall be settled in a manner whereby, the Margin Financier shall settle MF Transaction Value directly with the Margin Finanee and the money obligation of the ready market purchases shall be settled by the respective Margin Finanee on the respective Settlement Date through NCSS. Upon settlement, all the Margin Financed Securities shall be delivered to the CDC MF house account of the respective Margin Financier in MF Blocked Status. Where MF Transactions are affirmed against arrangement of funding from bank by Broker Margin Financier on the settlement date, in such case, upon settlement, all the Margin Financed Securities shall be delivered to the CDC MF sub-account of the respective client in MF Blocked Status.

2. If a Margin Financier/client of Broker Margin Financier does not receive the Margin Financed Securities in its CDC MF account in MF Blocked Status on T+2 on account of default by the seller of Margin Financed Securities, the Company shall initiate squaring up process in accordance with NCSS Procedures and the Margin Financed Securities purchased through squaring process shall be transferred to the CDC account of such Margin Financier/client of Broker Margin Financier, as the case may be, in MF Blocked Status on SD+1 basis. If the Company is unable to purchase the relevant Eligible Security in the squaring up process, then the Company will initiate close-out process in accordance with NCSS Procedures and shall pay to such Margin Financier and finanee the close-out amount determined in accordance

with NCSS Procedures proportionately as per the FPR and such Margin Financier shall initiate an MF (R) Transaction to the extent of undelivered Eligible Securities against which the close-out has been paid as aforesaid. The Margin Financier will have no obligation with regard to such MF (R) Transaction.

7B.3.4a Pledging of Margin Financed Securities

Subject to regulation 7B.3.2a, a Broker Margin Financier will be allowed to pledge Margin Financed Securities from CDS MF sub-account of client maintained in MF Blocked Status in favor of bank through which funding is arranged by Broker Margin Financier for such client subject to fulfillment of following condition:

- i. Pledging shall be made through exclusive pledge ID for Margin Financed Securities and identity of client shall be disclosed to the respective bank.
- ii. Pledging can only be made in favor of respective bank with whom tri-partite agreement as mentioned in 7B.2.2 a is executed.

7B.3.4b Pledging of Securities from clients normal CDS Account against Margin Financing

Broker Margin Financier can pledge Securities from clients normal CDS accounts in favor of bank through which funding is arranged by Broker Margin Financier for such client subject to the condition of fulfilling the margin requirements of respective bank subject to the following condition:

1. Pledging shall be made through exclusive pledge ID and identity of client shall be disclosed to the respective bank.
2. Pledging can only be made in favor of respective bank with whom tri-partite agreement as mentioned in 7B.2.2 a is executed.
3. Pledging shall only be allowed where an open Margin Financing position exists for such CDS account holder. For this purpose, the Company shall provide necessary information to CDC as per mutually agreed mechanism.

7B.3.4c Margin Financing Open and Pledge Position

1. CDC shall provide relevant pledge positions of Broker Margin Financier as stated in 7B.3.4a and 7B.3.4 b above to the Company as per mutually agreed mechanism.

- i. On the basis of pledge position information provided by CDC and UIN level Margin Financing open position maintained in the MF Module, the Company shall made available a report in the MF Module showing necessary details pertaining to Margin Financing and pledge position.
- ii. Broker Margin Financier shall be required to monitor its pledge positions and open position and ensure compliance with clause 7B.3.4 a and 7B.3.4 b of these Regulations. Such report of a client shall also be made available by the Company in UIS.
- iii. The Company shall review any such report of a Broker Margin Financier and may ask for any other information from Broker Margin Financier in this context. If any discrepancy is found in the Margin Financing open and pledge position in context to clause 7B.3.4 a and 7B.3.4 c of these Regulations, the Company may charge penalty to such Broker Margin Financier amounting to 10% of the amount of discrepancies highlighted by the Company or PKR 500,000 whichever is higher. The Company may also impose a restriction/ suspension on the concerned Margin Financier for taking any new position in the MF Market for a period of 3 months or permanently. During the period of suspension only release of open position shall be allowed.

7B.3.4 d Pledge call Reporting by Broker Margin Financier

In case of any shortfall or failure to fulfill the margin requirement determined for Broker Margin Financier by respective bank pursuant to clause 7B.3.4 a and 7B.3.4 b, such bank may call the pledged Securities as per terms and conditions stipulated under the tri-partite agreement.

- i. Broker Margin Financier shall be required to provide a report to respective bank, identifying its clients having open position and against which Securities pledge is required to be called. For this purpose, the Company shall facilitate Broker Margin Financier to enter requisite details and accordingly generate report in the MF Module. Accordingly, priority shall be given to the accounts identified by the Broker Margin Financier for making pledge calls. Bank will be required to call the pledged shares only to the extent of default.
- ii. The Company shall obtain pledge call position from CDC as per agreed mechanism and open position of relevant client upto the extent of position for which the pledge is called, as made available by CDC, will be reduced accordingly.

7B.3.5 MF (R) Transaction Initiation and Affirmation Process

1. An MF(R) Transaction can be initiated by a Margin Financee with its Margin Financier in whole multiples of Marketable Lots of net sales of Margin Financed Security from ready market at MF Transaction Value. For this purpose the Company shall calculate the Margin Financee-wise, security-wise and UIN-wise (including proprietary account) net sales from ready market trades for each trade date received on NCSS.
2. A Margin Financee may also initiate MF (R) Transactions without following the requirements specified in paragraph 1 above. Upon affirmation by the relevant Margin Financier, MF Transaction Value and mark-up thereof shall be settled directly between the relevant MF Participants outside the NCSS. In such case, Margin Financed Securities shall be unblocked from the MF Blocked Status of relevant Margin

Financier/clients account as the case may be and shall be transferred automatically in available status in normal CDC account of such Margin Financier or sub-accounts of its clients, as the case may be. In case where Broker Margin Financier fails to deliver Margin Financed Securities from the CDS sub-account of a client, due to un-release of pledge position, in such case, Margin Financed Securities shall not be transferred in the normal CDS sub-account of such client through on-line Balance Order mechanism. In such case, marked-to-market profit (if any) deposited by Broker Margin Financier as per clause 12.5.10.3 upto the extent of Securities that are not delivered, shall be made available to normal CDS sub-account of the respective client. The Company will facilitate re-execution of MF (R) Transaction to MF Participants.

3. Initiating Margin Financier can cancel the initiated MF (R) Transactions at any time before it is affirmed by the counter-party Margin Financier.
4. Upon initiation of an MF (R) Transaction, the same details shall be reflected through MF Module to the counter-party Margin Financier for its affirmation. Affirming Margin Financier shall not be allowed to edit the details of the initiated MF(R) Transaction and shall have an option to affirm or reject the initiated MF (R) Transactions within Designated Time Schedule on the Trade Date.
5. If an initiated MF (R) Transaction is neither affirmed nor rejected within the specified time as per Designated Time Schedule on the Transaction Date, NCSS shall automatically drop it during End of Day process for further processing.
6. A Margin Financier may also initiate an MF (R) Transaction in accordance with Regulation 7B.10.3
7. The MF Contract Period for each MF Contract shall be decided by MF Participants.

7B.3.6 Settlement of MF (R) Transactions

1. Settlement Date of each MF (R) Transaction as prescribed in paragraph 1 Regulation 7B.3.5 shall be the same of the underlying sale of MF Eligible Securities in ready market. Once such MF (R) Transaction is affirmed by the Margin Financier, such MF (R) Transaction shall be settled under Balance Order System as prescribed in these Regulations and the Procedures whereby, the Margin Financier shall be entitled to receive the affirmed MF Transaction Value on the Settlement Date and Margin Financed Securities shall be unblocked from the MF Blocked Status of relevant Margin Financier/clients account as the case may be and transferred from the CDC account of the Margin Financier/clients account as the case may be for onward delivery under Balance Order System. The mark-up accrued, at the MF Mark-up Rate, during the MF Contract Period shall be settled by MF Participants outside NCSS. Moreover, corporate actions of the Margin Financed Securities/Securities against Pledge Position shall be handled by Company in accordance with the Procedures.
2. If the trade value of the ready market sell transaction, which is underlying transaction of an MF (R) Transaction, is less than the MF Transaction Value of such MF (R) Transaction (the “Shortfall Amount”), the Balance Order delivery movement for the Margin Financier of such MF (R) Transaction shall remain blocked until the Margin Financier of such MF (R) Transaction has paid the Shortfall Amount to the Company. If such Margin Financier fails to make the payment of the Shortfall Amount in

accordance with the Designated Time Schedule, such MF (R) Transaction shall stand cancelled. Upon such cancellation, the respective Margin Finantee shall continue to remain responsible for and shall ensure the settlement of its entire ready market sell transactions. In case of non-fulfillment of such ready market settlement obligation by the respective Margin Finantee, the delivery default procedures in accordance with these Regulations shall be applied for the satisfaction of corresponding ready market purchasers. In case where Broker Margin Financier fails to deliver Margin Financed Securities due to the reason that they have not been released from the pledge position, in such case, the delivery default procedures in accordance with these Regulations shall be applied for the satisfaction of corresponding ready market purchasers. The Company will facilitate such Broker Margin Financier to un-block Margin Financed Securities subsequently, released by respective bank.

Failure to meet any obligation of such delivery default proceedings will be considered a default as a Broker Clearing Member and Company shall initiate default proceedings in accordance with the provisions of Chapter 13 (Money Default Management) and other relevant provisions of these Regulations and Procedures.

7B.4 Functions of the Company

- (i) Subject to Regulation 7B.5, the Company shall act as the MF Module provider for recording of MF Transactions and MF (R) Transactions between the MF Participants and for delivering Securities to and receiving Securities from and for receiving or paying any amounts payable to or payable by such MF Participants on account of MF Transaction Value in connection with MF Transactions and MF (R) Transactions and to perform such other functions as specified in these Regulations as are necessary or proper for carrying out the foregoing purposes without incurring any liability or obligations as principal, agent, fiduciary or trustee to any of the MF Participants or their respective clients.
- (ii) The Company shall collect advance tax from the Margin Financier in respect of Margin Financing in accordance with Section 233AA of the Income Tax Ordinance, 2001.
- (iii) The Company may force release MF Transaction executed in relation to a client upon his request subject to payment of due amount directly to bank/ in pursuance to clause 7B.3.2 a of these Regulations and facilitate the client to receive Margin Financed Securities pledged by Broker Margin Financier under clause 7B.3.4 without incurring any liability or obligations to any of the MF Participants or their respective clients.
- (iv) In case of any dispute over an MF Contract and consequential pledge positions, the Company shall be empowered to review and decide the matter. The decision of the Company shall have binding effect upon the MF Participants.

7B.5 Liability of Company

1. The only obligation of the Company with regard to the settlement of the MF Transactions and MF (R) Transactions shall be to facilitate the delivery and payment in respect of such transactions between the MF Participants in accordance with these

Regulations. Each MF Participant acknowledges and confirms that the Company shall not be responsible for:

- (a) the title, ownership, genuineness, regularity or validity of any security or any other documents or instrument passing through the NCSS;
- (b) the execution, genuineness, validity, enforceability or sufficiency of any agreement or any other document relating thereto;
- (c) the collectability of amounts payable in respect of Margin Financing;
- (d) the financial condition of any MF Participant;
- (e) the performance and observance by MF Participants of their obligations under the agreements or any other documents executed between them in respect of Margin Financing; or
- (f) the accuracy of any statements (whether written or oral) made by an MF Participant in or in connection with any agreement or documents in respect of Margin Financing.

2 Each MF Participant confirms to the Company that it:-

- (a) has made its own independent investigation and assessment of the financial condition and affairs of the concerned MF Participants in connection with its participation in the Margin Financing and has not relied on any information provided to it by the Company in connection with the Margin Financing; and
- (b) will continue to make its own independent appraisal of the creditworthiness of the MF Participants with which it executed any MF Transaction or MF (R) Transaction.

3. The Company's obligation to make payments to MF Participants is conditional upon it receiving the applicable payment and none of the MF Participants shall have any recourse to the Company if the Company has not received the corresponding payment. The Company shall not have any obligation to pay any amount except to the extent that the Company has received such corresponding payment, it being acknowledged and agreed by the MF Participants that the credit risk assumed by the MF Participants in relation to their participation in the MF System is that of the MF Participants.

7B.6 Liability of the MF Participants

All outstanding MF Transactions and MF (R) Transactions shall be binding upon the MF Participants until settled in accordance with these Regulations.

7B.7 Transaction Costs

7B.7.1 All MF Participants shall pay prevailing transaction costs to the Company in accordance with Fees, Charges and Security Deposit Schedule for all MF Transactions and MF (R) Transactions.

7B.7.2 In case of any default in any settlement obligation by the Margin Financier in accordance with the provisions of the NCCPL Regulations, the respective Margin Financier shall pay penalty to the Company which shall include:

- (i) For one time default in a calendar year, 1.00 % of the value of defaulted position;
- (ii) For second time default in a calendar year, 2.00 % of the value of defaulted position; and
- (iii) For third time default in a calendar year, 4.00 % of the value of defaulted position and such Margin Financier shall be suspended for a period of three months from the of MF Market.

7B.8 MF Mark-up Rate

The applicable rate of return on Margin Financing shall be determined by the MF Participants. Such rate, however, shall be capped on KIBOR (prevailing at the close of immediately preceding working day) plus 8%. However, a Margin Financier may, at its discretion, make the Margin Financing available at the rate of return below the rate specified above.

7B.9 Exposure and Margins for MF Participants

- 1) Where financing is provided by a Broker Margin Financier from its own recourses to its clients, in such case, Broker Margin Financier shall be required to maintain the Financier's Acceptable Securities of each client in the respective normal CDS sub-account of such client.
- 2) Where financing is provided by a Broker Margin Financier through funds, borrowed from bank as specified in the Rules to its clients, in such case, the Margin Financee shall deposit Financier's Acceptable Securities of each client to respective bank as per clause 7B.3.4 of these Regulations.

The aggregate value of Financier's Acceptable Securities and FPR shall always be higher of 25% or VaR Estimate of that particular MF Eligible Security.

- 3) Where market price of MF Financed Security declines by 5%, in such case, Broker Margin Financier will be required to collect marked-to-market losses from their clients in the form of cash only whereas Non-Broker Margin Financier will collect marked-to-market losses from Margin Financee as per terms and conditions set out in the Margin Financing Agreement.

Provided where the Company receives information in respect of a Broker Margin Financier that discloses a contravention of the provision stipulated under 7.B.9.3, a

penalty amounting to PKR 500,000 (per instance of failure/ per client) shall be levied by the Company on such Broker Margin Financier, however, the amount of penalty may not exceed the amount of mark-to-market losses that the respective Broker Margin Financier has filed to collect from its client(s).

7B.10 Margin Financing Market Information

7B.10.1 Important Statistics to be made available to the General Public

1. Following statistics will be made available to the public on a daily basis by the Company:
 - i) Scrip wise Margin Financing value and volume and percentage of free float;
 - ii) Aggregate value and volume of financing released in the day;
 - iii) Scrip-wise Total Margin Financing availed during the day;
 - iv) Top 15 Margin Financiers and Margin Financees in MF Market will be disclosed by name.
 - v) Any other report that the Company and/or Commission intends to provide to the public or monitoring purposes.

CHAPTER 7C MARGIN TRADING SYSTEM**7C.1. Definitions****7C.1.1 Definitions**

When used in this Chapter of these Regulations and, where applicable, in the Procedures, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

Accelerated Maturity Date	means, in respect of MT Contract, any Business Day prior to a Maturity Date on which a Finanee initiates a MT(R) Transaction.
Application Form	means the application form prescribed and made available by the Company from time to time, for admission of a Clearing Member as a Trading Financier in MT under these Regulations.
Applicant	means a Clearing Member who has applied to the Company for admission as a Trading Financier.
Bid	means a quotation displayed on the MT by a Finanee for sale of MT Eligible Securities in the MT Market.
Broker Trading Financier	means a Broker Clearing Member of the NCSS who has been admitted as a Broker Trading Financier by the Company under these Regulations.
Finanee	means a Broker Clearing Member of the Company, who enters into a MT Contract to avail the facility of Margin Trading.
Financing Participation Ratio (“FPR”)	means the ratio between the minimum equity participation required to be paid by the Finanee for the purchase of each MT Eligible Security and the MT Transaction Value. For this purpose, the minimum equity participation for each MT Transaction shall be 15% of MT Transaction Value, provided that, FPR shall always be collected in the form of cash only.
KIBOR	means the daily average of one-month Karachi Interbank Offered Rate (Ask Side) as published on Reuters page KIBR or as published by the Financial Markets Association of Pakistan in case the Reuters page is unavailable.
Margin Trading (MT)	means extension or maintenance of credit through the platform provided by the Company, in the capacity of an authorized intermediary, for the purpose of purchasing or carrying any MT Eligible Security in ready market, as provided in Chapter IV of the Rules.
MT Contract	means a contract between the Trading Financier and the

Finanee for Margin Trading and which is a combination of a MT Transaction and a MT(R) Transaction, wherein one fourth quantity of the MT Transaction shall be released, nearest to the marketable lots, on each Maturity Date, automatically or the entire or partial quantity of the MT Transaction shall be released on the Accelerated Maturity Date at the initiation of the Finanee.

MT Contract Price	means the product of applicable rate of return specified in the Bid, the MT Transaction Value and MT Contract Period. However, for the settlement of MT (R) Transaction, such MT Contract Price shall be determined after adjusting MTM Losses, and payments made on Maturity Date(s) or Accelerated Maturity date(s), as the case may be, by the Finanee.
MT Contract Period	means the period lapsed from (and including) MT Transaction Date until and including the Maturity Date(s) or Accelerated Maturity Date(s) as the case may be. <i>Explanation:</i> if the Accelerated Maturity Date is same as the date of matching of the Offer and Bid, the MT Contract Period shall be one day.
MT Financed Securities	means the MT Eligible Securities financed by a Trading Financier pursuant to a MT Transaction.
MTS ID	means the code allocated by the Company to a MT Participant.
MT Market	means the market for offering and availing financing in respect of MT Eligible Securities through MT Transactions and incidental transactions thereof, pursuant to this Chapter of these Regulations
MT Participant	means a Trading Financier or Finanee as the case may be.
MTS Portal	means an automated portal provided by the Company to MT Participants for the purpose of the MT Market and accessible through their interface with computer system.
MTS Software	means all systems and application programmes relevant to the operation of the MTS including all computer software maintained and used by the Company for the purposes of the MTS (other than software used by a MT Participant to communicate with the Company in relation to the MTS).

MT Transaction		means a transaction between Trading Financier and the Finantee pursuant to the execution of an MT Contract under which the Trading Financier is required to pay for the ready market purchase of the Finantee to the extent of the MT Transaction Value determined for each MT Transaction on the basis of applicable FPR. MT Transaction is effected on the MTS Portal and is received in the NCSS as a locked-in contract for clearing and settlement through the NCSS.
MT Transaction Date		means the date on which an Offer and Bid is matched to form a MT Transaction.
MT (R) Transaction		means a transaction between the Trading Financier and the Finantee pursuant to the execution of an MT Contract under which the Finantee is required to pay to the Trading Financier, on four Maturity Dates or on Accelerated Maturity Date(s), the corresponding amount of Contract Price as determined under these Regulations.
MT Transaction Value		means the amount of MT Transaction, calculated at the immediate preceding price of a security in the ready market at the time of the execution of MT Transaction based on the applicable FPR.
Margin Trading System (MTS)		means a system provided by the Company in the capacity of an authorized intermediary, to MT Participants for Margin Trading based on specific ready market purchases of MT Eligible Securities in an undisclosed manner through MTS Portal in accordance with these Regulations.
Maturity Date		means, in respect of MT Contract, each of 15 th , 30 th , 45 th and 60 th calendar day of the MT Transaction Date on each of which day the MTS will automatically initiate a MT (R) Transaction for release of one fourth quantity of MT Transaction, nearest to the marketable lots, subject to adjustment of quantity released upon Accelerated Maturity Date(s), if any, before the opening of business, which shall be settled in accordance with these Regulations. Provided that, while releasing one fourth quantity of MT Transaction, nearest to the marketable lots, priority will be given to the MT(R) Transaction(s) of the Finantee.
Non-Broker Financier	Trading	means a Non Broker Clearing Member of the NCSS who has been granted the status of a Non-Broker Trading Financier by the Company under these Regulations.
Offer		means a quotation displayed on MTS Portal by a Trading Financier for purchase of MT Eligible Securities in the MT

	Market.
Rules	means the Securities (Leveraged Markets and Pledging) Rules, 2011.
Security Deposit	means the security deposit to be maintained by a MT Participant with the Company under these Regulations.
Trading Financier	means a Clearing Member, who meets the eligibility criteria as stipulated in the Rules and these Regulations and has been admitted by the Company as a Trading Financier under this Chapter of these Regulations to provide financing under Margin Trading. Provided that where Broker Clearing Member admitted as trading financier, such Broker Trading Financier can provide financing under Margin Trading by using his own funds or funds borrowed from financial institutions, as specified in the Rules, and can use the funds of his clients. Provided further that, where funds of individual clients are used in Margin Trading, such Broker Trading Financier shall submit an undertaking to the Company that such individual clients have fulfilled the eligibility criteria for individual client as laid down by the Commission under the Rules.
Trading Financier Clearing Member Agreement	means an agreement setting out the terms relating to the provision of financing under Margin Trading, in the form prescribed by the Company from time to time, entered into by a Clearing Member and Company as a pre-condition to admission of that Clearing Member as a Trading Financier.

7C.2. Eligibility Criteria for MT Participants

7C.2.1 Eligibility Criteria for a Trading Financier

A Clearing Member will be eligible to apply to the Company for admission as Trading Financier if such Clearing Member fulfills the criteria as laid down in Chapter IV of the Rules and, in case of :

- (i) a Broker Clearing Member, fulfills the capital adequacy requirements specified in Regulation 12.3.3;
- (ii) a banking company within the meaning of the Banking Companies Ordinance, 1962 (LVII of 1962), it has been allocated minimum short-term credit rating of A3;
- (iii) a financial institution to which Section 3A of the Banking Companies Ordinance, 1962 (LVII of 1962) is applicable, it has been allocated minimum short-term credit rating of A3;
- (iv) an eligible collective investment scheme registered under the Non-banking Finance Companies and Notified Entities Regulations, 2008 which is eligible to provide financing in margin trading under its constitutive documents and it has been issued minimum fund stability rating of A(f) provided that in case of a collective investment scheme which has not been issued the minimum rating as mentioned above, the said requirement as to rating shall be deemed to have been complied with if the asset management company managing such collective investment scheme has been issued minimum asset manager rating of AM3, provided further that where

- such asset management company has not been issued minimum asset manager rating of AM3, this requirement shall be deemed to have been complied with for a period of one year in the case of a new asset management company if the principle sponsor of the asset management company has been issued minimum short term credit rating of A3;
- (v) an investment finance company licensed by the Commission to provide investment finance services, it has been allocated minimum management quality rating of AM3 minus;
 - (vi) any other corporate entity about which the Board (subject to final approval by the Commission) is satisfied that it has a good financial standing, has the capability to satisfy the requirements of these Regulations and is otherwise fit and proper to be admitted as a Trading Financier;

7C.2.2 Admission/ Refusal to Admission of a Trading Financier

1. The Company may admit an Applicant as a Trading Financier by a written notice issued to such Applicant, subject to the fulfillment of registration requirement and documentation as prescribed in Rule 17 of the Rules.
2. The Company may refuse an Applicant from admission as a Trading Financier after providing an opportunity of hearing by a written notice issued to such Applicant.

7C.2.3 Eligibility Criteria for a Finantee

Broker Clearing Members may be admitted as Finantees in the MT Market, provided the Company is satisfied that each such Broker Clearing Member:

1. holds a valid TRE Certificate under the respective regulations, rules and procedures governing their admission to the Pakistan Stock Exchange;
2. has no action pending in any court, which might materially and adversely affect such Broker Clearing Members TRE Certificate, or no such action has been initiated by the Pakistan Stock Exchange or the Commission against such Broker Clearing Member;
3. is not in breach of these Regulations, any law or other regulations applicable to such Broker Clearing Member;
4. has submitted an addendum to Clearing Member Agreement appropriately stamped and duly executed by its authorized representative(s); and
5. has fulfilled the capital adequacy requirement under Regulation 7C.6.1.

7C.2.4 Suspension or Termination of MT Participant

The Company shall impose restriction on a MT Participant or suspend or terminate admission of a MT Participant in accordance with provisions of the Rules. However, in the event that a MT Participant is suspended or terminated as a Clearing Member pursuant to these Regulations, such MT Participant shall also stand suspended or terminated as MT Participant automatically without any further action being taken on the part of the Company. The Company shall immediately notify the same to the Pakistan Stock Exchange and CDC for suspension, forfeiture or cancelation of TRE

Certificate of Pakistan Stock Exchange and restriction of access in CDS in accordance with the respective regulations.

7C.2.5 MT Participant's Warranties and Indemnities

A MT Participant supplying any information to the Company in pursuance of any obligation of the MT Participant under these Regulations and the Procedures, shall:

- (a) be deemed to have warranted to the Company that the information supplied is complete, true and correct and nothing has been omitted which will make such information misleading; and
- (b) indemnify the Company if any losses, damages, costs or expenses are suffered or incurred by the Company as a result of any inaccuracy contained in or omission from the information supplied by the MT Participant or such information being misleading.

7C.3. MT Eligible Securities

7C.3.1 Eligibility Declaration

The Company shall select the securities that are eligible to be declared as MT Eligible Securities for the purpose of MT Market in accordance with the eligibility criteria described in Regulation 7C.3.2 and based on the data made available by Pakistan Stock Exchange. Securities so selected shall be declared by the Company as MT Eligible Securities.

7C.3.2 Eligibility Criteria

Eligibility criteria of MT Eligible Securities shall include the following:

Maximum Number of Securities

Top 100 book-entry securities will be selected by giving 50% Weight to Average Daily Free Float Market Capitalization and 50% Weight to Average Daily Turnover during the previous six (6) months and same will be filtered based on the following criteria:

1. Impact Cost

Securities that have average daily Impact Cost of Less than 1% during the previous six months.

2. Turnover

Securities that have average daily turnover of 0.25% of total average volume of book-entry eligible securities during the review period.

3. Public Float

Securities that have Free Float of more than 35% of issued capital or 60 million Free Float shares.

4. Trading History

Securities that have traded at least 90% of the trading days during last six months.

5. Listing History

Securities that have been officially listed at the Exchange earlier than last six months period.

6. Auditors Opinion

Securities of the companies that do not have negative/qualified opinion in Auditor's report on the

Company's most recent audited annual Financial Statements which may lead to suspension in trading of shares of such company.

7. Investigation

Securities of the Companies against which any investigation/enquiry has been concluded with adverse findings of mismanagement shall not be eligible.

8. Defaulters' Segment

Securities of the companies that have not been quoted on the defaulters' segment of the Exchange during last six months.

9. Interim Review of Securities

Clause No. 1, 2,4,6,7 & 8 of the criteria shall be reviewed after each 45 days. Such review shall be carried out at the same frequency and simultaneously with the interim review carried out for SLB eligible securities and Margin Eligible Securities and any security which does not meet any of these criteria shall be excluded from the list after giving notice of at least 60 days to market participants.

10. Final Review for Securities

The list of MT Eligible Securities will be reviewed in the first 15 days of January and July every year based on their data of immediate preceding 6 calendar months made available by Pakistan Stock Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for SLB eligible securities, MF eligible securities and Margin Eligible Securities.

11. Notice Period

In case of the MT Market, any inclusion / exclusion in/from the list of eligible securities based on the revised list of securities eligible for trading in the MT Market will be notified after giving notice of at least 60days to the market participants.

12. Review for Criteria

The Company may review and change the eligibility criteria as and when required with prior approval of the Commission and notify the change in it, if any, to the market participants.

13. Profit Before Tax

Profit before tax as per standalone audited financial statements in any two of the last three years of commercial operations.

In case of a company having operating history of less than three years, the company must have completed one year of commercial operations and shown profits before tax as per its latest standalone audited financial statements throughout operating history.

14. Eligibility of companies with principle activity in investment/trading of securities

Securities of listed asset management companies, mutual funds, brokerage houses and companies whose principal activity includes short term investment/trading in securities shall not be eligible.

For the MT Market, a Finantee can not avail financing in any scrip where he is a director or sponsor or such scrip is an associated company or associated undertaking of such Finantee. Trading Financier shall not provide financing in scrip where such Trading Financier is a director or sponsor or such scrip is an associated company or associated undertaking of such Trading Financier.

7C. 3.3 Eligibility Review

- a) This list of eligible securities will be revised in the first 15 days of January and July every year based on their data of immediate preceding 6 calendar months. In case of the MT Market, any inclusion in the list of eligible securities based on the revised list of securities eligible for trading in the MT Market will be effective after giving notice of at least 30 days to the market participants and any exclusion from the list of eligible securities based on the revised list of securities eligible for trading in the MT Market will be effective after giving notice of at least 60 days to the market participants.

7C.4. MT Contracts and Settlement

7C.4.1 MTS Portal

MTS Portal will be made available by the Company to all MT Participants.

7C.4.2 Undisclosed Trading

All MT Contracts shall be facilitated by the Company by acting as an authorized intermediary for the respective MT Participants, which are underlying parties to a MT Contract. MT Participants will not be able to access the identity of the underlying counter-party to any of the MT Contracts.

7C.4.3 Procedure

1. All Offers and Bids for the MT Transactions will be displayed directly on the MTS Portal.
2. An Offer shall specify the following:
 - (i) MT Eligible Securities that the Trading Financier intends to finance;
 - (ii) The applicable rate of return;
 - (iii) MTS ID of the Trading Financier and UIN details of its client where funds of such client are being used; and
 - (iv) UIN Registration Details filled in the UIN Registration Screen of NCSS.

Provided that the information relating to (iii) and (iv) above shall not be displayed on the MTS Portal.
3. A Bid shall specify the following:
 - (i) MT Eligible Securities that the Finantee intends to sell;

- (ii) The applicable rate of return;
- (iii) Trader ID of the Finanee; and
- (iv) UIN Registration Details filled in the UIN Registration Screen of NCSS

Provided that the information relating to (iii) and (iv) above shall not be displayed on MTS Portal;

Provided further that Non-Broker Trading Financier shall only be allowed to carry out proprietary transactions.

4. Subject to verification pursuant to Regulation 7C.4.9 (*Pre-trade Verification*), execution of a MT Transaction will be confirmed when an Offer is matched with a Bid or *vice versa*. Once confirmed, a MT Transaction shall be irrevocable except as provided in these Regulations and simultaneously a MT(R) Transaction shall be generated by the MTS.

7C.4.4 Revocation of Offers and Bids

MT Participants will be allowed to cancel any Offers or Bids placed by them respectively in the MT Market before the same are matched and executed.

7C.4.5 Settlement of MT Transactions

Each MT Transaction and MT (R) Transaction shall be settled in the NCSS in accordance with these Regulations and the Procedures.

7C.4.6 Settlement on Maturity Date

On each Maturity Date, a MT (R) Transaction representing one fourth quantity of the MT Transaction shall be settled in the NCSS in accordance with these Regulations and the Procedures.

7C.4.7 Settlement on Accelerated Maturity Date

A Finanee may initiate a MT (R) Transaction on an Accelerated Maturity Date and the same shall be settled in the NCSS in accordance with these Regulations.

7C.4.8 Irrevocability of MT (R) Transactions

Neither the Finanee nor the Trading Financier will be allowed to modify and/or cancel any part of a MT (R) Transaction.

7C.4.9 Pre-Trade Verification

The matching of a Bid with an Offer shall be subject to the condition that the Finanee making such Bid has an underlying specific long position in the ready market at that time of that day. However, in order to ensure MT Transaction on the specific ready market purchases of that day, the MTS shall compare such purchases at UIN level in the ready market at the end of each Trading Day with the volume of MT Transaction on that particular UIN. Accordingly, in case of any excess volume of MT Transactions of a Finanee, such volume of MT Transaction shall be force released on that day and such release will cause a one day charge of funds on the value of MT

Financed Securities to be paid to the Trading Financier by the Finantee. Provided, however, that:

- (i) the requirement for having such an underlying long position in the ready market shall not be applicable where such MT Contract is solely for the purpose of rolling-over of an existing MT Contract released automatically on Maturity Date or released on Accelerated Maturity Date; and
- (ii) the requirement for having such an underlying long position in the ready market shall not be applicable, in case of shifting of settlement obligation on Finantee due to default by respective Trading Financier on the Settlement Date under Regulation 7C.6.13.1

Provided further that, Margin Trading facility shall not be allowed on the purchases through odd lots market. Accordingly, sales through odd lots market shall not be taken into account while force releasing MT Transactions as explained above in the first para of this clause.

7C.4.10 Settlement Mechanism

The MT Transactions and MT (R) Transactions shall be settled under Balance Order System as prescribed in these Regulations and the Procedures as follows:

1. (a) in the case of a MT Transaction, the Trading Financier shall pay for the ready market purchases to the extent of the MT Transaction Value determined for each MT Transaction on the basis of applicable FPR. The remaining portion of the ready market purchases shall be settled by the respective Finantee on the respective Settlement Date. Upon settlement, all the MT Financed Securities shall be delivered to the CDC account of the respective Trading Financier or sub-account of its client, as the case may be, in Blocked Status;

(b) If a Trading Financier does not receive the MT Financed Securities in its CDC account or sub-account of its client, as the case may be, in Blocked Status on T+2 on account of default by the seller of MT Financed Securities in the ready market, the Company shall initiate squaring up process in accordance with NCSS Procedures and the MT Financed Securities purchased through squaring-up process shall be transferred to the CDC account of such Trading Financier or sub-account of its client, as the case may be, in Blocked Status on SD+1 basis. If the Company is unable to purchase the relevant MT Eligible Security in the squaring up process, then the Company will initiate close-out process in accordance with NCSS Procedures and shall pay to such Trading Financier and Finantee the close-out amount, determined in accordance with NCSS Procedures, proportionately as per the FPR. Accordingly, the Company shall initiate MT (R) Transaction to the extent of undelivered MT Eligible Securities against which the close-out has been paid as aforesaid. The MT Participants will have no further obligation with regard to such MT (R) Transaction and such MT Contract shall also stand closed.
2. (a) in the case of MT (R) Transaction, the Finantee shall be obliged to pay the MT Contract Price, determined after adjustment of Marked-to-Market Losses and amount paid so far by such Finantee to such Trading Financier upon each Maturity Date(s) or Accelerated Maturity Date(s) (in order to align the MT Contract Price) and the Trading Financier shall be obliged to deliver the quantity of MT Financed Securities corresponding to such release transaction.

Corporate actions of the MT Financed Securities shall be handled by Company in accordance with the Procedures.

7C.4.11 Functions of the Company

- (i) Subject to Regulation 7C.4.13, the Company in its role as the authorized intermediary shall act as a common agent of MT Participants for settlement of the MT Contracts between the MT Participants and for delivering securities to and receiving securities from and for receiving or paying any amounts payable to or payable by such MT Participants in connection with any of the MT Contracts and to do all things necessary or proper for carrying out the foregoing purposes in accordance with these Regulations without incurring any liability or obligations as a principal.
- (ii) The Company shall collect advance tax from the Trading Financier in respect of Margin Trading in accordance with Section 233AA of the Income Tax Ordinance, 2001.

7C.4.12 Liability of Company

1. The only obligation of the Company with regard to the settlement of the MT Transactions and MT (R) Transactions shall be to facilitate the delivery and payment in respect of such transactions between the MT Participants in accordance with these Regulations. Each MT Participant acknowledges and confirms that the Company shall not be responsible for:
 - (a) the title, ownership, genuineness, regularity or validity of any security or any other documents or instrument passing through the NCSS;
 - (b) the execution, genuineness, validity, enforceability or sufficiency of any agreement or any other document relating thereto;
 - (c) the collectability of amounts payable in respect of MT Contracts;
 - (d) the financial condition of any MT Participant;
 - (e) the performance and observance by MT Participants of their obligations under the agreements or any other documents executed between them in respect of MTS; or
 - (f) the accuracy of any statements (whether written or oral) made by a MT Participant in or in connection with any agreement or documents in respect of MT Contracts.
2. Each MT Participant confirms to the Company that it has made its own independent investigation and assessment of the financial condition and affairs of the concerned MT Participants in connection with its participation in the MTS and has not relied on any information provided to it by the Company in connection with the MTS; and
3. The Company's obligation to make payments to MT Participants is conditional upon it receiving the applicable payment and none of the MT Participants shall have any recourse to the Company if the Company has not received the

corresponding payment. The Company shall not have any obligation to pay any amount except to the extent that the Company has received such corresponding payment, it being acknowledged and agreed by the MT Participants that the credit risk assumed by the MT Participants in relation to their participation in the MTS is that of the MT Participants.

7C.4.13 Liability of the MT Participants

All outstanding MT Transactions and MT (R) Transactions shall be binding upon the MT Participants until settled in accordance with these Regulations.

7C.4.14 Transaction Costs

All MT Participants shall pay prevailing transaction costs to the Company in accordance with Fees, Charges and Security Deposit Schedule for all transactions relating to MT Contracts.

7C.5 Cost of Funding

The applicable rate of return on MT Transactions shall be determined as a result of matching of the offer and bid. Such rate, however, shall not be greater than one month KIBOR (prevailing at the close of immediately preceding working day) plus 8% per annum.

7C.6 Risk Management

The risk management of MT Participants for MT Contracts shall be managed by the Company as per Chapter 12 of these Regulations.

7C.6.1 Approved Collaterals

Margin Eligible Securities

The Company shall notify from time to time pursuant to the provisions contained under Chapter 12 of the NCCPL Regulations, the securities that are acceptable to the Company for the purpose of Exposure Margins and any other margins that may be required by the Company from time to time, except Marked-to-Market Losses.

7C.6.2 Suspension/Default

Where a MT Participant fails to deposit Collaterals against Exposure Margins, Liquidity Margins, Marked-to-Market Losses and, where applicable, Concentration Margins, and fails to settle MT Transaction and MT (R) Transaction, as the case may be or fails to comply with any other requirement of these Regulations, the Company shall initiate necessary default proceedings in accordance with the provisions of Chapter 13 (Money Default Management) of these Regulations. Such proceedings shall be based on the following principles:

1. In case of Trading Financier Default

In case where Trading Financier fails to deposit margin requirement or fails meeting settlement obligation pertaining to a MT Transaction, the Company shall initiate the following proceedings:

- (i) The Company shall suspend such Trading Financier;
- (ii) After determination on net shortfall by the Company of a suspended Trading Financier, the Company shall after applying the available resources as prescribed in Chapter 13 of these Regulations, provide on a particular Settlement Date, Settling Banks with revised settlement statements (credits) after holding back proportionate amounts in accordance with the credits due to all MT Participants to whom credits shall be due on that Settlement Date, till the recovery of shortfall amount.
- (iii) All margins of suspended Trading Financier held by the Company shall be liquidated;
- (iv) In respect of settlement obligation due under the MT Market, the Company shall immediately shift such settlement obligation to the respective Finantees, however, such Finantees shall be given an opportunity to re-finance such ready market purchases from the MT Market through any other Trading Financier. In case where such Finantee is unable to re-finance such ready market purchases from MT Market, such Finantee shall be held responsible to meet the settlement obligation in the capacity of Clearing Member after adjustment of proceeds out of utilization of margins of Trading Financiers as provided in (iii) above; and
- (v) MT Financed Securities already held in Blocked Status in such suspended Trading Financier's CDC blocked account or sub-account of its client, as the case may be, if any, shall be released on their respective Maturity Dates and Accelerated Maturity Dates, as the case may be, as per the mechanism agreed between the Company and CDC from time to time.
- vi) In case of any default in any settlement obligation by the Trading Financier in accordance with the provisions of the NCCPL Regulations, the respective Trading Financier shall pay penalty to the Company which shall include:
 - a. For one time default in a calendar year, 1.00 % of the value of defaulted position;
 - b. For second time default in a calendar year, 2.00 % of the value of defaulted position; and
 - c. For third time default in a calendar year, 4.00 % of the value of defaulted position and such Trading Financier shall be suspended for a period of three months from the MT Market.

2. In case of Finantee Default

- A. Failure to pay Marked-to Market Losses to Maintain its FPR or failure to deposit other margins relating to MT Market including but not limited to MT (R) Transaction margins and Concentration Margins (collectively referred as "other margins")

In case where a Finnee fails to deposit any Marked-to Market Losses and/or other margins within the stipulated time following action by the Company will be taken:

- I. In case where certain number of UINs of Finnee including his proprietary UIN fails to deposit necessary Marked-to Market Losses and/or other margins following procedure will be applied:
 - (i) Finnee shall be required to identify the defaulted UIN(s);
 - (ii) The Company shall immediately suspend such UIN(s) to take further position in any Market and serve a Notice at the day end to such Finnee so as to give an opportunity to square up the MT (R) Transactions and MT (R) Transactions margins (if deposited in the form of MT Eligible Securities) of such UIN within 3 hours on next Trading Day and fulfill the requisite demand of Mark-to Market Losses and/or other margins;
 - (iii) In case Finnee is not able to square-up the MT (R) Transaction and MT (R) Transactions margins (if deposited in the form of MT Eligible Securities) of such UIN(s) within the above mentioned stipulated time, the Company shall initiate square-up process of such MT (R) Transaction and MT (R) Transactions margins (if deposited in the form of MT Eligible Securities) on that day;
 - (iv) If Finnee fails to square up the MT(R) Transaction and MT (R) Transactions margins (if deposited in the form of MT Eligible Securities) or to deposit requisite demand of Marked-to Market Losses and/or other margins after the expiry of said Notice by the Company in accordance with (ii) above and the Company is also unable to square-up in accordance with (iii) above for any reason whatsoever, all MT (R) Transactions of such UIN(s) shall be released by the Company and the Company shall proportionately allocate such MT Financed Securities of such MT (R) Transactions and MT (R) Transactions margins, to all the Trading Financiers who have provided Margin Trading in those securities. Accordingly, such MT (R) Transactions of said UINs shall be treated as closed without any further liability on such Finnee for the settlement of such MT (R) Transactions. Provided, however, that:
 - a) such defaulting UIN(s) may be restricted from taking new positions in all Markets for a period of six-months;
 - b) relevant e Finnee shall be penalized and restricted in the following manner:

First default by the client	Penalty @ 2% of the defaulted amount of such UIN(s) and restriction on Broker Clearing Member to take further positions in leveraged markets for a period of three months
second default by the same client or any other client	Penalty @ 4% of the defaulted amount of such UIN(s) and restriction on Broker Clearing Member to take further positions in leveraged markets for a period of six months
on any subsequent default by any UIN of the broker	permanent restriction on the Broker Clearing Member to take further positions in leveraged markets;

- (v) In case of second default of Marked-to-Market Losses of the same UIN(s), the Company may block such UIN(s) for a period of three years.

B. Settlement Default by Finnee

In case where Finnee fails to settle money obligation, including settlement obligation as determined in Regulation 7C.6.2-1 (iv) in the capacity of a Clearing Member on a particular Settlement Date, following procedure will be applied:

- (i) The Company shall suspend such Finnee in all Markets in the capacity of Clearing Member;
- (ii) After determination of net shortfall by the Company of a suspended Finnee, the Company shall, after applying the available resources as prescribed in Chapter 13 of these Regulations except for the utilization of SGF as prescribed in Chapter 29 of these Regulations, provide on a particular Settlement Date, Settling Banks with revised settlement statements (credits) after holding back proportionate amounts in accordance with the credits due to all Clearing Members who are the MT Participants to whom credits shall be due on that Settlement Date, till the recovery of shortfall amount;
- (iii) The Company shall segregate the shortfall amount Market wise in order to ascertain the default of a particular Market;
- (iv) All Market wise margins of a suspended Finnee, held by the Company shall be liquidated;
- (v) In case shortfall still persists, the Company shall initiate square-up process of Market-wise open position(s) including MT (R) Transaction(s) and MT (R) Transactions margins (if deposited in the form of MT Eligible Securities) of such suspended Finnee for two consecutive working days;
- (vi) In case where proceeds from said square-up are sufficient to fulfill the shortfall amount, such proceeds shall be applied to compensate the corresponding Clearing Members including Trading Finnciers; and
- (vii) In case of shortfall persists even after the said square-up, the Company shall take the following action to finalize the default:

B-I In case of shortfall related to MT Market:

- a. If there is no square-up or partial square-up of MT Financed Securities and MT (R) Transactions margins (if deposited in the form of MT Eligible Securities) by the Company, the related proceeds and the remaining MT Securities along with MT (R) Transactions margins shall be proportionately allocated to all the Trading Finnciers who have provided Margin Trading in those securities to the extent of MT Contract Price and all related MT (R) Transactions shall stand as closed;
- b. Where the Company square-up all MT Financed Securities and MT (R) Transactions

margins (if deposited in the form of MT Eligible Securities), however, the proceeds do not cover the shortfall amount, the Company shall proportionately allocate such shortfall amount to all the Trading Financiers who have provided Margin Trading in those securities and all related MT (R) Transactions shall stand as closed.

- c. Relevant Financee shall be penalized in the manner specified in 7C.6.14 2AI (iv) above.

B-II In case of shortfall pertaining to other Markets

- a. The Company shall initiate normal default proceedings in accordance with the provisions of Chapter 13 of these Regulations so as to recover shortfall amount from the suspended Financee.

7C.7 MT Market Information

7C.7.1 Important statistics to be made available to the general public

1. Following statistics will be made available to the public on a daily basis by the Company:
 - i. Top 15 Trading Financiers and Financees in MTS Market will be disclosed by name.
 - ii. Number of Trading Financiers in the MTS Market will be disclosed together with the total amount of financing provided for all MT Eligible Securities.
 - iii. Total disbursements in the market and for each MT Eligible Security;
 - iv. Total funds due to be released in next 3 days on expiry at every 15th calendar day which may be refinanced.
 - v. Total amount of MTS released in the day.
 - vi. Total amount of MTS released for each MT Eligible Security.
 - vii. Total funding provided in each share. Percentage of MTS funds invested in each MT Eligible Security.
 - viii. Total amount of MTS funds released during the day and refinanced.
 - ix. Weighted average rate of return charged in each MT Eligible Security for the day.
 - x. Total amount availed by the Financees and the number of Financees in the market place.

7C.8. Discontinuation of MT Market

1. The Board may at any time suspend and /or discontinue the MT Market for temporarily or on a permanent basis subject to the prior written approval of the Commission.
2. The Commission may at any time direct the Company to suspend and/or discontinue the MT Market temporarily or on a permanent basis in the form and manner specified by the Commission. Any such direction shall be binding upon the Company.

Annexure –Concentration Margins

CONCENTRATION MARGIN SLABS					
%AGE OF MTS		AND	%AGE OF MT POSITION TO FREE FLOAT OF SCRP		Concentration Margins
MARKET-WIDE SECURITY CONCENTRATION SLABS AND RATES					
Greater than	2	"	Greater than	2.9	1.61
Greater than	6	"	Greater than	4.3	3.23
Greater than	8	"	Greater than	5.7	4.84
Greater than	10	"	Greater than	8.6	6.45
Greater than	12	"	Greater than	14.3	8.06
Greater than	14	"	Greater than	20	9.68
MEMBER-WIDE SECURITY CONCENTRATION SLABS AND RATES					
Greater than	5	"	Greater than	0.6	1.61
Greater than	10	"	Greater than	0.9	3.23
Greater than	20	"	Greater than	1.1	4.84
Greater than	30	"	Greater than	1.4	6.45
Greater than	40	"	Greater than	1.7	8.06
Greater than	60	"	Greater than	2.0	9.68
UIN-WIDE SECURITY CONCENTRATION SLABS AND RATES					
Greater than	1	"	Greater than	0.17	0.81
Greater than	2	"	Greater than	0.25	1.61
Greater than	4	"	Greater than	0.33	2.42
Greater than	8	"	Greater than	0.42	4.03
Greater than	16	"	Greater than	0.50	5.65

All three tier Concentration Margins will be applied on ‘AND’ basis and shall be applicable on the basis of average of the margins corresponding to the two applicable slabs

Annexure-B**ELIGIBILITY CRITERIA FOR INDIVIDUAL FINANCIER (7C1.1-Definition-Trading Financier)**

Following shall be the eligible individual for the provision of financing through Margin Trading, if a person:

- (a) Is not a minor;
- (b) Is not of unsound mind;
- (c) His name is borne on the Register of National Tax Payers;
- (d) Has not been convicted in any criminal offence, particularly with regard to investments, financial/business misconduct, fraud/ forgery, breach of trust, financial crime etc or no criminal proceedings have been initiated against him by SECP;
- (e) An order restraining, prohibiting or debarring him from dealing in securities in the capital market or from accessing the capital market has not been passed;
- (f) He has sufficient knowledge and experience in the field of capital markets, banking, mutual fund industry, financial services, corporate sector or any other field ancillary to the capital markets and is able to evaluate the merits and risks of any investment contemplated;
- (g) He has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a financial institution including stock exchanges, commodity exchanges, banking company, a Development Financial Institution or a Non-Banking Financial Institution;
- (h) A director or a person holding more than 10% shares in a company shall not be allowed to extend financing in such company;
- (i) Has a net worth of not less than 5 million and shall be required to submit wealth statement or a net worth certificate certified by a Chartered Accountant; and
- (j) A broker shall not be allowed to extend financing in MTS through another broker of same exchange in the capacity of a client.

Chapter 7D Interbank Fund Transfer Facility

Definitions

IBFT facility	means the interbank fund transfer facility provided by the Company to its Clearing Members to facilitate them in their interbank fund transfer in relation to their settlement obligations through Interbank Fund Transfer Module
PRISM	means Pakistan Real-Time Inter Bank Settlement Mechanism as defined in PRISM Operating Rules, 2009 issued by State Bank of Pakistan under Payment Systems and Electronic Fund Transfers Act, 2007
RTGS	means Real Time Gross Settlement System as defined in Payment Systems and Electronic Fund Transfers Act, 2007
Interbank Fund Transfer Module	means module provided by the Company in NCSS to the Clearing Member for the purpose of initiating interbank fund transfer transactions and its subsequent execution by the Company, pursuant to this Chapter of these Regulations.

7D1 Eligibility Criteria for using IBFT facility

A Clearing Member is eligible to request for availing IBFT facility with the Company provided that such Clearing Member submits a written request on a standard format provided by the Company.

7D2 Functions of Company

Subject to Section 7D3, the Company shall provide Interbank Fund Transfer module in NCSS so as to provide facilitation to its Clearing Members for transfer of funds from and to their account(s) maintained in any of the designated branch of Settling Bank(s)

For the aforesaid purpose, the Company shall provide access to the Settling Banks of such Interbank Fund Transfer module for payment and collection of funds to and from the Clearing Members in accordance with the Procedures

7D3 Liability of the Company

i) The Company shall not be responsible for any unauthorized request of fund transfer by the Clearing Members. Each Clearing Member shall indemnify and hold harmless the Company from and against any claims, losses, damages, costs and expenses suffered and/or incurred by the Company as a consequence of execution of the said unauthorized fund transfer request made by the Clearing Members through Interbank Fund Transfer facility of NCSS; and

ii) The Company may reject transfer of funds of any such requests at its sole discretion for any reason whatsoever.

7D4 Liability of the Clearing Member

i) Clearing Member shall be responsible for the correctness and completeness of the details of fund transfer instructions provided through Interbank Fund Transfer screen of the Interbank Fund Transfer module. The Company may obtain documentary evidence of the said fund instructions along with reason and justification thereof; and

The processing of such funds transfers through Interbank Fund Transfer module shall be exclusive of NCSS money settlement and Clearing Member shall remain responsible to fulfill its NCSS money obligation in terms of the Procedures for NCSS pay and collect. For the avoidance of any doubt Interbank Fund Transfer transaction should not be construed as fulfillment of NCSS money obligations.

7D5 Transaction Costs

All Clearing Members availing IBFT facility shall pay IBFT transaction fee in accordance with Fees, Charges and Security Deposit Schedule for all transactions related to IBFT facility.

CHAPTER 8: SECURITY DEPOSITS/BASIC DEPOSITS**8.1 Obligation of Clearing Members to keep Security Deposit and Basic Deposit with the Company**

8.1.1 Each NCC Participant shall keep and maintain with the Company, according to the category to which he belongs in terms of Chapter 5, Chapter 7A, Chapter 7B and Chapter 7C of these Regulations, a certain sum of money in cash as set out in the Fees, Charges and Deposits Schedule, by way of security deposit and/or Basic Deposit which sums shall not be less than the Minimum Amount. Such security deposit/ Basic Deposit shall secure the obligations of the NCC Participant under or arising from these Regulations, the Procedures and/or Clearing Member Agreement and the Tripartite Agreement and/or any other agreement or agreements entered into by the NCC Participant jointly with the Company and/or any other entity. The amount of the Security Deposit and Basic Deposit may be utilized and/or applied by the Company for any purpose set out in these Regulations, the Procedures and/or any of the said agreements. Each NCC Participant shall, by becoming a NCC Participant, agree to the utilization and application by the Company of his Security Deposit and Basic Deposit for any purpose set out in these Regulations, the Procedures and any of the said agreements.

8.2 Application and Investment of Security Deposits/ Basic Deposit

8.2.1 Any amount of the Security Deposits and Basic Deposits may be partially or wholly invested in Government Securities and/or otherwise kept in deposit with commercial banks bearing minimum long term credit rating of minimum of “A”.

8.2.2 Any profits received from the investment and/or deposits under Regulation 8.2.1 of that part of the Security Deposit/Basic Deposit of a NCC Participant which is in excess of the Minimum Amount shall accrue to Settlement Guarantee Fund.

8.2.3 No part of the Security Deposits shall be used by the Company for any purpose other than:

- a) the investment in Government Securities and/or kept in deposit with banks as above stated in Regulation 8.2.1;
- (b) to satisfy any liability of a NCC Participant to the Company in respect of the fees and charges payable by such NCC Participant to the Company in terms of the Fees, Charges and Deposits Schedule, provided that the amount of the Security Deposit/Basic Deposit of such particular NCC Participant shall be used for this purpose;
- (c) to facilitate clearing and settlement activities in terms of the Regulations and/or the Procedures;
- (d) for any adjustment permitted by these Regulations and/or the Procedures;
- (e) for any other purpose as permitted by these Regulations and/or the Procedures; or
- (e) for return to a NCC Participant pursuant to Regulation 8.4.1.

8.2.4 No part of the Basic Deposits shall be used by the Company for any purpose other than:

- a) the investment in Government Securities and/or kept in deposit with banks as above stated in Regulation 8.2.1;

- b) for any other purpose as permitted by these Regulations and/or the Procedures; or
- c) for return to a NCC Participant pursuant to Regulation 8.4.1.

8.3 Elimination of deficiency by NCC Participant in his Security Deposit/Basic Deposit

- 8.3.1 If the Security Deposit and or Basic Deposit of any NCC Participant is applied for any purpose set out in these Regulations and/or the Procedures and as a consequence the NCC Participant's Security Deposit/Basic Deposit or his remaining Security Deposit/Basic Deposit becomes less than the Security Deposit/Basic Deposit required to be maintained by him under the Fees, Charges and Deposits Schedule, the NCC Participant shall, upon the Company's demand, deposit with the Company, within such time as the Company shall require, that which is necessary to eliminate any deficiency in his required Security Deposit/Basic Deposit.
- a. If the NCC Participant shall fail to eliminate any deficiency in his required Security Deposit, the Company may take disciplinary action against the NCC Participant pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY).
 - b. If a Broker Clearing Member shall fail to eliminate any deficiency in his required Basic Deposit applicable for the relevant Market, the Company shall notify the name of such Broker Clearing Member to the Stock Exchange for imposing restriction on such Broker Clearing Member to trade in the relevant market till elimination of deficiency in his required Basic Deposit. The Stock Exchange, before providing access to any Market to any Broker Clearing, shall ensure that Basic Deposit for such Market is maintained with the Company by Such Broker Clearing Member.

Any disciplinary action that the Company takes pursuant to provision (a) and (b) above or the voluntary or involuntary cessation of membership by the NCC Participant shall not affect the obligations of the NCC Participant to the Company or any remedy to which the Company may be entitled under applicable law.

8.4 Refund of the Security Deposits/Basic Deposits by the Company

- 8.4.1 A NCC Participant shall be entitled to the return of the actual amount of its Security Deposit/Basic Deposit remaining with the Company (after adjustment of his liabilities, as a NCC Participant, under these Regulations and/or the Procedures and after adjustment of the Company's claim against him in respect of the fees and charges payable by him to the Company) within 90 days after:
- a) the NCC Participant ceases to be a NCC Participant; and
 - b) all obligations to the Company for which the NCC Participant was responsible while a NCC Participant have been satisfied or, at the discretion of the Company, have been deducted by the Company from the NCC Participant's Security Deposit and/or Basic Deposit as the case may be in terms of these Regulations;

PROVIDED that where the NCC Participant has ceased to be a NCC Participant as a consequence of his ceasing to be a TRE Certificate Holder of Pakistan Stock Exchange, the amount of the NCC Participant's Security Deposit with the Company shall be paid by the Company to the Pakistan Stock Exchange where the Pakistan Stock Exchange has/have presented to the Company such indemnities or guarantees as the Company deems satisfactory. PROVIDED further that a NCC Participant's Security Deposit/Basic Deposit shall be paid to the NCC Participant, where the NCC Participant ceases to be a NCC Participant voluntarily, and the NCC Participant has presented to the Company such indemnities or guarantees as the Company deems satisfactory or another NCC Participant has been substituted on all transactions and obligations of the NCC Participant ceasing to be a NCC Participant voluntarily.

8.5 Notice to NCC Participant for increase in his Security Deposit/Basic Deposit

8.5.1 The Company shall transmit a Notice on a Business Day to a NCC Participant, of any proposed increase in his required Security Deposit and/or Basic Deposit in terms of the Fees, Charges and Deposits Schedule. If a NCC Participant fails to give written Notice to the Company of his election to terminate his business with the Company within the period specified in the Company's Notice of the increase, he shall contribute to his existing Security Deposit/Basic Deposit that which is necessary to satisfy the increase notified by the Company.

8.5.2 In such event the NCC Participant's obligation to so contribute shall not be affected by his subsequent cessation of membership, whether voluntary or involuntary. At the time the increase becomes effective, the NCC Participant's obligations to the Company shall be determined in accordance with the increased quantum of his Security Deposit/Basic Deposit notified by the Company whether or not such increase has been made. If the NCC Participant fails to pay any additional amount towards his Security Deposit/Basic Deposit in accordance with the Company's Notice under Clause 8.5.1,

- a) In case of Security Deposit, the Company may take disciplinary action against the NCC Participant pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY).
- b) If case of Basic Deposit applicable for the relevant Market, the Company shall notify the name of such Broker Clearing Member to the Stock Exchange for imposing restriction on such Broker Clearing Member to trade in the relevant market till elimination of deficiency in his required Basic Deposit. The Stock Exchange, during such restriction may only allow such Broker Clearing Member to reduce/square-up outstanding/open position of its proprietary and/or client account.

Any disciplinary action that the Company takes pursuant to provision (a) and (b) above or the voluntary or involuntary cessation of membership by the NCC Participant shall not affect the obligations of the NCC Participant to the Company or any remedy to which the Company may be entitled under applicable law.

8.6 Determination of NCC Participant's required Security Deposit/Basic Deposit

8.6.1 Except as provided in these Regulations, the Company shall determine and notify by Transmitting a Notice to each NCC Participant by the Designated Time on each Business Day whether the amount of the NCC Participant's Security Deposit/Basic Deposit is in excess of the

NCC Participant's required Security Deposit/Basic Deposit in terms of the Fees, Charges and Deposits Schedule. At a NCC Participant's written request, the Company shall cause to be returned to the NCC Participant the excess amount, or such lesser amount as may be requested by the NCC Participant, provided that no portion of the Minimum Amount shall be returned;

- 8.6.2 Provided, however, that such excess shall not be returned if the Company determines that this should not be done until any amount which is required to be charged to the NCC Participant is paid by the NCC Participant or is otherwise recovered in terms of these Regulations and/or the Procedures.

CHAPTER 9: GENERAL PROVISIONS**9.1 Clearing Data and Compared Contracts**

9.1.1 Valid Exchange trade data covering the “buy side” and the “sell side” (excluding Non-Deliverable Future Contracts) of any contract may be (a) sent by Pakistan Stock Exchange to the Company, or (ii) between any Clearing Member who is a TRE Certificate Holder of Pakistan Stock Exchange and a Clearing Member who is not a TRE Certificate Holder of Pakistan Stock Exchange recorded with the Company through its MF Module, Margin Trading System and SLB System or (d) in the case of Non-Exchange transactions between a Clearing Member who is a TRE Certificate Holder of a Pakistan Stock Exchange and a Clearing Member who is not a TRE Certificate Holder of a Pakistan Stock Exchange, recorded with the Company through its institutional delivery system:

(a) such contracts shall be considered compared;

(b) compared contracts for Balance Order Securities and other transactions in respect of Balance Order Securities submitted to the Company under these Regulations (“Balance Order Contracts”) shall be accounted for in the Balance Order System.

9.1.2 Delivery of Balance Order Securities shall be made and payment therefore shall be made in accordance with the Procedures.

9.2 Official Date of comparison operations etc.

9.2.1 The official date of the comparison operation, the accounting operation and the settlement of contracts is the Settlement Date for such contracts, and summaries, Security balance orders, Security orders, cheques relating thereto, except as may be otherwise directed by the Company, either in general or in particular instances, shall bear that date even though they may be issued on a preceding day.

9.3 Additional Services for Settlement of trades or transactions

9.3.1 The Company may provide additional services for the settlement of trades or transactions, or their related contracts. These contracts will first be processed through an appropriate comparison system if necessary or, when required, processed as “locked in” contracts and will be subsequently processed by the Company in the appropriate settlement cycle.

9.4 NCC Participants to designate Authorised Person(s)

9.4.1 Every NCC Participant shall designate one or more representative(s) as Authorised Persons to act on behalf of the NCC Participant under these Regulations and/or the Procedures. Specimen signature of the Authorised Persons shall be supplied to the Company.

9.5 Requirement of the Company for NCC Participant's staff on non- Business Day.

9.5.1 The Company may, in its discretion require NCC Participant s to provide appropriate staff in their offices during specified hours on non Business Days when such is deemed necessary by the Company to ensure the integrity of its systems, up-gradation in NCC Systems and/or for the protection of the Company.

9.6 Treatment of benefits on Retrieved Securities.

- 9.6.1 Where any Securities delivered to CDS main, house, investor account, temporary account and/or sub account of any Clearing Member are retrieved by the Company on account of money default of such Clearing Member, any net benefits, including dividend and/or bonus Securities, received by the Company on such retrieved Securities shall be adjusted against the amount recoverable from such Clearing Member on account of his money default.
- 9.6.2 Where any Securities cannot be delivered to CDS main, house, investor account, temporary account and/or sub account of any Clearing Member because of any prohibitive order (“Order”) of a Court or of a competent authority and are, as a consequence, received/retrieved by the Company, any benefits, including net cash dividend and/or bonus Securities, received by the Company during the period of validity of the Order, shall be kept by the Company on account of such Clearing Member and shall be paid or delivered to the Clearing Member upon the vacation of the Order, subject to the terms and conditions on which the Order shall be vacated.
- 9.6.3 Notwithstanding anything contained above in this Regulation 9.6, the Company shall not be responsible for accepting and subscribing any offers of rights Securities received on the Securities referred to in Regulations 9.6.1 and 9.6.2 or to allow the concerned Clearing Member to accept and subscribe for the same. The Company shall not be liable to the concerned Clearing Member, or to any other person, for any losses, damages and/or expenses arising from non-acceptance and non-subscription of any such rights Securities.

9.7 Unique Identification Number

- 9.7.1 Every Broker Clearing Member shall provide to the Company the Client UIN Registration Details through UIN Registration Screen in NCSS as per the Procedures.
- 9.7.2 The Broker Clearing Member shall be responsible for the correctness and completeness of the Client UIN Registration Details provided to the Company and entered in UIN Registration Screen in the UINs Database. The Broker Clearing Member shall be required to obtain from and maintain the documentary evidence of UIN for each of his clients. Where requested by the Company, a Broker Clearing Member shall provide to the Company all required documentary evidence of the UIN of any of his clients entered in the UIN Registration Screen. The Company may reject such evidence at its sole discretion for any reason whatsoever. Notwithstanding acceptance by the Company of any such documentary evidence by the Broker Clearing Member, the Broker Clearing Member shall remain responsible for the correctness and completeness of the Client UIN Registration Details provided to the Company.

The Broker Clearing Member shall be responsible for obtaining all necessary authorizations from his clients for the purposes of creating UINs in the UINs Database. The Company shall not be responsible for any unauthorized creation of UIN or for misuse of any UIN by the Broker Clearing Member. Each Broker Clearing Member shall indemnify and hold harmless the Company from and against any claims, losses, damages, costs and expenses suffered and/or incurred by the Company as a consequence of the creation and use of any UIN in the UINs Database.

- 9.7.3 The UIN Registration Details of Clients of every Broker Clearing Member mapped with CDS house, investor account and/or sub-accounts, as the case may be, wherever required by the Company in the UIN Registration Details, will be accessible by Pakistan Stock Exchange in

NCSS as per the transmission mechanism described in the Procedures.

- 9.7.4 The Company will be provided access by the CDC to information of its CDS accounts of the Clearing Members and investor accounts for the purposes of mapping of Client Codes with the respective CDS house, investor account and/or sub-account details through UIN Registration Screen as per mechanism defined in the Procedures.

CDC shall ensure the completeness and correctness of the information of the CDS accounts so provided to the Company, for the aforementioned purposes.

9.8 Entries in the Money Account in respect of Non-Deliverable Future Contracts, Deliverable Future Contracts and/or futures trading in provisionally listed companies market

- 9.8.1 Data in respect of marked-to-market amount of loss to be collected from a Clearing Member and/or the amount of profit to be disbursed to a Clearing Member in respect of Non Deliverable Futures Contracts and/or Deliverable Future Contracts and/or futures trading in provisionally listed companies market representing the daily variation margin or the margin determined upon closing of any such contracts may be Transmitted by Pakistan Stock Exchange to the Company by the Designated Time on a Trade Date, and the Company shall, before the End of Day on such Trade Date:

- (a) debit the Money Account of the Clearing Member with the marked-to-market amount in respect of Non Deliverable Futures Contracts and/or Deliverable Future Contracts and/or futures trading in provisionally listed companies market to be collected from such Clearing Member; and
- (b) credit the Money Account of the Clearing Member with the marked-to-market amount in respect of Non Deliverable Futures Contracts and/or Deliverable Future Contracts and/or futures trading in provisionally listed companies market to be disbursed to such Clearing Member.

Provided that marked-to-market losses of Non Deliverable Futures Contracts and/or Deliverable Future Contracts and/or futures trading in provisionally listed companies market shall be collected from the respective Clearing Members on the Trade Date i.e. T+0. However, profit on such contracts shall be disbursed to the respective Clearing Members in accordance with the mechanism described in regulations of the Pakistan Stock Exchange.

9.9 Daily Purchase and Sales Report

- 9.9.1 Exchange trades, NDM Reporting Interface Trades, and Non-Exchange Transactions, provided for in Regulation 9.1.1 (excluding broker-to-broker transactions, institutional delivery transactions, MF Transactions and MF (R) Transactions) are considered as pre-compared or “locked in” trades and transactions and require no additional action by either the seller or buyer Clearing Member. The Company will provide evidence of the Exchange trades it has received and the Non-Exchange transactions recorded with the Company through a daily purchases and sales Report. This Report will provide details of each specific contract including the settlement cycle through which it will be processed in.
- 9.9.2 It is the responsibility of each Clearing Member to review this Report and to notify the Company of any discrepancy requiring a correction and/or any additional Exchange trade or Non-Exchange transaction. Such notification must be made to the Company by the Designated Time by the Clearing Members who are parties to locked in Exchange trades or Non-Exchange transactions. If such notification is made after the Designated Time such notification will be

ignored by the Company.

9.10 Clearing and Settlement System of the Company for Custodian Clearing Members

9.10.1 Admission of Custodian Clearing Member

The Company may admit an applicant who has applied for admission as a Custodian Clearing Member under Regulation 5.1.1(b), if the Company is satisfied that such applicant is meeting admission criteria as set out in Chapter 5 of these Regulations and any other condition as the Company may from time to time prescribe.

9.10.2 Clearing & Settlement of Custodian Clearing Member

1. Institutional Delivery System (IDS) module shall facilitate Custodian Clearing Members for clearing and settlement of trades executed by their clients, through respective Broker Clearing Members in any of the Markets, through NCSS.
2. Such IDS transactions shall be initiated, in any of the NCSS live securities based on Exchange Trade received in NCSS as locked-in contract, by Broker Clearing Member only on Trade Date and affirmed by Custodian Clearing Members on T+1 within specified time as per Designated Time Schedule. However, in case where Exchange Trades are executed by a Broker Clearing Member with a client code of a IBD as permitted by the Company for trading on behalf of its clients, such IDS transactions can be initiated by Broker Clearing Member up to T+1 within specified time as per Designated Time Schedule.
3. Such IDS transactions may be cancelled by initiating Broker Clearing Member at any time before it is affirmed by the Counter Custodian Clearing Members.
4. The quantity, price and Settlement Date of each IDS transaction shall be the same as of actual underlying Exchange trade. However, IDS transaction can be generated for partial quantity of the underlying Exchange trade. In case where Exchange Trades are executed by a Broker Clearing Member with a client code of an IBD as permitted by the company for trading on behalf of its clients such Broker Clearing Member shall be required to provide the UIN of respective clients of IBD to generate IDS transactions. Further, IDS transaction can only be initiated, if CDS sub-account of such clients are maintained with the respective Custodian Clearing Member.
- 4(a). If such initiated IDS transaction is rejected within the specified time as per Designated Time Schedule, such rejected IDS transactions can be re-initiated after rectifying the UIN provided at the time of initiation of rejected IDS transaction by the Broker Clearing Member for affirmation by the Custodian Clearing Member as per Designated Time Schedule. However, respective Clearing Members shall be required to maintain documentary evidence along with reason and justification thereof in relation to rectification of such IDS transaction.
5. If such initiated/re-initiated IDS transaction is neither affirmed nor rejected within the specified time as per Designated Time Schedule, NCSS shall automatically drop it during

End of Day (EOD) process from further processing. Accordingly, such transactions shall be settled by the initiating Broker Clearing Members through their CDS house account in accordance with these Regulations and NCSS Procedures. However, in case of IDS transactions which are initiated by a Broker Clearing Member with a client code of IBD as permitted by the Company for trading on behalf of its clients, IDS transactions that are neither affirmed nor rejected within the specified time as per Designated Time Schedule shall be settled by the initiating Broker Clearing Members through CDS sub-account of the respective IBD in accordance with these Regulations and NCSS Procedures.

6. Custodian Clearing Members shall not be allowed to edit the details of such initiated IDS transaction posted by the initiating Broker Clearing Members and shall be required to affirm or reject such transaction within specified time as per Designated Time Schedule. In case where IDS Transactions are initiated by a Broker Clearing Member with a client code of an IBD as permitted by the Company for trading on behalf of its clients, Custodian Clearing Member shall be required to provide the respective CDS sub-account numbers of IBD clients at the time of affirming IDS transactions. It shall be mandatory that UIN of such sub-account and UIN provided by Broker Clearing Member at the time of initiation/re-initiation of such IDS Transaction are the same and such Custodian Clearing Member is maintaining such sub-account under its CDS Participant account.

All affirmed IDS transactions shall be settled by the affirming Custodian Clearing Members in accordance with these Regulations and NCSS Procedures.

9.10.3 Recording of IBD's Client Transaction

- 1) In case where trade/transaction executed through a UIN of IBD, issued for trading on behalf of its clients is settled by the Clearing Member in the CDS sub-account of such IBD such Clearing Member will be allowed to record such transaction(s) into NCSS for the movement of Securities to the respective CDS accounts within specified time as per Designated Time Schedule.
- 2) All transactions referred in above sub-clause shall only be recorded for clients of a Clearing Member and/or between different Clearing Members within specified time as per Designated Time Schedule.
- 3) Such Clearing Member while recording transaction(s) into NCSS for the movement of Securities should ensure that the quantities and amounts of individual transactions for client(s) should not exceed the amount of market based gross buy or sell of the cumulative trade or transaction executed by the IBD or foreign client, as the case may be. Any movement of Securities recorded by Clearing Member not fulfilling this criterion will not be processed by the NCSS system.
- 4) In case where Clearing Member is unable to record transactions executed on behalf of IBD or foreign client, as the case may be, as specified in clause 3 above within the specified time as per Designated Time Schedule, such Clearing Members, on the instruction of respective IBD or foreign client, may record such transaction through a separate screen of NCSS for the movement of Securities to/from CDS account of IBD or foreign client or main account of Clearing Member, as the case may be, within specified

- time as per Designated Time Schedule provided that one party of such transaction must be Custodian Clearing Member. Clearing Member while recording such transaction(s) into NCSS for the movement of Securities shall specify the quantities and amounts of individual transactions and shall also ensure at their end that such movement of securities is carried out on the basis of any trade / transaction reported / executed at the trading system of the Stock Exchange.
- 5) The price reported as transaction price by Clearing Member for individual transactions shall be taken into account to compute capital gain and tax thereon of such securities. Provided in case where transaction is recorded through NCSS screen as stipulated in clause 4 above, the higher of reported price or market price (day-end price of the transaction date), shall be taken into account to compute capital gain on such transaction.
 - 6) Any error made by Clearing Member while recording such transaction(s) into NCSS for the movement of Securities shall be notified to the Company immediately as and when identified by the Clearing Member.
 - 7) Counter Clearing Member(s) shall not be allowed to edit the details of such posted transaction and shall be required to affirm or reject such transaction within specified time as per Designated Time Schedule.
 - 8) Upon affirmation by the counter Clearing Members, NCSS shall transmit instructions to CDC for the movement of Securities from respective transferor Clearing Members' CDS accounts to the respective transferee Clearing Members' CDS accounts within specified time as per Designated Time Schedule.
 - 9) In case of shortage of Security in the selling/transferor CDS account, movement of all Securities shall be restricted in CDS.
 - 10) The money settlement of all such transactions shall be carried out by the Clearing Members outside the NCSS and therefore, the information submitted regarding such transactions shall be considered conclusive and any subsequent dispute shall be dealt with by the respective Clearing Members.
 - 11) The Company may by Notice require a Clearing Member to provide the Company with any additional information in relation to such transactions which the Company thinks necessary for the purpose of accurate computation, determination and collection of capital gain tax.
 - 12) The mechanism for recording of such transactions and movement of Securities shall be notified by the Company from time to time.

9.11 Provision of Information to Eligible UIN Holders

- 9.11.1** The Company may provide a set of information to the Eligible UIN Holder as per the terms and conditions set out for the provision of such information as prescribed by the Company from time to time. Such information may be provided to the Eligible UIN Holders in any one of the following manner:
- a) An Eligible UIN Holder may obtain a set of information pertaining to its particular Client Code, issued and maintained by a particular Broker Clearing Member and mapped with the UIN of such Eligible UIN Holder, by requesting through such Broker Clearing Member in

a manner prescribed by the Company from time to time.

- b) An Eligible UIN Holder may obtain a set of information pertaining to all of its Client Codes, issued and maintained by Broker Clearing Members and mapped with the UIN of such Eligible UIN Holder, by submission of written request directly to the Company in a manner prescribed by the Company from time to time. Provided that such request shall be submitted by such Eligible UIN Holder. Accordingly, the Company after due verification of such Eligible UIN Holder, may allow access to required set of information based on its UIN.
- c) An Eligible UIN Holder, maintaining its sub-account in CDC with the banking company admitted in CDC in the capacity of a Participant, may obtain a set of information, through such Participant, pertaining to its UIN in a manner prescribed by the Company from time to time. However, such Participant shall be required to submit an authorization (on standard format issued by the Company), from such Eligible UIN Holder, to the Company.

9.11.2 An Eligible UIN Holder shall be required to pay such fee to the Company as described in the Fee, Charges and Deposit Schedule.

9.11.3 Liability of the Company

The main purpose for the provision of said set of information to the Eligible UIN Holders is to facilitate them with more transparency and efficiency in a manner prescribed by the Company from time to time. The Company makes no other warranty of such set of information and Eligible UIN Holders hereby unconditionally agree that they shall make use of such set of information subject to all hazards and circumstances exist with the use of medium, so provided by the Company for the provision of such set of information. The Company shall not be liable to any Eligible UIN Holder for providing and making available such set of information and for failure or delay in the provision of such set of information. The Eligible UIN Holders shall be deemed to have indemnified the Company, its directors, officers and employees for the time being in office and hold harmless from and against any losses, damages, cost and expenses incurred or suffered by them as a consequence of use of such set of information.

9.12 Reporting of Transactions in Un-Listed Term Finance Certificates (“TFCs”)

9.12.1 Definitions

When used in this Chapter of these Regulations and, where applicable, in the Procedures, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

Accrued Interest

means the fraction of the coupon payment that the seller earns from holding the Un-Listed TFC from the last interest payment date until the disposal date

Application Form

means the application form prescribed and made available by the Company from time to time, for admission of an Eligible Person as Reporting Member under these Regulations

Applicant

means an Eligible Person who has applied to the Company for admission as a Reporting

Member.

Client to Client (“C-to-C”) Transactions

means the buying and selling transactions, in Un-Listed TFCs, between clients of the same Reporting Member.

Eligible Person

means all existing Clearing Members; and any other financial institution, banking company, investment company, asset management company or corporation dealing in buying/selling of Un-Listed TFCs; or any other entity as approved by the Board

Eligible Un-Listed TFCs

All CDS eligible Un-Listed TFCs will be eligible for Un-Listed TFC Reporting Module

Member to Member (“M-to-M”)Transactions

means the buying and selling transaction(s) in Un-Listed TFCs between two Reporting Members in a disclosed manner whereby counterparties of the transaction(s) will be known to each other. However, clients of the counterparties will remain un-disclosed.

Reported Transaction

means the affirmed buying and/or selling M-to-M transaction or C-to-C Transactions through the Un-Listed TFC Reporting Module.

Reporting Member

means an Eligible Person who has been admitted by the Company as a Reporting Member for recording and reporting of transactions executed in Eligible Un-Listed TFCs. Provided that such Eligible Person must be CDC Account Holders.

Transaction Value

means a value, with reference to the transaction of Un-Listed TFC, that a buyer of Un-Listed TFC has to pay to the seller i.e. the purchase price plus an amount equal to the Accrued Interest from the last interest payment date to the disposal date or any other value mutually agreed by the parties to the trade being reported.

Un-Listed TFC Reporting Module

means a module provided by the Company in NCSS to Reporting Members for the purpose of the initiation, affirmation and reporting of transactions in CDS eligible Un-listed TFCs, pursuant to this Chapter of these Regulations.

9.12.2 Disclosed Reporting

Company shall only facilitate reporting through Un-Listed TFC Reporting Module of all transactions executed between the respective Reporting Members which are underlying parties to a Reported Transaction. The identity of counter Reporting Members will be disclosed in the Reported Transactions initiated for affirmation.

9.13 Reporting Mechanism of Un-Listed TFCs**9.13.1.1 Member to Member (“M-to-M”)Transactions**

- a) Buying Reporting Member shall be required to initiate the reporting of its buying transactions through an ‘initiation screen’ of Un-Listed TFC Reporting Module, for its affirmation by the counter selling Reporting Member within Designated Time Schedule. For the said initiation buying Reporting Member is required to enter the following details in the ‘initiation screen’;
 - i. TFC Symbol;
 - ii. TFC Name;
 - iii. Initiating buying Reporting Member Code;
 - iv. Buyer Client Code; *(such Client Code should be registered in NCSS UIN Database)*
 - v. Counter selling Reporting Member Code;
 - vi. Quantity;
 - vi. Notional Rate, or Value as agreed between the parties to the trade being reported
 - vii. Settlement Date *(settlement shall be between the Reporting Members)*
- b) Once all the aforementioned information is entered, the Un-Listed TFC Reporting Module will calculate the total Transaction Value of such initiating transaction.
- c) Once such initiated transaction is posted; such transaction will automatically be made available to the counter selling Reporting Member for its affirmation.
- d) Counter selling Reporting Member may affirm, reject and/or leave un-affirm such initiated transactions through an ‘affirmation screen’ of Un-Listed TFC Reporting Module, within Designated Time Schedule. In case of affirmation selling Reporting Member shall be required to enter the seller Client Code *;(such Client Code should be registered in NCSS UIN Database)* and then post the initiated transaction.
- e) Once the transaction is posted; such transaction shall be considered as a Reported Transaction.
 - f) However, in case of rejection or non-affirmation of initiated transaction, Un-Listed TFC Reporting Module, will not process such transaction and will not be treated as Reported Transaction accordingly.

9.13.1.2 Client to Client (“C-to-C”) Transactions

- a) In order to record and report Client to Client (“C-to-C”) Transactions, the Reporting Member shall be required to enter the following details in Un-Listed TFC Reporting Module, through ‘C-to-C Transaction reporting screen’:
 - i. TFC Symbol;
 - ii. TFC Name;
 - iii. Buyer Client Code; *(such Client Code should be registered in NCSS UIN Database)*
 - iv. Seller Client Code; *(such Client Code should be registered in NCSS UIN Database)*

- v. Quantity;
- vi. Notional Rate or Value as agreed between the parties to the trade being reported
- vii. Settlement Date (*settlement shall be between the Reporting Members*).

- b) Once all the aforementioned information is entered, the Un-Listed TFC Reporting Module will calculate the total Transaction Value of such transaction.
- c) Once the transaction is posted; such transaction shall be considered as a Reported Transaction.

9.13.1.3 Settlement of Reported Transactions

Since the Reported Transactions of Un-Listed TFCs are based on disclosed counter party basis and Un-Listed TFC Reporting Module will only be used as a reporting platform, the settlement will be directly between the Reporting Member outside NCSS.

9.13.2.4 Dissemination of Reported Transaction to the Pakistan Stock Exchange and Company's Website

- a) Reported Transactions shall be disseminated to Pakistan Stock Exchange, as per the mechanism agreed between the Company and Pakistan Stock Exchange, from time to time, for its onward display on trading systems
- b) Reported Transactions will also be made available on the Company's website on daily basis for the information of the market participants

Provided that such dissemination of Reported Transactions shall not contain the information of the Reporting Members.

9.13.1.5 Liability of Company

1. The only obligation of the Company with regard to the recording of the Reported Transactions shall be to provide a reporting platform in respect of the buying and selling in Un-Listed TFCs between the Reporting Member in accordance with these Regulations. Each Reporting Member acknowledges and confirms that the Company shall not be responsible for:
 - a) the title, ownership, genuineness, regularity or validity of any Un-Listed TFC or any other documents or instrument passing through the Un-Listed TFC Reporting Module;
 - (b) the execution, genuineness, validity, enforceability or sufficiency of any agreement or any other document relating thereto;
 - (c) the collectability of amounts payable in respect of Reported Transactions;
 - (d) the financial condition of any Reporting Member;
 - (e) the performance and observance by Reporting Member of their obligations under the agreements or any other documents executed between them in respect of Reported Transactions; or
 - (f) the accuracy of any statements (whether written or oral) made by a Reporting Member in or in connection with any agreement or documents in respect of Reporting Transactions.

9.13.1.6 Reporting Transaction Cost

All Reporting Member shall pay prevailing transaction costs to the Company in accordance with Fees, Charges and Security Deposit Schedule.

9.14 FIT & PROPER CRITERIA FOR DIRECTORS OF THE COMPANY

Any person desiring to act as a director on the Board of the Company, shall be judged on the basis of the “Fit & Proper Criteria”, as set out in Annexure-I of these Regulations.

Annexure- I**Fit & Proper Criteria for Directors:**

Eligibility of any person desiring to act as Director on the Board of Directors of the Company, including any person who is by virtue of his office a director on the Board, shall be judged on the basis of following criteria, which shall be in addition to meeting requirements stipulated under the Companies Ordinance, 1984 relating to eligibility of a director:

(a) Integrity, Honesty and Reputation:

- (i). He has not been convicted in any criminal offence or directly involved in any settlement in civil/ criminal proceedings in a court of law, particularly with regard to investments, financial/business misconduct, fraud/ forgery, breach of trust, financial crime etc. and/ or it has not been concluded by any regulatory authority that he has been associated with any unauthorized financial activity including illegal brokerage business.
- (ii). Membership or registration of the person or any company in which he was a director during the last three years has not been suspended/ cancelled by the Commission, any other regulatory authority, any professional body, association or any relevant entity i.e. the stock or commodity exchange, depository company or clearing company.

Provided that eligibility of a person may be considered on the basis of prior clearance obtained from any such organization that suspended/ cancelled the membership or registration.
- (iii). He has not been disqualified/ removed from the post of chief executive, chairman, director, chief financial officer or from any other senior management position* of a company by the Commission or any other regulatory authority.
- (iv). No investigation/ enquiry, conducted under Section 29 of the Securities and Exchange Commission of Pakistan Act, 1997, Section 21 of the Securities and Exchange Ordinance, 1969, Section 263 or Section 265 of the Companies Ordinance, 1984, has been concluded against him by the Commission, with any adverse findings, either in personal capacity or as director of a company during the past three years.
- (v). An order restraining, prohibiting or debarring him from dealing in securities in the capital market or from accessing the capital market has not been passed; or penalty of Rs.500,000/- or more has not been imposed on him by the Commission in the last three years, in respect of any laws administered by the Commission.

Provided that a person may be considered eligible in case a period of at least three years from the date of expiry of the period specified in the order for which such person has been restrained/ prohibited/ debarred has elapsed.
- (vi). He has not provided false or misleading information either to the Commission or to any of the relevant entities.

(b) Experience, Qualification and Management:

- (i). He has management/ business experience of at least 5 years at senior management position*.
- (ii). He has at least three years experience in the field of capital markets, banking, mutual fund industry, financial services, corporate sector or any other field ancillary to the capital markets.
- (iii). He holds professional qualification and/ or at least graduation from a university duly recognized by the Higher Education Commission of Pakistan or foreign qualification of equivalent level.

Where a person possesses 15 years of experience and knowledge of the capital markets, depositories, commodities market, or in the areas relating to corporate governance, law, information technology, banking, business and industrial concerns or other closely related discipline, the minimum qualification requirement may be relaxed on case to case basis by the Company under intimation to the Commission.

Provided that in case of directors to be appointed by the Commission, such relaxation may be granted only by the Commission.

(c) Solvency and Financial Integrity:

- (i). He has not been adjudged as insolvent or suspended payment of debts or has compounded with his creditors.
- (ii). He has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a financial institution including banking company, a Development Financial Institution or a Non-Banking Financial Institution.
- (iii). It has been established that he, in his individual capacity or as director of a company has not been in default of payment of dues owed to any investor.
- (iv). His name is borne on the Register of National Tax Payers.

(d) Additional Criteria for Directors Appointed by the Commission:

- (i). He has no relationship with the Company that would interfere in him exercising independent professional judgment as a director and he can be reasonably perceived as being able to exercise independent business judgment without being subservient to any apparent form of interference.
- (ii). He is not a member or a director, officer, sponsor or direct shareholder of any TRE Certificate Holder of Pakistan Stock Exchange.

Provided that his immediate family member** is also not a member or director, officer or sponsor of any TRE Certificate Holder of any stock exchange in Pakistan and/ or the combined shareholding of the immediate family members** in any brokerage house does not exceed twenty percent.

Provided further that it shall be mandatory to disclose any such shareholding to the Company and the Commission at the time of submission of the Form and Undertaking attached as Annexure A and B respectively.

- (iii). He has no personal services contract(s) with the Company or is not currently serving as its

employee and has not been employed at any position of the Company within the past two years. Provided that sub-clauses (d) (i), (d) (ii) and (d) (iii) shall also be applicable on the directors nominated by a stock exchange on the Board from amongst the professionals who are not members of the nominating stock exchange.

Provided that sub-clauses (d) (i), (d) (ii) and (d) (iii) shall also be applicable on the directors nominated by a Pakistan Stock Exchange on the Board from amongst the professionals who are not members of the nominating Pakistan Stock Exchange.

- (iv). He is not simultaneously serving as a director on the board of more than seven listed companies.

* Senior management position wherever referred to in these criteria includes:

- a. Any executive, including the chief executive or any officer acting as second to chief executive officer including chief operating officer or by whatever name called;
- b. chief financial officer, head of accounts or head of finance;
- c. head of internal audit;
- d. head of credit or risk management;
- e. head of operations;
- f. head of treasury or chief investment officer;
- g. head of law, company secretary or compliance officer; and
- h. any other position, by whatsoever name called, which may be construed as a senior management position.

** Immediate family member wherever referred in these criteria means spouse, children and parents.

The Fit & Proper Criteria is perpetual in nature and the Company shall ensure compliance with the provisions of the Fit and Proper Criteria.

All directors must inform the Company of any change in the submitted information that may potentially affect their status of directorship, within 48 hours of knowledge of such change.

Any person desiring to act as director on the Board of the Company shall submit duly filled Form and undertaking attached as Annexure A and B respectively.

Annexure A

Information to be provided by Persons Desiring Prospective Directorship on the Board of the Company

1.	Curriculum Vitae/Resume containing:
(a)	Name:
(b)	Father's or Husband Name:
(c)	C.N.I.C # (attach copy)
(d)	Latest photograph
(e)	Nationality:
(f)	Age:
(g)	Contact details:
	i) Residential address:
	ii) Business address:
	iii) Tel:
	iv) Mobile:
	v) Fax:
	vi) E-mail:
(h)	National Tax Number:
(i)	Present occupation:
(j)	Qualification(s):
	i) Academic:
	ii) Professional:

(k)	Experience: (Positions held during the last 10 years along with name and address of company/ institution) Information to be provided on the following sample format*: <table border="1" data-bbox="215 255 1168 488"> <thead> <tr> <th data-bbox="215 255 279 331">Sr #</th><th data-bbox="279 255 592 331">Name of Organization</th><th data-bbox="592 255 831 331">Designation</th><th data-bbox="831 255 1168 331">Period (From-Till)</th></tr> </thead> <tbody> <tr> <td data-bbox="215 331 279 407">1.</td><td data-bbox="279 331 592 407">Company A</td><td data-bbox="592 331 831 407"></td><td data-bbox="831 331 1168 407">DD/MM/YY – DD/MM/YY</td></tr> <tr> <td data-bbox="215 407 279 488">2.</td><td data-bbox="279 407 592 488">Company B</td><td data-bbox="592 407 831 488"></td><td data-bbox="831 407 1168 488">DD/MM/YY – DD/MM/YY</td></tr> </tbody> </table>	Sr #	Name of Organization	Designation	Period (From-Till)	1.	Company A		DD/MM/YY – DD/MM/YY	2.	Company B		DD/MM/YY – DD/MM/YY
Sr #	Name of Organization	Designation	Period (From-Till)										
1.	Company A		DD/MM/YY – DD/MM/YY										
2.	Company B		DD/MM/YY – DD/MM/YY										
2.	1. Nature of directorship: ☐ Executive ☐ Non-executive 2. Status of directorship: ☐ Nominee director ☐ Elected Director * Number of shares subscribed or held _____ Nominated by _____ (name of shareholder/ nominating entity) _____												
3.	Names of companies, firms and other organizations of which the proposed person is presently a director, partner, office holder or major shareholder (Information to be provided on the following sample format*) <table border="1" data-bbox="215 824 1192 1415"> <thead> <tr> <th data-bbox="215 824 300 913">Sr#</th><th data-bbox="300 824 568 913">Name of Organization</th><th data-bbox="568 824 927 913">Designation</th><th data-bbox="927 824 1192 913">Period (From-Till)</th></tr> </thead> <tbody> <tr> <td data-bbox="215 913 300 1167">1 .</td><td data-bbox="300 913 568 1167">Company A</td><td data-bbox="568 913 927 1167"></td><td data-bbox="927 913 1192 1167">DD/MM/YY – DD/MM/YY</td></tr> <tr> <td data-bbox="215 1167 300 1415">2 .</td><td data-bbox="300 1167 568 1415">Company B</td><td data-bbox="568 1167 927 1415"></td><td data-bbox="927 1167 1192 1415">DD/MM/YY – DD/MM/YY</td></tr> </tbody> </table>	Sr#	Name of Organization	Designation	Period (From-Till)	1 .	Company A		DD/MM/YY – DD/MM/YY	2 .	Company B		DD/MM/YY – DD/MM/YY
Sr#	Name of Organization	Designation	Period (From-Till)										
1 .	Company A		DD/MM/YY – DD/MM/YY										
2 .	Company B		DD/MM/YY – DD/MM/YY										
4.	In the case of nomination of director by a corporate member the date of Board of directors' meeting in which the nomination of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors.)												
5.	Names of any persons on the Board of the Company who are related to the applicant.												

Signature _____

*use additional sheets if required

Annexure B

AFFIDAVIT**Before the Securities and Exchange Commission of Pakistan/ the Company****(On Stamp Paper of Appropriate Value)**

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ do hereby state on solemn affirmation as under:-

1. That I am eligible for the position of director according to the Fit and Proper Criteria prescribed for the position of directors, as per the Regulations of the Company
2. That I hereby confirm that the statements made and the information given by me are correct and that there are no facts which have been concealed.
3. That I have no objection if the Company or the Securities and Exchange Commission of Pakistan requests or obtains information about me from any third party.
4. That I undertake to bring to the attention of the Company any matter which may potentially affect my status for the position of Director as per the Fit and Proper Criteria specified by the Company in its Regulations.
5. That all the documents provided to the Company are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof.

DEPONENT

The Deponent is identified by me

Signature_____**ADVOCATE
(Name and Seal)**

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature_____**OATH COMMISSIONER FOR TAKING AFFIDAVIT****(Name and Seal)”**

9.15 Provision of Information to Investors by the Company through SMS and Email**9.15.1 Trading Information through SMS and Email**

- (i) The Company may provide a set of trading information to the investors, processed on the basis of Exchange Trades and Non-Exchange Transactions executed on their UIN. Contents of such trading information, so provided to the investor, will be determined by the Company from time to time subject to approval of the Commission;
- (ii) Broker Clearing Members shall provide email addresses and mobile numbers of their clients in the UIN Registration Details of NCSS as per the conditions in these Regulations and NCSS Procedures. The Company may obtain email addresses and mobile numbers from CDC for those clients, whose email addresses and mobile numbers are not provided by the Broker Clearing Members in the UIN Registration Details of NCSS:

Provided that in the case of new investors, it shall be mandatory for Broker Clearing Members to provide mobile numbers (local cellular companies only) of clients who are “local individual clients”, and email addresses of clients who are “foreigner” or “corporate clients”. However, Broker Clearing Members shall be required to provide mobile numbers and/or email addresses of all their existing clients in the UIN Registration Details of NCSS within the time prescribed by the Company. If a Broker Clearing Member fails to provide the mobile number and/or email address of an existing client within the time prescribed, the UIN of such client shall be restricted and only sale transactions and closing of open positions shall be allowed till such time a valid mobile number and/or email address is provided in the UIN Registration Details of NCSS;

- (iii) The Company shall send trading information at day end to the:
 - a. Investors registered in NCSS as “local individual clients” through Short Message Service (SMS) on their mobile numbers (local cellular companies only) and through email on their email addresses; and
 - b. Investors registered in NCSS as “foreigner” and “corporate clients” on their email addresses.
- (iv) Information mentioned in clause (iii) will be transmitted by the Company as per the Designated Time Schedule (“DTS”) of NCSS;
- (v) The Company shall verify that the mobile number entered in the UIN Registration Screen is in the name of the respective client. If the mobile number is not in the name of a new client, the respective UIN shall not be activated. If the mobile number is not in the name of an existing client, the Company shall issue notice to the Broker Clearing Member to provide mobile number in the name of the client in the UIN Registration Details of NCSS within three months of such notice. If the Broker Clearing Member fails to provide a mobile number in the name of the client within the three months period the UIN of such

client shall be restricted and only sale transactions and closing of open positions shall be allowed till such time a valid mobile number is provided in the UIN Registration Details of NCSS.

9.15.2 Liability of the Broker Clearing Member

- (i) The Broker Clearing Member shall be responsible for the correctness and completeness of the mobile numbers and email addresses of their clients entered in UIN Registration Screen of NCSS;
- (ii) The Broker Clearing Member shall ensure that a particular mobile number and/or email address is not used for more than one UIN. The Broker Clearing Member shall not use its own mobile number(s) or email address(es) or the mobile number(s) or email address(es) of any of its agents, traders or other employees for the UIN Registration Details of a client, unless it is for the account of Broker Clearing Member or its agents, traders or other employees;
- (iii) The Broker Clearing Member shall obtain from and maintain the documentary evidence of the mobile number(s) and email address(es) for each of its clients;
- (iv) Where requested by the Company, a Broker Clearing Member shall provide to the Company all required documentary evidence of the client's mobile number and /or email address, entered in the UIN Registration Screen;
- (v) The Broker Clearing Member shall be responsible for obtaining all necessary authorizations from its clients for the purposes of providing mobile numbers and email addresses to the Company;
- (vi) Each Broker Clearing Member shall indemnify and hold harmless the Company from and against any claims, losses, damages, costs and expenses suffered and/or incurred by the Company as a consequence of providing trading information to their respective clients through its SMS/ E-Alert service under Regulation 9.15.

9.15.3 Liability of the Company

- (i) The Company shall not warrant, guarantee or make any representation concerning the use, results of use or inability to use the information and shall not be liable for any loss, liability or damage of any kind (whether direct, indirect or consequential losses or other loss of any kind) suffered due to any omission, error, inaccuracy, incompleteness, or otherwise, any reliance on such information;
- (ii) The Company shall not be liable to any person for providing and making available such set of information and for failure or delay in the provision of such set of information;

- (iii) The person receiving such trading information, shall be deemed to have indemnified the Company, its directors, officers and employees for the time being in office and hold harmless from and against any losses, damages, costs and expenses incurred or suffered by them as a consequence of use of such set of information;
- (iv) The Company shall not be responsible for any unauthorized provision of mobile number and email address by Broker Clearing Member;
- (v) The Company shall not be liable for any delay or any other interruption which may occur in providing the data due to force majeure, communication failure, any technical reason including network (Internet) related reasons, system failure, cellular company failure to transmit information, any other form of breakdown of services or the inability of the Company and/or cellular company to send the data beyond the control of the Company and/or cellular company as the case may be. No proceeding / suit / action / claims shall be filed against the Company for any loss/liabilities with regards to transmission of data.

CHAPTER 10: BALANCE ORDER SYSTEM

10.1 Deliver Security balance order and receive Security balance order under Balance Order System

10.1.1 The Company will conduct a Balance Order Accounting Operation based upon Balance Order Contracts as specified in the Procedures pursuant to which the Company will net the deliver and receive Security obligations of each CDS main, house, investor account, temporary account and/or sub-account maintained with a Clearing Member and prepare Balance Order and Transmit to CDS and Clearing Members accordingly at Designated Time by Settlement Date as per the mechanism defined in the Procedures:

- (a) a separate CDS house, investor account, temporary account and/or sub-account wise and main account wise, subject to the conditions applicable under Regulations 11.2.1a and 11.2.1b of the Chapter 11 of these Regulations, deliver Security balance order for delivery of each Security to be delivered, showing the settlement quantity in respect thereof established by the Company, and
- (b) a separate CDS, house, Investor Account, temporary account and/or sub-account wise and main account wise, subject to the conditions applicable under Regulations 11.2.1a and 11.2.1b of the Chapter 11 of these Regulations, receive Security balance order for each such deliver Security balance order showing the settlement quantity in respect thereof established by the Company.

Such balance orders generated as (a) and (b) above, shall be transmitted to CDS for automated movement of Securities from/to respective CDS main, house, investor account, temporary account and/or sub-accounts the case may be.

10.2 Obligation to deliver and receive payment for Securities

10.2.1 The obligation of a Clearing Member to receive and pay for Securities and the obligation of a Clearing Member to deliver and receive payment for Securities, pursuant to deliver or receive Security balance orders, as per clause 10.1.1, shall be determined by the Designated Time on a Settlement Date, although such balance orders may not in fact have been received by such Clearing Member in respective CDS main, house, investor account, temporary account and/ or sub-account as the case may be.

10.3 Deliveries

10.3.1 All deliveries of Securities pursuant to a deliver balance order produced in the Balance Order System shall be subject to the provisions of Regulations 10.4 to 10.10 of this Chapter.

10.3.2 Clearing Member may deposits Securities, against his client and/or proprietary sell position under ready market and Deliverable Future Contracts, with the Company on Trade Date or before the Settlement Date as per the Procedures. In such case the Company shall transmit, such pre-settlement delivery information to the Pakistan Stock Exchange as per the mechanism agreed from time to time. Accordingly, the Pakistan Stock Exchange shall provides necessary relief to such Clearing Member in calculating margins and Marked-to-Market Losses, to the extent of such pre-settlement tendered deliveries in accordance with its rules and regulations.

The pre-settlement delivery mechanism shall be managed by the Company in accordance with the Procedures.

10.4 Book entry delivery

10.4.1 Deliveries will be by way of book entry delivery in a Central Depository.

10.5 Delivery date

10.5.1 Deliveries will be made on Settlement Date by Designated Time as determined by the Procedures.

10.6 Securities buy-in by the Company

If a delivering Clearing Member shall not make delivery of all the Securities to be delivered pursuant to a Security deliver order (Balance Order Settlement) by the Designated Time on a Settlement Date, the Company may cause such Securities as are not so delivered to be bought-in as provided for in the Procedures. Any resulting loss or gain and related expenses shall be entered by the Company in the Money Account of such Clearing Member.

10.7 Securities sell-out by the Company

10.7.1 If a receiving Clearing Member fails to take up and pay for all the Securities delivered to his CDS main, house, investor account, temporary account and/ or sub-account, pursuant to Security receipt order (Balance Order Settlement) by the Designated Time on a Settlement Date, the Company shall have the right to cause the same, or an appropriate portion thereof, to be sold-out in accordance with these Regulations and/or the Procedures. In case where Security (ies), so retrieved by the Company as explained earlier, remain unsold after the recovery of amount unpaid by the Clearing Member may be transferred to the respective CDS accounts of such Clearing Member. Any resulting loss or gain and related expenses shall be entered in the Money Account of such Clearing Member.

Explanation:

Where a Clearing Member has made payment for some and not all the Securities delivered to his CDS main, house, investor account, temporary account and/ or sub-account, the Company shall retrieve all the Securities delivered into such CDS main, house, investor account, temporary account and/ or sub-account and to cause to be sold-out all or an appropriate number of such Securities to the extent of the amount unpaid by the receiving Clearing Member and related expenses.

10.8 Partial delivery

10.8.1 The receiving Clearing Member shall accept a partial delivery on any Balance Order and the portion remaining undelivered may include an odd-lot volume.

10.9 Liability of Clearing Member for any costs

10.9.1 The Clearing Member in default shall be liable for any costs that may arise from buy-in or selling-out.

10.10 Delivery of Securities

10.10.1 Unless otherwise specified by the Company before the time of sale, it shall be deemed to have been agreed between the parties to give and take delivery of Securities in marketable lots as well as in odd-lots as the case may, as described in Procedures.

10.11 Non-delivery Charges

- 10.11.1 Without prejudices to or in any manner limiting the obligations of a delivering Clearing Member as set out in these Regulations and/or the Procedures arising from his failure to deliver any Securities by the Designated Time on a Settlement Date pursuant to a security delivery order (Balance Order Settlement) or pursuant to squaring-up process, the Clearing Member shall pay to the Company (in addition to his above referred obligations) non-delivery charges for each non-delivery per Security at the rate of 0.5% of the System Price established on Settlement Date of the undelivered securities, subject to a minimum of Rs. 2,000/- (Rupees: Two thousand only). Whereas such delivery default occurs in Debt Market Securities, non delivery charges for each non-delivery per Security at the rate of 1% of the System Price established on Settlement Date of the undelivered Security, subject to a minimum of Rs. 10,000/- (Rupees: Ten thousand only). If as a consequence of the non-delivery of any Securities, the Company causes such Securities to be bought-in by squaring up process and the delivering Clearing Member from whom the said Securities are bought-in defaults in making delivery, such Clearing Member shall pay to the Company (in addition to his other obligations under these Regulations) non-delivery charges at the rate of 1% and 2% per Security and Debt Market Security of the System Price established on the squaring up date of the un-delivered Securities subject to a minimum of Rs. 4,000/- (Rupees four thousand only) and Rs. 20,000 (Rupees twenty thousand only) for Debt Market Security respectively.

Chapter 10A BALANCE ORDER SYSTEM FOR TRADE-FOR-TRADE SETTLEMENT**10A.1 Deliver Security balance order and receive Security balance order under Balance Order Accounting Operation for Trade-for-Trade Settlement**

10A.1.1 The Company will conduct a Balance Order Accounting Operation based upon Balance Order Contracts pursuant to which the Company will determine the gross deliver and receive Security obligations of every Debt Market trade and NDM Reporting Interface Trade of each CDS main, temporary account, investor account, house and/or sub-account maintained with a Clearing Member and prepare Balance Order and Transmit to CDS and Clearing Members accordingly at Designated Time by Settlement Date as per the following mechanism:

- a) Balance Order for every Debt Market trade and NDM Reporting Interface Trade will be generated on gross basis whereby Clearing Member shall deliver and/or receive each and every trade even in the same Security separately on trade-for-trade basis.
- b) Only netting will be allowed in multiple of trades, on same Settlement Date, where same UIN and CDS Account of a Clearing Member is involved in buying and selling of same Security with the counter Clearing Member having same combination of another or same UIN and CDS Account involved in counter selling and buying of the same Security.
- c) NCSS shall generate separate gross money payable and receivable of each Clearing Member for each Balance Order. However, netting shall only be permissible in the condition as explained in (b) above. However, in case of trades executed between the clients of a Broker Clearing Member or between his proprietary account and client account in the NDM Reporting Interface, NCSS shall not generate money payable and receivable for respective Balance Orders.
- d) On the Settlement Date, NCSS shall pass debit instruction to the Settling Banks through its pay & collect module of NCSS for the collection of payment from the respective Clearing Members.
- e) On the settlement date, upon fulfillment of payment obligation by Clearing Members, NCSS shall transmit instructions to CDC for the movement of Securities from respective selling Clearing Members' CDS accounts to the respective buying Clearing Members' CDS accounts. In case of non-payment or partial payment as confirmed by the respective Settling Banks of the Clearing Members, NCSS shall not pass instructions to CDC for the movement of Securities for such Clearing Members. However, in case of trades executed between the clients of a Broker Clearing Member or between his proprietary account and client account in the NDM Reporting Interface, NCSS shall directly transmit instructions to CDC for the movement of Securities from respective selling Clearing Members' CDS accounts to the respective buying Clearing Members' CDS accounts without the consideration of payment.
- f) CDC shall provide status of Securities movement through CDS to NCSS so as to enable the Company to determine the Securities settlement status of each Selling Clearing Member.
- g) Upon fulfillment of delivery obligation by Clearing Member, as per the confirmation in (f) above, NCSS shall pass an exclusive set of instructions to the Settling Banks except for Balance Orders generated for the trades executed between the clients of a Broker Clearing Member or between his proprietary account and client account in the NDM Reporting Interface, for the credits into respective Settling Bank accounts of the respective Selling Clearing Members. Whereas, in case

of non-delivery or partial delivery, NCSS shall not pass credit instructions to the Settling Banks for such Clearing Members.

- h) However, in case of partial payment and partial delivery, settlement shall be processed on the basis of written request by both Clearing Members, identifying the defaulted UIN(s) and consent of Clearing Member in respect of acceptance of partial delivery or payment, within the Designated Time Schedule the Company shall initiate settlement process proportionately for such partial payment and partial delivery. In case of non-submission of said written request by the concerned Clearing Member, within the Designated Time Schedule, the Company shall initiate settlement process proportionately for such partial payment and partial delivery subject to consent of concerned Clearing Member. In such case the Company shall initiate following closed-out proceedings:
 - i. for trades pertaining to the Debt Market, the closed-out process shall be in accordance with the relevant provisions of the Chapter 12B of these Regulations. However, in case where the partial delivery or payment is not acceptable to counter Clearing Member, the partial delivery or payment shall be returned to defaulting Clearing Member and margins collected from the defaulting Clearing Member along with the delivery or money, as the case may be, shall be returned to counter Clearing Member. Accordingly, concerned Clearing Members may settle such trades between themselves outside the NCSS.
 - ii. for trades pertaining to the NDM the relevant trade(s) shall be closed-out at the trade price of such trade(s). However, in case where the partial delivery or payment is not acceptable to counter Clearing Member, the partial delivery or payment shall be returned to defaulting Clearing Member.

Provided that the Company shall not conduct a Balance Order Accounting Operation on the trades executed between two Broker Clearing Members in the NDM Reporting Interface for T+0 settlement cycle.

- 10A.1.2 (a) The Company shall generate a separate CDS, house, investor account and/or sub-account/temporary account wise and main account wise, subject to the conditions applicable under Chapter 11A of these Regulations, deliver Security balance order for delivery of each Security to be delivered, showing the settlement quantity in respect thereof established by the Company; and
- (b) The Company shall generate a separate CDS, house, investor account and/or sub-account wise and main account / temporary account wise, subject to the conditions applicable under Chapter 11A of these Regulations, receive Security balance order for receiving of each Security to be received, showing the settlement quantity in respect thereof established by the Company.

Such balance orders generated as (a) and (b) above, shall be transmitted to CDS for automated movement of Securities in Available Status from/to respective CDS main, temporary account, investor account, house and/or sub-accounts as the case may be.

10A.2 Obligation to deliver and receive payment for Securities

10A.2.1 The obligation of a Clearing Member to receive and pay for Securities and the obligation of a Clearing Member to deliver and receive payment for Securities, pursuant to deliver or receive Security balance orders, as per clause 10A.1.2, shall be determined by the Designated Time Schedule on a Settlement Date.

10A.3 Deliveries

10A.3.1 All deliveries of Securities pursuant to a deliver balance order produced in the Balance Order Accounting Operation shall be subject to the provisions of Regulations 10A.4 to 10A.6 of this Chapter.

10A.4 Book entry delivery

10.4.1 Deliveries will be by way of book entry delivery in a Central Depository.

10A.5 Delivery date

Deliveries will be made on Settlement Date by Designated Time Schedule.

10A.6 Partial delivery

The receiving Clearing Member may accept a partial delivery subject to 10A.1.1 (h) above on any balance order.

10A.7 Non-delivery Charges

Without prejudices to or in any manner limiting the obligations of a delivering Clearing Member as set out in these Regulations and/or the Procedures arising from his failure to deliver any Securities by the Designated Time on a Settlement Date pursuant to a security delivery order (Balance Order Settlement), the Clearing Member shall pay to the Company (in addition to his above referred obligations), non-delivery charges for each non-delivery per Security at the rate of 1% of the System Price established on Settlement Date of the undelivered Security, subject to a minimum of Rs. 10,000/- (Rupees: Ten thousand only). Provided that such non-delivery charges shall not be applicable for the delivery settlement of NDM Reporting Interface Trades.

10A.8 Non- payment Charges

Without prejudice to or in any manner limiting the obligations of a Clearing Member as set out in these Regulations and/or the Procedures arising from his failure to make payment, within the deadline for its payment, the Clearing Member shall pay to the Company delayed payment charges / non-payment charges calculated at the rate of 0.50% of the amount not paid, subject to a minimum of Rs. 2,500/- (Rupees Two thousand and five hundred only). Provided that such non-payment charges shall not be applicable for the payment settlement of NDM Reporting Interface Trades.

CHAPTER 11: SETTLEMENT**11.1 Settlement Statement(s) and Settlement by Clearing Member**

11.1.1 Settlement of money payments with respect to transactions or matters covered by these Regulations shall be made as provided in this Chapter and the Procedures.

11.1.2 At Designated Time, the Company shall transmit to every Clearing Member on each Business Day, which is a Settlement Date, settlement statements which will show:

- (a) debits and credits which have been entered into a Clearing Member's Money Account in accordance with the Procedures; and
- (b) a net amount payable to or payable by the Company.

Each Clearing Member and/or the Company, as the case may be, will settle, by the Designated Time on the said Business Day, through a Settling Bank, in accordance with Procedures, the net amount reflected in such settlement statements.

11.1.3 A Clearing Member fails to settle when his Settling Bank shall fail to pay by the Designated Time on any Business Day the net amount referred to in Regulation 11.1.2(b) due from such Clearing Member to the Company and, where applicable, in further notices of the Company in accordance with these Regulations and/or the Procedures settling out the money obligations of the Clearing Member.

11.1.4 If the Company does not produce any settlement statement referred to in Regulation 11.1.2 on a Business Day, the debits and credits which were entered in a Clearing Member's Money Account and the net amount payable to or by the Company on such Business Day shall be entered in the settlement statements produced by the Company for the next Business Day which is a Settlement Date.

11.1.5 At Designated Time on each Business Day, which is a Settlement Date, the Company shall produce and transmit a final settlement statement which shall reflect the information contained in that Business Day's prior settlement statements, and adjustments to those amounts and the payments made to or by the Company.

11.1.6 A Clearing Member that fails to timely settle shall be subject to:

- (a) action by the Company pursuant to Chapter 13 (MONEY DEFAULT MANAGEMENT), and/or
- (b) action by the Company pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY), and/or
- (c) Chapter 23 (HEARING AND APPEAL PROCEDURES).

Provided that a Broker Clearing Member that fails to timely settle in full or in part that part of the net amount reflected in a settlement statement which represents the net amount payable by the Broker Clearing Member in respect of the marked-to-market loss to be collected from the Broker Clearing Member in respect of the Non-Deliverable Futures Contracts and/or Deliverable Future Contracts shall not be subject to the action by the Company as above stated, and full particulars of the shortfall shall be communicated by the Company to Pakistan Stock Exchange concerned by the Designated Time on the Business Day on which the shortfall takes place along with any part payment collected out of the net amount payable by the Broker Clearing Member in respect of the marked-to-market loss recoverable from him, and the shortfall shall be dealt with by Pakistan Stock Exchange in accordance with the regulations and procedures of the Pakistan Stock Exchange.

Explanation: In determining the payment or part payment or non-payment of that part of the net amount reflected in a settlement statement which represents the net amount payable by a Broker Clearing Member in respect of the marked-to-market loss in respect of Non-Deliverable Futures Contracts and/or Deliverable Future Contract to be collected from the Broker Clearing Member, the amount received from the Settling Bank of the Clearing Member on a Business Day on the basis of the settlement statement issued in respect of the Broker Clearing Member shall be adjusted in the first place against the net amount payable by the Broker Clearing Member in respect of the trades and transactions and other matters covered by these Regulations (excluding the net amount payable in respect of the said marked-to-market loss), and the balance, if any, shall be considered depending upon its amount as the amount paid in full or in part in respect of the said marked-to-market loss.

11.2 Delivery of Securities and right of the Company on Securities.

11.2.1 Notwithstanding any provision in these Regulations to the contrary, unless the Clearing Member has a Credit Balance with the Company or has settled the net amount reflected in the settlement statements set out in Regulation 11.1.2, 11.1.4 and 11.1.5 (“effective time as per Designated Time Schedule”), any transfer of Securities from a CDS main, house, investor account, temporary account and/ or sub-accounts, as the case may be, of the delivering Clearing Member with CDC to a CDS main, house, investor account, temporary account and/ or sub-accounts, as the case may be of the receiving Clearing Member with CDC on a Settlement Date for which payment is to be made by the receiving Clearing Member to the Company shall be under Blocked Status.

11.2.1a The settlement of Balance Order Contract shall be made on the basis of Clearing Member wise, UIN wise and corresponding CDS main, house, investor account, temporary account and/or sub-account wise. However, in case where CDS sub-account and/or investor account of a client of a Clearing Member is closed by such Clearing Member or is blocked, for any reason whatsoever, subsequent to the generation of Balance Order Contracts, the Securities shall be moved to the CDS main account and/or temporary account of such Clearing Member. In such case Clearing Member shall be hold responsible for onward Securities settlement with the respective sub/investor account-account holders as the case may be.

11.2.1b The settlement of Balance Order Contracts, under Trade-for-Trade Settlement, of Non-exchange Transactions (excluding MT & MT(R) Transactions MF & MF(R) Transactions and SLB & SLB(R) Transactions) in accordance with these Regulations and Procedures, shall be made on the basis of affirming Clearing Member wise, UIN wise and corresponding CDS investor account, house and sub-account wise. However, in case of un-affirmed/rejected Non-exchange Transactions (excluding institutional delivery transactions), Balance Order Contracts of such un-affirmed/rejected Non-exchange Transactions shall be settled through the CDS main account of the initiating Clearing Member and Balance Order Contracts of such un-affirmed/rejected Non-exchange Transactions pertaining to institutional delivery transactions shall be settled in the following manner:

- i. In case where institutional delivery system transaction(s) remained un-affirmed or rejected by Non-Broker Clearing Member within DTS, such un-affirmed or rejected transaction(s) shall be settled through CDS house account of the initiating Clearing Member. However, in case of IDS transaction(s) which are initiated by a Broker Clearing Member with a client code of IBD as permitted by the Company for trading on behalf of its clients the IDS transactions that are neither affirmed, nor rejected within the specified time as per Designated Time Schedule shall be settled

by the initiating Broker Clearing Members through CDS sub-account of IBD in accordance with these Regulations and NCSS Procedures..

- 11.2.2 In the event the Company, prior to the effective time, ceases to act for the Clearing Member with respect to transactions pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) or Chapter 23 (HEARING AND APPEAL PROCEDURES) for events prescribed in Regulation 18.2, the Company shall have the right in respect of Securities under Blocked Status to take such actions as specified in these Regulations and/or the Procedures.
- 11.2.3 In the event a Settling Bank which represents a Clearing Member with a Debit Balance has paid such Debit Balance to the Company prior to such time as the Company ceases to act for such Clearing Member with respect to transactions generally pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) or Chapter 23 (HEARING AND APPEAL PROCEDURES) for cases covered in Regulation 18.2, and the Company is satisfied that the Clearing Member will be able to pay his Debit Balance for subsequent settlements, the Company shall instruct CDC to unblock or deliver the Securities in the CDS account main, house, investor account, temporary account and/ or sub-accounts, as the case may be, of the Clearing Member with CDC, unless the Company has received any prohibitory order of a competent authority or of a court against unblocking or delivery of the Securities to the Clearing Member. Notwithstanding the foregoing, where the receiving Clearing Member is a Trading Financier or Margin Financier the MT Financed or Margin Financed Securities, as the case may be, delivered to him, as Trading Financier or Margin Financier, shall be kept by him in a separate CDC account under Blocked Status with CDC which restricts his ability to deal with such Securities except for transfer for settlement of Securities obligations through NCSS.
- 11.2.4 Notwithstanding any agreement between the Company and the Clearing Member to the contrary, the Company shall have the right at any time and from time to time to aggregate and net all or any balances due from the Company against all or any balances due to the Company.
- 11.3 Movement of Securities of NCC Participant from CDC in case where the Company has taken action pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) or Chapter 23 (HEARING AND APPEAL PROCEDURES)**
- 11.3.1 In the event the Company ceases to act for NCC Participant with respect to transactions generally pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) or Chapter 23 (HEARING AND APPEAL PROCEDURES) for cases covered in Regulation 18.1, the Securities shall be moved-in or moved-out to/from the CDS accounts (as defined in CDC regulations) of such NCC Participant in the following manner:
- (a) In case of movement of Securities from CDS accounts of NCC Participant, to which the Company has taken action as stated above, into CDS accounts of respective counter NCC Participant or the Company (as per the instruction of the Company given to CDC), the Company shall provide necessary UIN wise trading and settlement details of the former NCC Participant, to the CDC so as to enable CDC to make necessary arrangements for such movement of Securities from the CDS accounts of NCC Participant, to which the Company has taken action as stated above, as per the details so provided by the Company; and

- (b) In case of movement of Securities into CDS accounts of NCC Participant, to which the Company has taken action as stated above, from CDS accounts of respective counter NCC Participant or from the Company (as per the instruction of the Company given to CDC), the Company shall provide necessary UIN wise trading and settlement details of the former NCC Participant, to the CDC so as to enable CDC to make necessary arrangements for such movement of Securities into the CDS accounts of NCC Participant, to which the Company has taken action as stated above, as per the details so provided by the Company.
- 11.3.2 For the purposes of movement of Securities as stated in 11.3.1 above, Securities held in CDS house account of such NCC Participants, who was admitted as Broker Clearing Member, may also be utilized by the Company against its net outstanding Position including its clients' obligations in case of any short fall in the respective CDS account(s), in accordance with the CDC regulations.

Chapter 11A TRADE-FOR-TRADE SETTLEMENT**11A.1 Settlement Statement(s) and Settlement by Clearing Member**

11A.1.1 Settlement of money payments with respect to transactions or matters pertaining to Trade-for-Trade Settlement covered by these Regulations shall be made as provided in this Chapter. However, settlement of money payments shall not be applicable on transactions or matters pertaining to Trade-for-Trade Settlement based on trades executed in the NDM Reporting Interface for T+0 settlement cycle.

11A.1.2 At Designated Time, the Company shall transmit to every Clearing Member on each Business Day, which is a Settlement Date, settlement statements which will show:

- (a) debits and credits which have been entered into a Clearing Member's Money Account in accordance with the Chapter 10A; and
- (b) gross and/or net (where applicable), amount payable to or payable by the Company.

Each Clearing Member and/or the Company, as the case may be, will settle, by the Designated Time on the said Business Day, through a Settling Bank, the amount reflected in settlement statements provided by the Company through NCSS.

11A.1.3 A Clearing Member fails to settle when his Settling Bank shall fail to pay by the Designated Time on any Business Day the amount referred to in Regulation 11A.1.2 (b) due from such Clearing Member to the Company and, where applicable, in further notices of the Company in accordance with these Regulations settling out the money obligations of the Clearing Member pertaining to the Trade-for-Trade Settlement.

11A.1.4 If the Company does not produce any settlement statement referred to in Regulation 11A.1.2 on a Business Day, the debits and credits which were entered in a Clearing Member's Money Account and the amount payable to or by the Company on such Business Day shall be entered in the settlement statements produced by the Company for the next Business Day which is a Settlement Date.

11A.1.5 At Designated Time on each Business Day, which is a Settlement Date, the Company shall produce and Transmit a final settlement statement which shall reflect the information contained in that Business Day's prior settlement statements and adjustments to those amounts and the payments made to or by the Company.

11A.1.6 A Clearing Member that fails to timely settle his settlement obligations, pertaining to the Debt Market, shall be subject to the action by the Company pursuant to Chapter 12B (RISK MANAGEMENT AND DEFAULT HANDLING UNDER TRADE-FOR-TRADE SETTLEMENT SYSTEM). Whereas, in case a Clearing Member that fails to timely settle his settlement obligations, pertaining to the NDM, shall be subject to the action by the Company pursuant to the Regulation 10A.1.1.h (ii) of these Regulations.

11A.2 Delivery of Securities and right of the Company on Securities.

11A.2.1 (a) The settlement of Balance Order Contract, under Trade-for-Trade Settlement, shall be made on the basis of Clearing Member wise, UIN wise and corresponding CDS main, temporary account, investor account, house and/or sub-account wise. However, in case where CDS sub-

account or investor account of a client of a Clearing Member is closed by such Clearing Member or is blocked, for any reason whatsoever, subsequent to the generation of Balance Order Contracts, the Securities shall be moved to the CDS main account or temporary account of such Clearing Member. In such case Clearing Member shall be hold responsible for onward Securities settlement with the respective sub-account holders.

- 11A.2.1 (b) The settlement of Balance Order Contracts, under Trade-for-Trade Settlement, of Non-exchange Transactions (excluding MT & MT(R) Transactions MF & MF(R) Transactions and SLB & SLB(R) Transactions) in accordance with these Regulations and Procedures, shall be made on the basis of affirming Clearing Member wise, UIN wise and corresponding CDS investor account, house and sub-account wise. However, in case of un-affirmed/rejected Non-exchange Transactions (excluding broker to broker and institutional delivery transactions), Balance Order Contracts of such un-affirmed/rejected Non-exchange Transactions shall be settled through the CDS main account of the initiating Clearing Member and Balance Order Contracts of such un-affirmed/rejected Non-exchange Transactions pertaining to broker to broker and institutional delivery transactions shall be settled in the following manner:
- i. In case where institutional delivery system transaction(s) remained un-affirmed or rejected by Non-Broker Clearing Member within DTS, such un-affirmed or rejected transaction(s) shall be settled through CDS house account of the initiating Clearing Member.

CHAPTER 12: RISK MANAGEMENT BY THE COMPANY

12.1 DEFINITIONS

When used in these Regulations and, where applicable, in the Procedures, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

All Markets

means all Markets including Leveraged Market and/or any other market which the Company or Exchange may provide with the prior approval of the Commission and in respect of which the risk management function is being performed by the Company under these Regulations.

Accrued Interest

means the fraction of the coupon payment that the Debt Market Securities seller earns from holding the Debt Market Securities from the last interest payment date until the disposal date.

Bank Guarantee

means a guarantee issued by a bank as mentioned below and deposited by the Clearing Member in the form acceptable to the Company in order to fulfill their collateral requirements against their Exposure Margins, Mark-to-Market Losses and where applicable Special Margins. Such Bank Guarantees shall be provided from such banks which meet the following criteria for this purpose.

- (a) The bank is duly licensed to carry on banking business in Pakistan under the Banking Companies Ordinance, 1962 (LVII of 1962), or, being a statutory corporation, it is otherwise entitled to carry on banking business under the law it is created; and
- (b) The bank has been allocated minimum long term credit rating of 'A'. Provided that, where a bank has been allocated credit rating of 'A', the maximum amount of such Guarantee per Clearing Member is limited to Rs.400 million, whereas in case of long term 'AA' or above credit rated bank, the maximum amount of such guarantee per Clearing Member is limited to Rs.1.0 billion;
- (c) The Company shall maintain a list of banks which satisfy the aforementioned eligibility criteria for issuing the Bank Guarantees acceptable to the Company for satisfying collateral requirements.

Exposure

means at any point in time, security-wise and client-wise cumulative net unsettled amount of purchases and sales, of a Clearing Member (including proprietary trades) under All Markets determined in accordance with this Chapter.

Haircut

Means the percentage rates prescribed under Schedule III of this Chapter at which the Margin Eligible Securities are discounted for valuation purpose based on their liquidity and volatility. However, the Company may from time to time may make revisions, with the prior approval of the Commission in the applicable Haircuts.

Impact Cost” (IC)

represents the amount of adverse price movement in fulfilling an order size of Rs.500,000/- or any other amount as prescribed by the Company with the prior approval of the Commission, during the last six months. The IC is calculated on a real time basis and is adjusted for every change in the order book due to an order size of Rs.500,000/- or any other amount prescribed in the above manner.

Irrevocable Undertaking

An irrevocable undertaking in the form prescribed by the Company from time to time shall be acceptable collateral against Margins and MtM Losses that may be required by the Company from time to time. Provided that such irrevocable undertakings shall be accepted only from the following Non-Broker Clearing Members for their own obligations:

- (a) Non-Broker Clearing Members/ Non-Broker Trading Financiers as are banks/development financial institutions (“DFIs”) having minimum credit rating of AA; and
- (b) Any other public sector entity owned or controlled by the Government of Pakistan and approved by the Board from time to time.

Leveraged Buy

means a buy trade executed in the Ready Delivery Contract Market through a separate function key which will be available for financing through MT Market.

Margin Eligible Security

means:

- (a) Such Security that meets the quantitative and qualitative criteria laid down by the Company and approved by the Commission from time to time as provided in Schedule III of this Chapter;
- (b) Treasury Bills (T-Bills), , Pakistan Investment Bonds (PIBs) and listed National Saving Bonds valued in accordance with the methodology prescribed by the Company from time to time with prior approval of the Commission. T-Bills shall be valued using the following valuation methodology while accepting as collateral and:
 - (i) 2.5% hair cut on daily valuation shall be applicable;
 - (ii) T-Bills can be of any tenure;
 - (iii) All T-Bills shall be released before 3-working days of their respective maturities; and
 - (iv) All T-Bills shall be valued on daily basis based on the prices published by the Reuter.
- (c) Any other highly liquid security allowed by the Company with prior approval of the Commission.

Mark-to-Market Loss or MtM Loss

means an amount payable by a Clearing Member at any point in time during a Trade Date on account of trades executed on behalf of its clients, as well as its proprietary unsettled position in any Security, to the Company

due to the difference between the Trade Price, on trade to trade basis, of the unsettled position in each Security and the Closing Price of that Security.

In the case of index options contracts, MtM Loss shall mean an amount payable by a Clearing Member to the Company at any point in time during a Trade Date on account of unsettled short positions of its clients, as well as its proprietary unsettled short positions in options contracts as option writer and/or option seller, due to the difference between the exercise price of the option contract and the corresponding daily settlement price as prescribed in the regulations governing index option contracts of the Pakistan Stock Exchange.

Mark-to-Market Profit or MtM Profit

means amount receivable by a Clearing Member at the end of each Trade Date on account of contracts executed on behalf of its clients, as well as its proprietary unsettled position in any Security from the Company due to the difference between Trade Price, on trade to trade basis, of the unsettled position in each Security and the daily settlement price of that Security.

In the case of index options contracts, MtM Profit shall mean an amount receivable by a Clearing Member from the Company at any point in time during a Trade Date on account of option contracts purchased on behalf of its clients, as well as its proprietary buy positions in the option contracts as an option holder/ buyer, due to the difference between the exercise price of the option contract and the corresponding daily settlement price as prescribed in the regulations governing index option contracts of the Pakistan Stock Exchange.

Pre-Trade Margin

means the initial margin payable in advance to the Company by a Clearing Member at order entry level in the trading system of Pakistan Stock Exchange and/or Leveraged Market as the case may be.

Risk Meter

shall mean a computer application used for calculation and determination of VaR margins.

Theoretical Price

means the price as determined by the Pakistan Stock Exchange in accordance with their relevant Regulations from time to time.

Trade Price

shall mean the price at which the trade is executed on the trading system of Pakistan Stock Exchange

VaR Estimates

means a sum of VaR, scaled up by a factor of $\sqrt{n}$ to cover “n” days risk based on underlying stock liquidity, and Worst Case Margin;

VaR or Raw VaR

means the maximum amount of money that can be lost on a portfolio over a given period of time, with a given level of confidence as determined by the Risk Meter operated by NCCPL.

Worst Case Margin (WCM)

means a margin that covers stock/index movement in extreme events in a day in situations that lie outside the coverage of the Raw VaR calculations.

12.2 METHODOLOGIES:

12.2.1 The Exposure of a Clearing Member is determined as per following methodology:

- (a) Actual traded values of the trades executed on account of a UIN on trading system are taken for the purpose of calculating Exposure of respective UIN.
- (b) The impact of rectification of erroneous trades on UIN basis carried out on the same Trade Date in the manner and procedure prescribed by the Pakistan Stock Exchange from time to time shall also be taken for the purpose of calculating exposure of respective UIN.
- (c) All trades due for settlement on that day will be excluded for calculation of exposures, once settled.

12.2.2 The Theoretical Price for a Security tradable under Deliverable Futures Contract and/or Cash-Settled Futures Contracts Markets, if there is no trading in such Security in the respective market during whole Trade Date, is determined as per methodology determined under the applicable regulations of the Pakistan Stock Exchange Limited:

12.3 CAPITAL ADEQUACY

12.3.1 Capital Adequacy

The net capital balance ('NCB') for the purpose of these Regulations shall be calculated in accordance with the Third Schedule to the Securities & Exchange Rules, 1971. Maximum Exposure in each and/or all Markets of a Broker Clearing Member shall not exceed the number of times of his NCB attributed to the Company for the purpose, as provided in Schedule-I to this Chapter. certificates will be submitted to the Company in the following manner:

- (a) The Broker Clearing Members shall submit bi-annually a certificate from its last statutory auditor confirming their NCB on the format prescribed by the Company on the dates and within such time as may be notified by the Company for this purpose. The Debt Market Clearing Members acting as Broker Clearing Members shall also intimate the amount of net capital balance to be allocated to the Debt Market. Any revision to this assigned portion shall also be intimated to the Company in writing by such Broker Clearing Member;
- (b) The certificate submitted by the Broker Clearing Members in accordance with the regulation 12.3.1.(a) above shall specify that the auditor has verified/audited the NCB; and
- (c) NCB certificate shall be submitted by the Broker Clearing Members within the time as may be prescribed by the Company, failing which a penalty shall be imposed as provided in the Schedule-V attached to this chapter.

12.3.2 MONITORING:

- (a) The Company shall monitor Clearing Members' compliance with the Exposure limits and availability of margins as prescribed by or pursuant to these Regulations. Such monitoring, however, shall not in any manner diminish the responsibility of the Clearing Members to ensure compliance with these Regulations.
- (b) The Company shall monitor the NCB of each SLB Participant who is a Broker Clearing Member on a pre-trade basis.
- (c) The Company shall monitor the NCB of each Margin Finantee, at pre-initiation of MF Transactions. The MF Module will not allow any Margin Finantee to enhance its Exposure over and above the prescribed capital adequacy limits and will accordingly reject such transactions.

- (d) The Company shall monitor the NCB of each Finanee on a pre-trade basis. The MTS will not allow any Finanee to enhance its Exposure over and above the prescribed capital adequacy limits and will accordingly reject any MT Transactions that will exceed the aforesaid limits.
- (e) The Company shall monitor the NCB of each Debt Market Clearing Member acting as Broker Clearing Member. Such Broker Clearing Member is not allowed to enhance its Exposure over and above the prescribed capital adequacy limit.

12.3.3 MINIMUM CAPITAL REQUIREMENTS:

- (a) Minimum net capital balance for Broker Trading Financier in MTS as Broker Clearing Member of Pakistan Stock Exchange will be Rs. 20 million.
- (b) Minimum paid-up capital for Broker Trading Financier in MTS as Broker Clearing Member of Pakistan Stock Exchange will be Rs. 50 million.
- (c) The Debt Market Clearing Members acting as Broker Clearing Members shall be allowed to participate in the Debt Market with minimum net capital balance of Rs. 4 million for listed Debt Market Securities only.

12.4 EXPOSURE AND NETTING:

12.4.1 DETERMINATION OF EXPOSURE:

- (a) Security-wise, UIN-wise and Market-wise Exposure of each Clearing Member will be calculated by the risk management system of the Company at any point of time subject to applicable netting rules, as prescribed by these Regulations.

Provided that in case of Ready Delivery Contract Market, Exposure of each Clearing Member shall be calculated at the higher of the values determined either by summing-up all settlement day wise net outstanding buy positions or all settlement day wise net outstanding sale positions of the same client in the same security in the Ready Delivery Contract Market at any point in time, subject to the applicable netting rules as prescribed by these Regulations.

- (b) The Non-Broker Clearing Members shall be required to affirm their auto-initiated institutional delivery system (IDS) transaction(s) which are executed by the Broker Clearing Member as per their instructions in terms of these Regulations and Procedures. Whereas, CDC, being a Non-Broker Clearing Member, shall also be required to affirm auto-initiated IDS transaction(s) of its clients which are executed by the Broker Clearing Member in terms of these Regulations and Procedures made there under. Accordingly, the Company shall manage the risk of its Non-Broker Clearing Members in terms of this Chapter in respect of the IDS transactions affirmed by such Clearing Members in order to monitor and mitigate the risks arising out of such affirmed IDS transactions. In case an auto-initiated IDS transaction is not affirmed or is rejected by the Non Broker Clearing Member, the Company shall impose a penalty, as provided in Fee, Charges and Security Deposit Schedule, on the concerned Non Broker Clearing Member or the Broker Clearing Member as the case may be in accordance with the Procedures
- (c) The Exposure of a Broker Clearing Member in respect of the affirmed institutional delivery system (IDS transactions of his Non-Broker Clearing Member client(s) shall be reduced to the extent of such IDS transactions provided that such affirming Non-Broker Clearing Members have duly deposited the Exposure margins and MtM Losses to the Company in accordance with these Regulations. Provided that un-affirmed/rejected IDS transactions shall be the proprietary trades of the Broker Clearing Member in the same market and shall be included while calculating Exposure and relevant margins of the Broker Clearing Member.

- (d) The Exposure of a Broker Clearing Member in respect of the affirmed NCS Transactions shall also be reduced to the extent of such NCS Transactions. Provided that un-affirmed/rejected NCS Transactions shall remain in the account of the Broker Clearing Member in the same market and included while calculating Exposure and relevant margins of the Broker Clearing Member.
- (e) The Company shall manage the risk of its Debt Market Clearing Members in terms of this Chapter in respect of Debt Market trades executed and / or affirmed IDS transactions based on Debt Market trades by such Debt Market Clearing Members in order to monitor and mitigate the risks arising out of such Debt Market trades.
- (f) The Company shall continue to monitor and manage the Exposure of their respective Broker Clearing Members for their Exchange trades executed for the respective clients of Custodian Clearing Members, and the respective Broker Clearing Members shall be responsible for depositing all margins and fulfilling other obligations related to risk management in respect of such trades in accordance with these Regulations up to the time that such trades are settled by respective Custodian Clearing Members through NCSS.
- (g) No netting whatsoever, in any Market, shall be allowed for the purpose of calculation of Exposure and relevant margins in lieu of Margin Financing Transactions. Provided that MF (R) Transactions, executed as per clause 7B.3.5 (1) and Margin Financed Securities of such clients and pledged as per clause 7B.3.4 a of these Regulations, exposure margins of such ready market sales will be collected from the respective Broker Clearing Members proprietary account.
- (h) Trading Financier shall deposit Exposure margins in respect of its obligation to pay for the Ready Delivery Contract Market purchase of the Finantee, to the extent of FPR, on the day that the MT Transaction is executed. The margins will be held till MT Transaction is settled by the Trading Financier. After settlement and deposit of MT Financed Securities in Blocked Status exposure margin shall be released to the Trading Financier. After settlement of MT Transaction, Trading Financier shall not pay any exposure margin on the corresponding MT (R) Transaction.

12.4.2 Exposure during calendar spreads in Deliverable Futures Contract and Cash Settled Futures Markets: During the over-lapping period of Deliverable Futures Contract or Cash Settled Futures Contracts, the Exposure in particular scrip will be calculated based on the higher of contract period-wise net-buys and net sales based on netting mechanism explained in clause 12.4.6. (Netting within Deliverable Futures Market) and 12.4.7. (Netting within CSF (Cash-Settled Futures) Markets). However, all contract period-wise net-buys or net sales will be added together for determining total Exposure under one UIN in a security.

12.4.3 Exposure of a Clearing Member in index options Market shall be calculated by summing up all the contract values of his proprietary and clients' short positions as an option writer and/or option seller subject to the netting rules prescribed in this Chapter. Provided that in the case of short positions in call and put options in same option series, Exposure shall be calculated at the higher of contract values of such put or call options. The Exposure of a Clearing Member in index options Market shall also include sum of all his proprietary and clients' outstanding obligations in respect of option premium of all option contracts purchased during a Trade Date.

12.4.4 NETTING - GENERAL RULE:

Except as expressly provided otherwise in these Regulations, netting of open positions shall not be allowed across Markets.

12.4.5 NETTING WITHIN READY DELIVERY CONTRACT MARKET:

Netting shall be allowed between buy and sell positions in the same security for the same Settlement Date for the same UIN (client). Likewise buy and sell positions of a Clearing Members proprietary UIN in same security for the same Settlement Date shall be netted against each other.

12.4.6 NETTING WITHIN DELIVERABLE FUTURES MARKET (INCLUDING PROVISIONALLY LISTED SECURITIES):

Netting shall be allowed between buy and sell positions in the same security for the same client in the same contract period. Likewise buy and sell positions in same security in the same contract period for the proprietary trades of a Clearing Member can be netted against each other.

12.4.7 NETTING WITHIN CASH-SETTLED FUTURES MARKET:

Cash Settled Futures Market shall be considered a separate market for the purposes of calculating Exposure of a Clearing Member and netting shall not be allowed with Ready or Deliverable Futures Contract Market.

Netting shall only be allowed between buy and sell positions in the same security for the same client in the same contract period. Likewise buy and sell positions in same security in the same contract period for the proprietary trades of a Clearing Member can be netted against each other.

12.4.8 NETTING WITHIN STOCK INDEX FUTURES (SIF) CONTRACT MARKET:

For the determination of the market Exposure for 90 Days SIF Contracts following netting regime shall be applicable:

- (a) Netting shall only be permitted between buy and sell positions in the same SIF Contracts with the same expiry date for the same client. No other netting shall be permitted inter-alia including netting across different Markets, across different clients, across SIF Contracts having different expiry dates or across index futures contracts based on different indices.
- (b) Where the Company determines that circumstances warrant in the best interest of market and market participants that a pre-close of the contracts is necessary, the Company may announce special clearing in the following manner:
 - (i) The Company will announce a special clearing with prior approval of the Board.
 - (ii) For the purpose of settlement of outstanding SIF Contract, the Pakistan Stock Exchange Limited in accordance with its applicable regulations will calculate a reference price as fair-value of the contract on which all outstanding contracts will be settled.

Special margin shall be payable by a Clearing Member in respect of an SIF Contract if the difference between daily settlement price and the first day's daily settlement price of such contract on either side (i.e. upward or downward) is greater than 20%, or where the daily settlement price of the contract is outside the band of 15% of the underlying Index (higher amount from above calculations will be applicable as special margins). Where the unidirectional price movement is upwards, each client of a Clearing Member who is a net buyer shall be required to pay a special margin in cash equal to such difference. Where the unidirectional price movement is downward, each client of a Clearing Member who is a net seller shall be required to pay a special margin in cash equal to such difference.

12.4.9 NETTING WITHIN MT TRANSACTION:

No netting such as across markets, across clients, across different MT Eligible Securities, across settlement dates or between exposure of Trading Financier and Finantee shall be allowed whatsoever, to any MT Participant. Only MT (R) Transaction will be netted off with a sale by a Clearing Member on account of respective UIN in the respective security, otherwise no netting whatsoever shall be allowed with the Ready Delivery Contract Market.

12.4.10 NETTING WITHIN INDEX OPTIONS MARKET:

Index options Market shall be considered a separate market for the purpose of calculating exposure of

a Clearing Member and netting shall not be allowed with any other Market.

Netting shall be allowed between the short positions of a client as an Option Writer and/or Option Seller and his buy positions in an Option Contract of equal Contract Value, having same Option Type and same Option Series. Likewise, proprietary position as an Option Writer and/or Option Seller and buy position in an option contract of equal Contract Value, having same option type and same Option Series can be netted against each other.

No other netting shall be permitted inter-alia including netting across different markets, across different clients, across Option Contracts having different expiry dates or different underlying Index.

12.4.11 NETTING WITHIN SLB MARKET

Security-wise and client-wise exposure of each SLB Participant will be calculated by the Company at any point in time and no netting as across Markets, across clients, across different SLB Eligible Securities, across Settlement Dates or between exposure as Borrower and Lender shall be allowed whatsoever, to any SLB Participant.

12.4.12 NETTING WITHIN DEBT MARKET

Since trades executed in Debt Market shall be settled on Trade-for-Trade basis, netting of open positions shall not be allowed across the Debt Market trades in the Debt Market executed by Broker Clearing Member and shall not be allowed across the affirmed IDS transactions based on Debt Market trades. Accordingly:

- (a) Netting shall not be allowed between buy and sell positions of same UIN in the same Security or different Security on the same day;
- (b) Netting shall not be allowed between buy and sell positions of different Securities on the same day;
- (c) Netting shall not be allowed across settlement periods; and
- (d) Netting will only be allowed in multiple of trades, on same Settlement Date, where same UIN of a Clearing Member is involved in buying and selling of same Security with the counter Clearing Member having same combination of another or same UIN involved in counter selling and buying of the same Security

12.4.13 RESTRICTION/PROHIBITION:

Save as specifically provided above or in the relevant chapters of these Regulations in case of 12.4.8. and 12.4.9. above, no other netting such as across clients, across markets, across contract period, across settlement period, across different securities or contracts shall be allowed whatsoever.

12.5 EXPOSURE MARGINS:

12.5.1 MARGIN REQUIREMENTS:

- (a) All trades/transactions in any Security or Securities shall be subject to the margin requirements prescribed in these Regulations or such other additional margins in this regard as the Company may, with the prior approval of the Commission, prescribe from time to time in addition hereto.
- (b) However, the total margins requirements (including initial margins, concentration margins and/or special margins) added together, for particular scrip under a UIN should not exceed its Exposure amount in any case. In case, where total margin requirements exceed the Exposure amount, special

margins requirements shall be reduced to the extent of the exceeding amount.

- (c) Pre-Settlement under Ready Delivery Contract Market, Debt Market or Deliverable Futures Contract Market: In case where a UIN-wise net-seller in a security deposits the net-sold deliveries and/or net-buyer in a security deposits net cash against such net-buy with the Company, all his margin requirements and MtM Losses/Profits to the extent of such pre-settlement shall not be taken into account by the Company, while calculating such Clearing Member's Capital Adequacy limits and margin requirements for respective market. The pre-settlement delivery mechanism shall be managed by the Company in accordance with the Procedures.
- (d) The SLB Participants shall deposit exposure margins in respect of their SLB Transaction on the day that the same is executed. Upon settlement of the SLB Transaction, the VaR based exposure margins shall be collected till settlement of SLB (R) Transaction.
- (e) All trades in any MT Eligible Security shall be subject to the margin requirements prescribed in these Regulations or such other additional margins in this regard as the Company may, with the prior approval of the Commission, from time to time prescribe in addition thereto.
- (f) In case of Debt Market, the Exposure margins shall be calculated on the following rule based margin slabs:

Issue Size of Listed Debt Market Securities	Margin% on Exposure
Upto Rs.1 billion	1%
Between Rs.1 billion and Rs.3 billion	1.5%
Above Rs. 3 billion	2%

- (g) In case of Provisionally Listed Companies Market, where a Clearing Member delays any payment to the Company beyond specified time, its margin requirement (deposit payable) will be doubled.
- (h) In case of Deliverable Futures Contract, where a Clearing Member delays any payment to the Company for meeting any of his obligations beyond the specified time thrice in a calendar year, he would be liable to deposit Rs.1,000,000/- with the Company for a period of 3 months. In case where delay in payment has occurred for fourth time in a calendar year, the deposit amount would be enhanced to Rs. 2,000,000/- to be held by the Company for a period of 6 months.

Provided that the deposit amount shall not be utilized by the Company against the Exposure Margins of such Broker.

12.5.2 VAR BASED MARGINS:

(a) CATEGORIZATION OF SECURITIES:

The Securities shall be classified into four categories on the basis of following:

CATEGORY	SCALE UP FACTOR	NO. OF DAYS COUNT (BASED ON AVAILABILITY OF RS.500,000 TRADE DATA)	IMPACT COST
A	1	$\geq 80\%$ of traded days	$\leq 1\%$
B	$\sqrt{3}$	$\geq 80\%$ of traded days	$> 1\% \leq 2\%$
C	$\sqrt{5}$	$\geq 80\%$ of traded days	$> 2\%$

		< 80% of traded days	Irrespective of IC
illiquid - D	If the tradable days even with one (1) lot in a scrip is less than 33%		

(b) MONTHLY REVIEW:

The trading frequency and the Impact Cost shall be calculated on the 15th of each month on rolling basis considering the data of preceding six months. On the basis of the trading frequency and impact cost so calculated, the securities shall move from one group to another from the next Trade Date.

(c) CALCULATION OF VAR MARGIN:

VaR margin will be based on Risk Meter calculation using the following three methods:

- (i) Variance/ Covariance,
- (ii) Historical/Filtered Historical Simulations, and
- (iii) Exponentially Weighted Moving Averages (EWMA)

The highest VaR margin calculated under the above three methods is taken as the VaR or Raw VaR.

The Raw VaR is then scaled up by a factor of $\sqrt{n}$ to cover an 'n' day risk based on the underlying scrip's liquidity as demonstrated by its categorization on the basis of trading frequency and Impact Cost in 12.5.2.(a) above. Based on the respective categorization, the Raw VaR numbers for each scrip are then scaled up by a factor of $\sqrt{1}$, $\sqrt{3}$ and $\sqrt{5}$ respectively. For securities falling in the D category, maximum VaR i.e., 60% shall be applied. The number so arrived shall be called Scaled up VaR.

A Worst Case Margin is added to the Scaled up VaR to cover 1% of the days (extreme events) that go beyond those envisaged on the 99% value at risk estimates used in the calculation of Raw VaR. The margin so arrived shall be known as the VaR Estimate.

The Worst Case Margin is the higher of:

- i. 5%
- ii. 1.5 times the standard deviation of daily returns of the stock price in the preceding six months or one year (whichever is higher) and
- iii. Maximum breach in the security's VaR back tested over one year Trade Dates (peaks over threshold)

- (d) The Exposure margins for each security in Ready Delivery Contract Market, SLB Market, MT Market and Deliverable Futures Contracts Market shall be calculated by the Company applying VaR Estimates calculated by the Risk Meter at the end of each Trade Date. Provided that VaR Estimates shall be increased by a factor of 1.1 to determine the Exposure margins for each security in Ready Delivery Contract Market and Deliverable Futures Contracts Market. Such increased factor of VaR Estimates shall remain applicable until review of VaR margins by the Company and its implementation with the prior approval of the Commission.
- (e) The Exposure margins for each Security in Cash-Settled Futures Contract Market shall be calculated by the Company applying scaled-up VaR calculated by the Risk Meter at the end of each Trade Date.
- (f) The Exposure margins in Stock Index Options and Stock Index Futures Markets shall be calculated by the Company applying VaR of the underlying index calculated by the Risk Meter at the end of each Trade Date and adding Worst Case Margin.
- (g) The Exposure margins so determined shall be posted on website of the Company and shall be applicable for determining margin requirement at the end of each Trade Date.

12.5.2 FIXED MARGINS:

Exposure margins during the first six months of listing of a security on the Pakistan Stock Exchange

shall be 25% of the Exposure.

12.5.3 DEPOSIT OF EXPOSURE MARGINS:

- (a) The Exposure margins shall be deposited by a Clearing Member within such time as may be determined by the Company from time to time but in no case later than the opening of the market on the next Trade Date. .
- (b) The Exposure margins shall be deposited by a MT Participant to the Company within such time as may be determined by the Company from time to time but in no case later than the opening of trade on the next Trade Date.
- (c) Bank slips duly posted in the Company's Settling Bank account and pay order(s) shall be delivered to the Company within the prescribed time against the demands in relation to exposure margin and Mark-to-Market losses. However, payments up to Rs. 2,500,000/- for the purpose of payment against Exposure margins and losses may be accepted by cheque.
- (d) Exposure margins deposited by a Clearing Member under these Regulations, pertaining to different Markets must be kept separately by the Company. In case of any practical difficulty, margins in respect of different Markets, deposited by a Clearing Member, may be kept on a combined basis.

12.5.4 FORM OF MARGIN DEPOSITS OR MARKET COLLATERAL:

Market Collateral required from a Clearing Member under these Regulations will be accepted by the Company in the form as specified in Schedule-II.

12.5.5 CONDITIONS APPLICABLE TO ALL MARGIN DEPOSITS:

All margins deposited by the Clearing Members with the Company pursuant to these Regulations shall be subject to the following conditions:

- (a) The Company shall apply the Haircuts prescribed under these Regulations to each Margin Eligible Security. however, in case of MT (R) Transaction Margins, the maximum number of acceptable MT Eligible Securities shall be the same as notified by the Company in 7C.3.2 of these Regulations;
- (b) The Company shall not accept any Margin Eligible Security for the purpose of margin requirements if acceptance of Margin Eligible Security taken together with the margins already held will exceed Clearing Member/ SLB/MT Participant wide and/or market wide limits of deposit of such Margin Eligible Security as prescribed in Schedule-III hereto;
- (c) The Security is in book entry form;
- (d) The issuer of Security is not placed on the defaulter's segment of the Pakistan Stock Exchange;
- (e) The Corporate Clearing Member listed on the Pakistan Stock Exchange will not be allowed to deposit against the Exposure margins and MtM Losses of their own company's shares;
- (f) The Company may from time to time prescribe, with the prior approval of the Commission, the maximum number of acceptable Margin Eligible Securities;
- (g) Any other criterion prescribed by the Company and approved by the Commission from time to time;
- (h) The Company shall give at least 30 days prior notice to the Clearing Members before including or excluding any security from the list of Margin Eligible Securities; and/or

- (i) The Company shall carry out a review of Margin Eligible Securities as per the provisions stipulated under Schedule III of this Chapter.

12.5.6 VALUE OF MARGIN DEPOSIT TO BE MAINTAINED

The Clearing Members depositing margin in the form of Margin Eligible Securities shall always maintain the value thereof, after application of the relevant Haircuts, at not less than the margin amount for the time being required to be covered by them by providing further Margin Eligible Securities or depositing cash to the satisfaction of the Company which shall always determine the said value and whose valuation shall conclusively fix the amount of any deficiency to be made up from time to time. If at any time during a Trade Date, the required margins against Exposure of a Clearing Member and its clients exceed the already deposited margins, such Clearing Member shall deposit with the Company the margin within the time specified by the Company, but not later than opening of the market on the next Trade Date.

The Company may release any Collateral held against the Collateral requirement of Clearing Member as per the mechanism notified by the Company from time to time, provided that such release of Collateral shall not create any deficiency in the value of the Collateral required to be deposited by such Clearing Member for relevant Market with the Company in terms of these Regulations.

12.5.7 PRE-TRADE MARGIN:

All trades shall be subject to availability of Margins by the Clearing Members at the pre-trade level (Order entry level) in the manner as prescribed by the Company from time to time from any of the sources mentioned below:

- (a) House Account of respective Clearing Member;
- (b) Sub-Account of respective client;
- (c) Bank Guarantee(s) provided by the respective Clearing Member;
- (d) Investor Portfolio Securities Account of the respective Clearing Member/client; and
- (e) Sub-Accounts of the individuals as authorized under clause 12.7.12.

12.5.8 POST TRADE MARGINS:

All trades/transactions shall be subject to collection of Margins at the close of Trade Date or at such other time during the day on the Trade Date as demanded by the Company in the relevant market as provided in Clause 12.7.8 below. If a Clearing Member has insufficient Margins against Exposure and MtM Losses against his position on UIN basis at the close of Trading Date in the relevant market, such Clearing Member shall not take further Exposure for such UINs in the relevant market on the next Trading Date. The Clearing Member may however reduce the position on such UINs by squaring-up open position.

12.5.9 BASIC DEPOSITS AS EXPOSURE MARGINS:

The basic deposits payable for the Markets, where applicable, as required by the Company and deposited by a Clearing Member may be utilized by the Company against exposure margin of such Clearing Member for the respective market during trading hours. However, the Clearing Member shall replenish the basic deposit at the close of the Trade Date with the Company.

12.5.10 MF Market

1. Margins will initially apply on the Margin Finanee on the Ready Delivery Contract Market purchase as per the risk management requirements of the Company at the time of execution of trades. However, Margin Financees will continue to pay margins to respective Margin Financier until MF (R) Transaction is settled.
2. The Margin Financier shall be required to pay exposure margin on the MF Transaction Value till its settlement on T+2. Thereafter, no margins shall be required by the Company from the Margin Financier on the corresponding MF (R) Transaction, provided that Margin Financed Securities have been delivered and held in the CDC house account/clients accounts the case me of the Margin Financier in MF Blocked Status. Provided further, that such requirement of margin from Margin Financier shall not be applicable where Margin Finanee and Margin Financier is a same Broker Clearing Member.
3. Where Margin Financed Securities are pledged by a Broker Margin Financier as per clause 7B.3.4 a of these Regulations:
 - i. Such Broker Margin Financier shall be required to deposit VaR based margins from its proprietary CDS House account.
 - ii. Such Broker Margin Financier shall also be required to deposit marked-to-market losses where price of such Margin Financed Security is increased. Provided that profit/loss of clients of a Broker Margin Financier shall not be netted.
 - iii. Margins/marked-to-market losses as stated above, shall be kept in a separate and exclusive Blocked Account of such Broker Margin Financier, maintained from the date of pledge till pledge release.
 - iv. For deposit of such margin/marked-to-market losses, Broker Margin Financier will be required to record necessary details in NCSS as per the manner prescribed by the Company from time to time. Accordingly, Securities will be moved from the respective normal CDS house account of Broker Margin Financier to CDS house account in MF Blocked Status of the Broker Margin Financier.
 - v. For release of Securities deposited under clause (i) and (ii) above, Broker Margin Financier will be required to record release request in NCSS as per the manner prescribed by the Company from time to time. Accordingly Securities will be moved from the CDS house account in MF Blocked Status to the respective normal CDS house account of Broker Margin Financier.
 - vi. The Company shall made available a report in the MF Module showing necessary details pertaining to pledge position, margin/marked-to-market losses, deposited Securities etc. Broker Margin Financier shall be required to monitor its positions accordingly and maintain requisite securities against margins/marked-to-market losses.
 - vii. The Company shall review any such report of a Broker Margin Financier and may ask for any other information from Broker Margin Financier in this context. If any discrepancy/shortfall is found in context of clause (i) and (ii) above, the Company may charge penalty to such Broker Margin Financier amounting to 10% of the amount of discrepancies highlighted by the Company or PKR 500,000 whichever is higher. The Company may also impose a restriction/suspension on the concerned Margin Financier for taking any new position in the MF Market for a period of 3 months or permanently. During the period of suspension only release of open position shall be allowed.

12.6 MARK-TO-MARKET LOSSES:

12.6.1 DETERMINATION OF MTM LOSSES:

- (a) MtM Loss (or Profit) shall be calculated on trade to trade basis including affirmed institutional delivery system transactions of the Non-Broker Clearing Members, separately for each scrip, for each client and for proprietary open positions of a Clearing Member on the basis of the last executed prices during trading hours on a Trading Date. The final determination and collection of MtM Losses at the end of Trade Date shall be at the Closing Prices.
- (b) In the case of index options Market, MtM Loss shall be calculated for each contract separately as the difference between the exercise price of the option contract and the corresponding daily settlement price determined in accordance with the applicable provisions stipulated under the Pakistan Stock exchange Regulations governing index options market. All short positions in call and put option contracts of an option writer or option seller shall be subject to Mark-to-Market Loss calculations.
- (c) In SLB Contracts, MtM Loss shall be calculated, separately for each SLB Eligible Security, for each SLB Participant on the basis of the Closing Price.
- (d) In MT Contracts, MtM Loss shall be calculated on trade to trade basis, separately for each MT Eligible Security, for each MT Participant on the basis of the Closing Prices.
- (e) The Company shall calculate the MtM Losses of its Debt Market Clearing Members on the basis of the Closing Price in the Debt Market. Such Mark-To-Market Losses shall be deposited by a Debt Market Clearing Member with the Company on a daily basis till the satisfaction of his settlement obligation on the relevant Settlement Date.

12.6.2 NETTING:

- (a) While determining the MtM Losses (or profit) payable by a Clearing Member, netting shall be permissible across trades in different securities for the same client or across trades in different securities for proprietary trades of a Clearing Member, in the same Settlement Date or contract period. Provided that where MF (R) Transactions are executed as per clause 7B.3.5 (1) and Margin Financed Securities of such clients are pledged as per clause 7B.3.4 a of these Regulations, mark-to-market losses of such ready market sales will be collected from the respective Broker Clearing Members proprietary account.
- (b) In the case of index options market, when determining the MtM Losses payable by a Clearing Member, netting shall be permitted between MtM profits and losses of buy and sell positions of an option writer and/or option seller in the same type of option contract with same expiration day and same underlying index for the same client or between proprietary buy and sell positions in the same type of option contract with same expiration day for the same underlying index. No other netting of profits and losses arising on positions in the index options market shall be permitted inter-alia including netting of profits and losses across different markets, across different clients or across option contracts/option series based on different underlying indices.
- (c) Netting shall only be permitted in profits and losses of the same client or Clearing Member's proprietary position in different SIF contracts with different expiries. No other netting of profits and losses arising on positions in SIF contracts shall be permitted inter-alia including netting of profits and losses across different Markets, across different clients or across futures contracts based on different indices.
- (d) Netting shall be allowed between buy and sell positions of the same client or Clearing Member's proprietary position in the same scrip on the same contract period for the Deliverable Futures

Contract Market.

- (e) The Mark-To-Market Losses and profits of the same client or Clearing Member's proprietary position shall be netted for same Securities and in the same contract period within Provisionally Listed Companies Market.
- (f) While determining the MtM Losses payable by SLB Participants, no netting such as across clients, across Markets, across contract periods, across securities, across Settlement Dates etc shall be allowed whatsoever.
- (g) While determining the MtM Losses payable by a MT Participant, no netting, including without limitation, across trades, across clients, across markets, across contract periods, across securities, across settlement dates etc., shall be allowed.
- (h) While determining the MtM Losses payable by a Debt Market Clearing Member, netting shall not be permissible across Debt Market trades in same and/or different Securities for the same UIN in the same Settlement Date and across Settlement Date. Only netting will be allowed in multiple of trades, on same Settlement Date, where same UIN of a Clearing Member involved in buying and selling of same Security with the counter Clearing Member having same combination of another or same UIN involved in counter selling and buying of the same Security.

12.6.3 MTM LOSSES DEPOSIT:

- (a) Each Clearing Member will pay its MtM Losses to the Company at any point in time (as demanded by the Company or at the end of each Trade Date but not later than prior to opening of trading on the next Trade Date.
- (b) MtM losses of Clearing Members (client as well as proprietary positions) having total Exposures in the Deliverable Futures Contract Market or Index Options Market of more than Rs.200 million will be collected twice a day, including at the end of each Trade Date. Each Broker and Non-Broker Clearing Member entering into Deliverable Futures Contract shall pay MtM Losses in accordance with these Regulations subject to basic exemption of Rs.100,000/- in respect of payment of MtM Losses.
- (c) The obligation of the SLB Participants to deposit their respective MtM Losses shall commence from the SLB Transaction Date and shall continue till such time that SLB Transaction is settled. Thereafter, MtM Losses shall be collected from the SLB Participants on SLB (R) Transaction till the settlement date of such SLB (R) Transaction. MtM Losses shall be deposited by each SLB Participant with the Company before such time as may be specified by the Company or at the end of each Trade Date but not later than prior to opening of trading on the next Trade Date.
- (d) MtM Losses by each MT Participant shall be deposited with the Company on demand by the Company or at the end of each Trade Date but not later than prior to opening of trading on the next day. Trading Financiers shall deposit their respective MtM Losses as per Schedule-II in this Chapter on the Trade Date on which such Trading Financier's Offer is accepted and MT Transaction is executed. The MtM Losses will be collected till such time that MT Transaction is settled. Thereafter, MtM Losses shall not be collected from Trading Financier on MT (R) Transaction. Such MtM Losses shall be collected by the Company in respect of obligation of the Trading Financier to settle the Ready Delivery Contract Market trade in proportion to FPR. Financees will however continue to pay MtM Losses in proportion to FPR, in cash only, until MT (R) Transaction is settled in accordance with these Regulations. Such MtM Losses collected from Finantee shall be paid to respective Trading Financiers. Upon payment of the MtM Losses, the MT Contract Price shall be adjusted to maintain Finantee's FPR.
- (e) The scrip-wise outstanding positions of the Clearing Members will be revalued at relevant daily settlement price as prescribed in the Pakistan Stock Exchange regulations governing Deliverable

Future Contract and shall be transferred to the next Trade Date. The system shall consider such revalued amounts as the traded values, based on which Exposures will be calculated. Such MtM Losses shall be deposited by the Clearing Members with the Company on a daily basis till the satisfaction of the settlement obligation on the relevant Settlement Date of the contract. The Company shall withhold mark-to-market profits, if any (after adjustment of MtM losses), of the Clearing Members on his proprietary or client account on UIN basis, in a particular scrip until its final settlement. However such mark-to-market profits, if any, will be adjusted against the MtM Loss in the same scrip of such Clearing Member's proprietary or client account on UIN basis. In case of failure of any Clearing Member to deposit Exposure Margins/MtM Losses, it will not be allowed to take any fresh position. However, the said Clearing Member will be allowed to reduce its positions. MtM profits withheld by the Company shall be paid to the respective Clearing Member on T+2 settlement basis.

- (f) The scrip-wise outstanding positions of the Clearing Members will be revalued at relevant daily settlement price as prescribed in the Pakistan Stock Exchange regulations governing Cash-Settled Futures Contracts. The Company will consider such revalued amounts as traded values for collection of MtM Losses and for making payment of MtM Profits. Net MtM Losses shall be collected from Clearing Members in cash on T+0 settlement basis (by day-end on Trade Date). Net MtM Profits shall be disbursed to Clearing Members in cash on T+1 settlement basis.
- (g) The scrip-wise outstanding positions of the Clearing Members will be revalued at relevant daily settlement price as prescribed in the Pakistan Stock Exchange regulations governing provisionally listed companies market. The Company shall consider such revalued amounts as the traded values, based on which Exposures will be calculated. MtM Losses in provisionally listed companies market shall be deposited by a Clearing Member with the Company on a daily basis till the satisfaction of his settlement obligation on the relevant Settlement Date of the contract. The Company shall withhold mark-to-market profits, if any, of a Clearing Member in particular scrip until its Final Settlement. Such MtM profits, if any, will be adjusted against the MtM Loss in the same scrip of such Clearing Member. Total MtM Losses collected up to the Settlement Date on account of a provisionally listed company shall be adjusted by the Company against money obligation of the Clearing Member on the Settlement Date.
- (h) In the case of Index Options Market MtM losses determined by the NCCPL at the end of a Trade Date based on the Daily Settlement Price shall be collected only from the Option Writer by the Company. The Company shall withhold MtM profits, if any, of a Clearing Member on his proprietary or clients' account in an Option Contract until the settlement of such Option Contract.

12.6.4 FORM OF MTM LOSSES DEPOSIT:

Deposit against MtM Losses will be accepted by the Company in the form as specified in Schedule-II.

12.7 OTHER MARGINS

12.7.1 CONCENTRATION MARGINS:

Concentration margins shall be payable by:

- (a) a Clearing Member in respect of a Security in Deliverable Future Contracts and Cash-Settled Futures Contracts Markets determined in accordance with Schedule-VI. Concentration Margin shall be calculated at the end of each Trade Date; and
- (b) a Finantee till settlement of MT (R) Transaction in respect of a MT Eligible Security in MT Market determined in accordance with Schedule-VI and shall be calculated at the end of each Business Day.

- (c) SLB Participants till settlement of SLB (R) Transaction in respect of a SLB Eligible in SLB Market determined in accordance with Schedule-VI and shall be calculated at the end of each Business Day.

12.7.2 SPECIAL MARGINS:

Special Margin with respect to stock index futures contract shall be determined and be payable in accordance with these Regulations.

12.7.3 LIQUIDITY MARGINS:

The Liquidity margins shall be payable by a Broker Clearing Member once his Exposure limit in the Ready Delivery Contract Market reaches a certain level at the rate as prescribed in the Schedule-VII. Such margins shall be payable by the Broker Clearing Member from his Proprietary Account.

12.7.4 ADDITIONAL MARGINS ON LEVERAGED BUYS FINANCED THROUGH MT MARKET:

- (a) When a Ready Delivery Contract Market purchase is financed in MT Market, Finantee shall pay Exposure margins, MtM Losses and liquidity margins relating to such trade as per Schedule-II of this Chapter from the date of such purchase till its settlement in the Ready Delivery Contract Market. However, a Finantee shall be required to pay additional margins after the close of MT Market to maintain his Margins equivalent to higher of 25% or VaR Estimate on Leveraged Buy of respective Security on that Trade Date.
- (b) After the settlement of MT Transactions, a Finantee shall pay to the Company the MT (R) Transaction margins in the form of approved Collaterals. The aggregate value of such MT (R) Transaction margins and FPR shall always be higher of 25% or VaR Estimate of that particular MT Eligible Security. In case of shortfall, the Finantee shall be required to cover such shortfall through deposit of approved Collaterals.

12.7.5 CONCENTRATION, SPECIAL, LIQUIDITY AND ADDITIONAL MARGINS:

The applicable concentration, special, liquidity and additional margins shall be paid by a Clearing Member at the end of each Trade Date.

12.7.6 OBLIGATION IN ADDITION TO OTHER MARGINS:

The obligation to pay concentration, special, liquidity and additional margins shall be in addition to the obligations to pay Exposure margin and MtM Losses.

12.7.7 FORM OF DEPOSIT AGAINST CONCENTRATION, SPECIAL, LIQUIDITY MARGINS AND ADDITIONAL MARGINS:

Deposit against concentration, special, liquidity and additional margins will be accepted by the Company in the form as specified in Schedule-II.

12.7.8 SOURCE AND UTILIZATION OF MARGINS AND MTM LOSSES:

The required margins and MtM Losses as specified in Schedule-II hereto to be deposited by a Clearing Member in the form of Margin Eligible Securities in the book entry form shall be acceptable from:

- (a) Subject to Sub-Regulation 12.7.11 and 12.7.12 below, the sub-account(s) of a client maintained under participant account of the Broker Clearing Member against trades/transactions of such client on UIN basis.

Provided where a Broker Clearing Member carries out trades/transactions on behalf of its NCS Client, then the required margins/MtM losses will also be acceptable from the sub-account of a NCS Client maintained under the participant account of the Company. Further provided that where

a Broker Clearing Member carries out trades/transactions on behalf of CDC client(s) for which CDC has been admitted as a Non-Broker Clearing Member of the Company, then the required margins/MtM losses will also be acceptable from the CDS investors account of such client maintained by CDC.

(b) Subject to Sub-Regulation 12.7.11 below, the house account(s) of a Clearing Member against trades/transactions of such Clearing Member on UIN basis in proprietary account.

- 12.7.9 Cash deposited by the Clearing Member with the Company and segregated towards the respective client under the designated system, shall be utilized towards margin requirements and MtM Losses against trades/transactions of that client.
- 12.7.10 Subject to Sub-Regulation 12.7.11 below, cash and Bank Guarantee(s) deposited by the Clearing Member shall be utilized towards margin requirements and MtM Losses against the Clearing Members proprietary UIN trades/transactions.
- 12.7.11 The Broker Clearing Member may authorize in writing the Company to utilize excess Margin Eligible Securities available in his house account, cash and Bank Guarantee(s) deposited with the Company for meeting any shortfall in the margin and MtM Losses requirements of his clients. However, Clearing Member will be required to collect margins from its clients as provided under these Regulations and separately maintain cash deposited by its clients as margins in its back-office record.
- 12.7.12 The directors and chief executive of a corporate Clearing Member irrespective of their holding in such Clearing Member or any other individual who holds at least 10% shares of the corporate Clearing Member (referred to as “Pledgor” in this clause and Schedule- VIII) may authorize the Clearing Member in writing as specified in Schedule-VIII of this chapter, specifying the number of shares and time duration, if any, for utilizing excess Margin Eligible Securities available in their respective sub-account(s) for meeting any shortfall in the margin and MtM Loss requirements of other UINs, including proprietary UIN of such Clearing Member in favor of the Company.

The time duration, if any, for utilizing excess Margin Eligible Securities shall be specified by the Pledgors. After the expiry of the authorization, the Pledgor may renew the authority on his discretion.

12.7.13 FAILURE TO DEPOSIT/DEFAULT PROCEEDINGS

Upon failure of a Clearing Member to meet his/its obligations in accordance with Chapter 13 of these Regulations the collaterals deposited as margins shall be utilized as per those Regulations.

- 12.7.14 Where a SLB Participant fails to deposit any margin, MtM Losses or Concentration Margin as provided in these Regulations or fails to comply with any other requirement of these Regulations, the Company shall initiate default proceedings against such SLB Participant in accordance with these Regulations. Where a SLB Participant fails to deposit Collaterals against exposure margins and MtM Losses and where applicable, Concentration Margins, and fails to settle SLB Transaction and SLB (R) Transaction, as the case may be, or fails to comply with any other requirement(s) of these Regulations, the Company shall initiate default proceedings in accordance with the provisions of Chapter 13 (Money Default Management) and other relevant provisions of these Regulations and Procedures.
- 12.7.15 Any failure, inability or refusal to fulfill a settlement obligation in respect of an MF Transaction in accordance with these Regulations by any MF Participant that is a party to such MF Transaction will result in cancellation of all MF Transactions between MF Participants who are party to such MF Transaction. Upon such cancellation, the respective Margin Finnee shall continue to remain responsible for and shall ensure the settlement of its entire Ready Delivery Contract Market purchases. In case of non-fulfillment of such Ready Delivery Contract Market settlement obligation by the

respective Margin Financier, the default procedures in accordance with these Regulations shall be applied for the satisfaction of corresponding Ready Delivery Contract Market sellers. In addition to the cancellation of the MF Transactions penalties, under Regulation 7.B.7.2, shall also be imposed on relevant Margin Financier who has failed to fulfill its settlement obligation in respect of an MF Transaction.

- 12.7.16 Any failure, inability or refusal to fulfill a settlement obligation in respect of an MF (R) Transaction in accordance with these Regulations by any MF Participant that is a party to such MF (R) Transaction will result in cancellation of all MF (R) Transactions between MF Participants that are party to such MF (R) Transaction and same shall be settled between the MF Participants directly outside the NCSS. However, in such case respective Margin Financier shall continue to remain responsible for and shall ensure the settlement of its corresponding Ready Delivery Contract Market sell transactions. In case of non-fulfillment of such Ready Delivery Contract Market settlement obligations by the respective Margin Financier, normal delivery default procedures in accordance with the Procedures shall be applied for the satisfaction of corresponding Ready Delivery Contract Market buyers. In case where Broker Margin Financier fails to deliver Margin Financed Securities due to the reason that they have not been released from the pledged position, in such case, the delivery default procedures in accordance with these Regulations shall be applied for the satisfaction of corresponding ready market purchasers. Failure to meet any obligation of such delivery default proceedings will be considered as a default by the Broker Clearing Member and Company shall initiate default proceedings in accordance with the provisions of Chapter 13 (Money Default Management) and other relevant provisions of these Regulations and Procedures.
- 12.7.17 In case of any default and/or dispute in respect of MF (R) Transactions and/or non-fulfillment of any margin call the Margin Financed Securities of the defaulting Margin Financier shall be unblocked from the Blocked Status in the CDC account of such Margin Financier on the basis of initiation of such MF (R) Transactions by such Margin Financier. In such case, Margin Financier shall indemnify and hold the Company harmless against any claims made by the Margin Financier on the ground that the Margin Financed Securities should not have been unblocked for any reason whatsoever.
- 12.7.18 On the occurrence of a failure by a Clearing Member to fulfill his Margin requirements and MtM Losses within the period stipulated for this purpose in these Regulations, and on the occurrence of a failure by CDC, being a Non-Broker Clearing Member, to fulfill the Collateral requirements against his client(s) margins and MtM Losses within the period stipulated for this purpose in the Chapter, the Company may, in accordance with the requirements of Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) of these Regulations, suspend and/or restrict the access of such Clearing Member (hereinafter in this Chapter referred to as the “defaulting Clearing Member”) to any or all of the services provided by the Company, provided that the Company may at its discretion elect not to suspend and/or restrict such Clearing Member’s access to any or all of the services offered by the Company in case of those trades / transactions which may result in reducing the Exposure margin of such Clearing Member. Where the Company suspends and/or restricts the access of a defaulting Clearing Member to the services offered by the Company, the Company shall commence action under Chapter 13 of these Regulations.
- 12.7.19 On the occurrence of a failure by a Debt Market Clearing Member to fulfill his margin and/or MtM Losses requirements within the period stipulated for this purpose in this Chapter, the Company may issue a Notice to such Debt Market Clearing Member and take action in the following manner:
- (a) In case broker Debt Market Clearing Member:

The Notice, as mentioned above, shall also be sent to the Pakistan Stock Exchange. Upon receipt of such Notice, such broker Debt Market Clearing Member shall be required to deposit required collateral within the time specified in the said Notice. In case where such broker Debt Market Clearing Member fails to deposit required Collateral within the time specified in the said Notice, such broker Debt Market Clearing Member shall be required to identify the defaulted UIN. Accordingly, the Company shall restrict such UIN's access and ability to take any further position in the Debt Market.

(b) In case non-broker Debt Market Clearing Member:

Upon receipt of such Notice, such non-broker Debt Market Clearing Member shall be required to deposit required margins and/or MtM Losses within the time specified in the said Notice. In case where such non-broker Debt Market Clearing Member fails to deposit within the time specified in the said Notice, the Company shall restrict UIN of such non-broker Debt Market Clearing Member's access and ability to take any further position in the Debt Market.

(c) Such restriction as mentioned in (a) and (b) above shall remain in place till the settlement of the relevant trade on the Settlement Date. In case of default occurring in fulfillment of the settlement obligation on such Settlement Date, the Company shall take action as per the Regulation 12.7.20 of this Chapter

12.7.20 Failure by a Debt Market Clearing Member to meet Trade-for-Trade settlement obligation

- (a) In case where Debt Market Clearing Member fails to settle its money obligation, the relevant trade (s) shall be closed-out at the trade price of such trade(s). However, in case of partial payment, close-out process shall only be applicable on the basis on conditions explained in Regulation 10A.1.1(h) of Chapter 10A of these Regulations; and
- (b) In case where Debt Market Clearing Member fails to settle its Securities delivery obligation in full or partial, the relevant trade(s) shall be closed-out at the trade price of such trade(s). However, in case of partial delivery, closed-out process shall only be applicable on the basis on conditions explained in Regulation 10A.1.1(h) of Chapter 10A of these Regulations

12.7.21 The above mentioned close-out proceedings shall be executed in the following manner:

- (a) In case where Exposure margins are deposited by the defaulting Debt Market Clearing Member, the relevant trade(s) shall be closed-out at the trade price of defaulted trade along with the said Exposure margins with the Company;
- (b) In case where partial Exposure margins are deposited by the defaulting Debt Market Clearing Member, the relevant trade(s) shall be closed-out at the trade price of defaulted trade(s) along with the proportionate allocation of such partial Exposure margins; and
- (c) In case where no Exposure margins are deposited by the defaulting Debt Market Clearing Member, the relevant trade(s) shall be closed-out at the trade price of defaulted trade(s) only.

12.7.22 The following penalties shall be imposed by the Company in case of default of a Debt Market Clearing Member:

- (a) The defaulted UIN, as identified by the Debt Market Clearing Member in Regulation 10A.1.1 (h) of Chapter 10A of these Regulations, shall be restricted from taking any new position in the Debt Market for a period of six months.
- (b) In case of more than one default by the same UIN with the same Debt Market Clearing Member, such Debt Market Clearing Member shall also be restricted from taking any new position in the Debt Market for a period of six months.

12.7.23 Failure of a Custodian Clearing Member to meet Settlement Obligation

- (a) On the occurrence of a failure by a Custodian Clearing Member to meet the settlement obligation on the Settlement Date for its affirmed IDS transaction(s), the Custodian Clearing Member shall be required to identify the defaulting client along with the concerned Broker Clearing Members to the Company within designated time in accordance with the procedures. After due verification, the Company shall refer such settlement obligation of such affirmed IDS transaction(s) to such counter initiating Broker Clearing Member(s) for its settlement on particular Settlement Date. However, in such case of default in any settlement obligation by Custodian Clearing Member, the respective Custodian Clearing Member shall pay 0.5% of value of unsettled amount as penalty to the Company in accordance with these Regulations.
- (b) In case where such Broker Clearing Member(s) fails to meet such settlement obligation as mentioned in clause 1 above, the Company may, in accordance with the requirements of Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) of these Regulations, suspend and/or restrict the access of such Broker Clearing Member (hereinafter in this Chapter referred to as the “defaulting Clearing Member”) to any or all of the services provided by the Company.
- (c) Where the Company suspends and/or restricts the access of such defaulting Broker Clearing Member to the services offered by the Company, the Company shall commence action under Chapter 13 of these Regulations.

12.8 POSITION LIMITS:

- 12.8.1 No Clearing Member shall have open positions in client/proprietary trades in any security/contract in All Markets for more than the limit prescribed in Schedule-IV hereto. Furthermore, overall Market-wide as well as Clearing Member-wide position limits are also applicable as specified in Schedule-IV hereto.
- 12.8.2 All position limits shall be monitored by the Company through a preventive automated mechanism, whereby trading activity beyond such prescribed limits shall not be allowed. Provided that in the case of SIF Contracts:
 - (a) Net long and short positions of the Clearing Member and his clients shall be added for the purpose of calculating Clearing Member level open interest in SIF.
 - (b) For the purpose of calculating the open interest limits the cumulative open interest in all the SIF Contracts will be taken into account.
 - (c) For the purpose of determining Market wide total open interest in any SIF contract, sum of either all net buy positions or all net sale positions on UIN basis in the SIF contract shall be considered.
 - (d) For the purpose of determining Clearing Member-level and client level open interest, no netting shall be allowed across offsetting position in SIF contract with different expiry date, for

calculation of position limits.

12.8.3 For the purpose of calculating the position limits in the Index Options Market, the open interest in all Option Contracts of a particular Underlying Index on UIN basis would be taken into account. For the purpose of determining Clearing Member-level and client level Open Interest for calculation of position limits, no netting shall be allowed across offsetting position in Option Contracts of a particular Underlying Index having different Expiration Day.

12.9 GENERAL:

12.9.1 DEPOSITS TO BE HELD BY THE COMPANY:

All deposits made pursuant to these Regulations shall be held by the Company.

12.9.2 LIEN ON DEPOSITS:

The monies, Margin Eligible Securities and other securities and any other assets deposited by a Clearing Member by way of a margin or MtM Loss under these Regulations shall be subject to a first and overriding lien and charge for any sum due to the Company by such Clearing Member and for the due fulfillment of such Clearing Member's engagements, obligations and liabilities arising out of related or incidental to any trades, dealings, transactions and contracts made subject to the Rules, Bye-laws and Regulations of the Company or anything done in pursuance thereof. A Clearing Member shall not create any other lien or charge on such assets any such lien or charge previously created shall be subservient to the Company's lien.

12.9.3 OBLIGATION OF CLEARING MEMBERS TO COLLECT MARGINS FROM THEIR CLIENTS:

- (a) It shall be obligatory upon the Clearing Member trading/taking exposure in any or All Market under these Regulations to take all margins and MtM losses from their respective clients in accordance with total margin requirements as prescribed by the Company and/or mentioned under these Regulations and/or of the relevant Regulations of the relevant Market, if any. Such prescribed margins shall be the minimum margins that must be taken by the Clearing Member from their respective clients while trading/taking exposure on behalf of such client. The Company shall ensure compliance of this requirement through appropriate procedures including auditing and inspection of records, provided that the Clearing Member may not, at its discretion, collect applicable margins and MtM Losses from their institutional clients who directly settle their trades through the Company as its Non-Broker Clearing Members | .
- (b) The collection of any type of margin by a Clearing Member from its client/client(s) shall be the sole responsibility of such Clearing Member and any failure of the client to pay such margin or of the Clearing Member to collect such margin shall not affect the obligation of the Clearing Member to pay such margin to the Company.
- (c) The Finantee shall collect money obligation for Ready Delivery Contract Market purchase from the respective client in accordance with the applicable FPR in form of cash. In case of non-payment of such money obligation by the client, no further position of the client will be allowed by the Finantee. In case the Finantee allows the client to take any further position, the Finantee shall be solely responsible for all consequences thereof including settling and/or closing the position and shall fully indemnify the Company against any loss arising therefrom.

12.9.4 EVASION OF REQUIREMENTS PROHIBITED:

A Clearing Member shall not directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the requirements prescribed under these

Regulations. In case of any violation of this restriction, the Company shall be at liberty to initiate appropriate action against such Clearing Member under these Regulations.

12.9.5 RESTRICTION/PROHIBITION:

The provisions of these Regulations, inter-alia including schedules, policies, procedures, practices and systems based on thereof, shall be binding on all the Clearing Members and shall not be amended, altered or modified by the Company without prior written approval of the Commission.

12.9.6 In addition to the Regulations mentioned above, the Company may impose any further risk mitigating conditions and risk management measures to protect the interest of the Company as well as to provide comfort to investors both local and international with the prior written approval of the Commission.

12.9.7 Exposure Drop-out Process

The Company shall, in accordance with the Procedures, run a drop-out process on a Settlement Date closing all trades/transactions of all those Clearing Members who have settled all their money and delivery obligations against such trades/transactions on that Settlement Date.

12.9.8 The Company shall collect additional margin from non-complaint Non-Broker Clearing Members as follows:

- (a) The Company shall collect additional 30% margin, over and above VaR based margins, on the exposure as determined by the Company from all those Non-Broker Clearing Members whose credit ratings have been revised downwards from minimum short term credit rating of A3 to B till such time they re-attain the minimum short term credit rating of A3. Provided that if the Non-Broker Clearing Member fails to attain the minimum credit rating criteria as provided in Regulation 5.1.1 (g) within six months, the Company may take appropriate action as prescribed in Regulation 18.1.

12.9.9 Circuit Breaker for Debt Market

There shall be a security-wise circuit breaker for Debt Market in case of price fluctuation of Rs. 5/- from the Closing Price of the previous day or any other limit as prescribed by the Company, with the prior approval of the Commission from time to time.

12.9.10 Imposition of disciplinary charges on Debt Market Clearing Member

If any Debt Market Clearing Member violates/contradicts of any provisions of these Regulations and/or the Procedures, the Company is authorized to impose charges under provision 17.1.1 of these Regulations on such Debt Market Clearing Member.

12.9.11 Disclaimer of property, rescission of contracts, etc.

- (a) Sections 406 and 407 of the Companies Ordinance, 1984 (XLVII of 1984) shall not apply in respect of these Regulations to the extent stated in Section 41 of the Securities Act, 2015.

12.9.12 Enforcement of judgments over property subject to market charge, etc.

- (a) Pursuant to Section 42 of the Securities Act, 2015, notwithstanding anything contained in any other law for the time being in force, where property been provided as Collateral in the form of

margins or otherwise, no execution or other legal process for the enforcement of a judgment or order may be commenced or continued, and no distress may be levied, against such property by a person seeking to enforce any interest in or security over the property, except with the consent of the Company.

- (b) Where by virtue of this clause a person would not be entitled to enforce a judgment or order against any property, any injunction or other remedy granted with a view to facilitating the enforcement of any such judgment or order shall not extend to that property.

12.9.13 Clearing member to be party to transactions as principal.

Where for the purposes of fulfilling clearing and settlement obligation or margin call or MtM loss or any other obligation, whatsoever, a Clearing Member enters into any transaction or contract with the Company, irrespective of its nature, including but not limited to a contract, in the capacity as a principal or agent, notwithstanding anything contained in any other law, rule or regulation, in such transaction or contract the Clearing Member shall act and considered as Principal and liable to make payment or delivery, to the Company, as the case may be.

12.9.14 Property deposited with the Company.

- (a) Subject to clause 12.9.12(b), where any property is deposited as market collateral by a clearing member with the Company in accordance with these Regulations, then, notwithstanding any other law or rules or regulations, no action, claim or demand, either civil or criminal, in respect of any right, title or interest in such property held or enjoyed by any person shall lie or shall be commenced or allowed, against the Company or its nominees.
- (b) The operation of clause 12.9.12(a), in respect of any property deposited as Collateral with the Company is subject to any modifications and exclusions provided in these Regulations.

12.9.15 Preservation of rights, etc.

- (a) Except to the extent that they expressly provide, the provisions of these Regulations shall not operate to limit, restrict or otherwise affect:
 - (i) any right, title, interest, privilege, obligation or liability of a person; and
 - (ii) any investigation, legal proceeding or remedy in respect of any such right, title, interest, privilege, obligation or liability.

12.10 Risk Management Committee

12.10.1 The Board of the Company shall constitute a Risk Management Committee in accordance with requirements of the regulations framed under the Securities Act, 2015 for licensing of clearing houses.

Provided that the members nominated on the Risk Management Committee shall possess the relevant experience with respect to compliance and risk management.

12.10.2 The members of the Risk Management Committee representing the management may include the persons holding the position of head of Internal Audit, Head of Risk, Head of Compliance or the

Chief Executive Officer. However, the Risk Management Committee shall not include more than two members from the management.

- 12.10.3 The Chairman of the Risk Management Committee shall also be nominated by the Board and shall preferable be an independent director. The secretary of the Risk Management Committee shall be from amongst the management representatives.
- 12.10.4 The Chairman of the Risk Management Committee, where considered expedient, may invite representative either from the management or external experts, excluding Clearing Members, to participate in the meeting and facilitate with respect to any particular matter.
- 12.10.5 The Risk Management Committee shall consider seeking feedback of Clearing Members on matters relating to risk management and default management for improvements therein for the review and consideration of the Risk Management Committee on an annual basis. The Risk Management Committee may determine and select the Clearing Members for seeking feedback based on factors including but not limited to the asset classes cleared, volume cleared and the level of contribution to the Settlement Guarantee Fund.
- 12.10.6 The Risk Management Committee shall be responsible for reviewing the overall risk management framework and make recommendations to the Board on all risk related matters.
- 12.10.7 The Risk Management Committee shall be responsible for performing the following tasks:
- (a) Reviewing any significant changes of the risk model of the Company;
 - (b) Reviewing and finalizing any changes to the default procedures;
 - (c) Review of any changes to the categories of admissible Clearing Members and to the admission criteria.
 - (d) Review of clearing of new classes of instruments;
 - (e) Review the framework to determine the minimum size of Clearing Fund and amount of other financial resources;
 - (f) Review of the internal policy framework defining types of extreme but plausible market conditions NCCPL could be exposed to;
 - (g) Review any material revisions and adjustments to the models, their methodologies and the liquidity risk management framework used to quantify, aggregate, and manage the risks. The Head of Risk will periodically report to the Risk Management Committee the stress testing results and related analysis;
 - (h) Review of material revisions and adjustments to the Company's policies used to test its margins, Clearing Fund and other financial resources methodologies and framework for calculating liquid financial resources;
 - (i) Review of the Company's model for margining. The Head of Risk will periodically report to the Risk Management Committee the back testing and the sensitivity testing results and the related analysis;

- (j) Review of the reverse stress tests developed by the Company. The Head of Risk will periodically report to the Risk Management Committee the reverse stress testing results and related analysis;
- (k) Review of the annual actuarial valuation report prepared by the actuary with respect to the determination of the required size of the SGF including the underlying assumptions; and
- (l) Take any such measure as it considers appropriate to improve the efficiency and operations of the risk management systems and policies implemented by the Company and accordingly make recommendations to the Board.

12.10.8 The Risk Management Committee where considered expedient, shall recommended to the Board for conducting an independent evaluation of the models developed for determining the margins, margin eligible securities, haircuts, position limits and any other risk management related model implemented by the Company.

12.10.9 Where the Risk Management Committee is of the view that the circumstances warrant immediate actions with respect to the margins calls, haircut applied on the margin eligible securities, the mark-to-market loss collection or limiting the exposure of any participants based on credible information, the Risk Management Committee shall immediately recommend the proposed course of action to the Board. The Board shall take such steps as deemed appropriate, based on recommendation of the Risk Management Committee, with the prior approval of the Commission.

12.11 Special Clearing

12.11.1 Provisionally Listed Companies

The Company may with the approval of the Board, announce a special clearing in particular scrip. In case special clearing is announced, trading in the scrip shall be suspended at Pakistan Stock Exchange until such time the outstanding MtM Losses are settled in cash and the market shall open after the differences have been settled with the NCCPL through NCSS.

12.11.2 Deliverable Futures Contract

Where the Company determines that circumstances warrant in the best interest of the Market and Clearing Members that suspension of the scrip(s) is necessary, the Company may announce a special clearing in the particular Deliverable Futures Contract.

In case special clearing is announced, trading in particular security/securities shall be suspended at Pakistan Stock Exchange until such time that the MtM Losses are settled in cash and the market shall open after all MtM Losses have been settled in the suspended security/securities with the NCCPL.

12.11.3 Cash-Settled Futures (CSF) Contract

The Company may announce a special clearing in a CSF Contract or all CSF Contracts or in a particular scrip or all scrips in a CSF Contract or all CSF Contracts, subject to the prior approval of the Commission, in an emergency situation which may include but is not limited to abnormal country wide riot or strike, fire, accident at the Company or Exchange, change of government or act of God or for any other catastrophic event. In case a special clearing is announced, trading shall be

suspended by the Pakistan Stock Exchange as per its regulations upon announcement of special clearing by the Company and all Open Interests will be required to be settled within one day of the suspension or prior to the opening of the market. The market would remain suspended till further notice from the Company. On resumption of the market, three new Contracts would open from the date of resumption in place of the three suspended Contracts, expiring on the original expiry date by the Pakistan Stock Exchange. Similarly if Commission considers that the market is overheated or such indicators exist and the Commission feels it expedient in the investors' interest to call for special clearing then it may direct the Company to cause a special clearing.

Schedule-I

BROKER CLEARING MEMBERS (BCMS) NET CAPITAL BALANCE (NCB) LIMIT & LEVERAGE POSITION

	SLB Market	*MF Market	**MT Market (As Financee)	Deliverable Futures Market	Cash Settled Future (CSF) Contracts	Index Options Market	Stock Index Futures Contracts (SIFC)	Debt Market	Ready Market
Broker Clearing Members' NET CAPITAL BALANCE LIMIT & LEVERAGE POSITION	The aggregate Exposure of each SLB Participant who is a Broker Clearing Member shall not exceed 5 times of its NCB	The aggregate Exposure of each Margin Financee shall not exceed 5 times of its NCB	The aggregate Exposure of each Financee in respect of MT Market shall not exceed 5 times of its NCB	7.5 times of the NCB of a Broker Clearing Member excluding the Capital Adequacy (Exposure) utilized by such Broker Clearing Member in the MT Market				The aggregate Exposure of Broker Clearing Members shall not exceed 10 times of its NCB allotted	25 times the NCB of Broker Clearing Member
			Maximum Exposure of 7.5 times of the NCB of a Broker Clearing Member for Cash Settled Futures Market, Stock Index Futures Contracts Market, Index Options Market, Deliverable Futures Contract Market, and MT Market						
			Maximum Exposure of 25 times of the NCB of Broker Clearing Members for All Markets						

*MF Market: Exposure to a single client shall not exceed 5% of the total permissible exposure and Exposure in single MF Eligible Security shall not exceed 20% of the total permissible exposure (5 times of net capital balance).

Minimum net capital balance for Broker Margin Financier of Pakistan Stock Exchange will be Rs. 20 million:

**MT Market (As Financee)

Finanee shall be required to maintain minimum net capital balance in accordance with the slabs as prescribed in Schedule-IV of this Chapter

Schedule-II

FORM OF EXPOSURE MARGINS, MTM LOSSES, SPECIAL MARGINS, CONCENTRATION MARGINS, LIQUIDITY MARGINS AND ADDITIONAL MARGINS DEPOSITS

SR NO.	MARKET	EXPOSURE MARGINS	MTM LOSSES	SPECIAL MARGIN	CONCENTRATION MARGINS	LIQUIDITY MARGINS	ADDITIONAL MARGINS
1	Ready Delivery Contract Market	100% in Cash and/or Margin Eligible Securities and/or Bank Guarantee and/ or Irrevocable Undertaking and/or T-Bills provided by the respective Clearing Member	100% in Cash and/or Margin Eligible Security and/or bank guarantee and/ or Irrevocable Undertaking	Not Applicable	Not Applicable	100% in Cash and /or Margin Eligible Securities and/or Bank Guarantee	Not Applicable
2	Leveraged Buys financed through MT Market						100% in Cash and /or Margin Eligible Securities and/or Bank Guarantee Undertaking and/or T-Bills provided by the respective Clearing Member
3	Futures Trading in Provisionally Listed Companies Market	100% in Cash and/or bank guarantee and/ or Irrevocable Undertaking	100% in Cash	Not Applicable	Not Applicable	Not Applicable	Not Applicable
4	** Deliverable Futures Market	Minimum 50% in Cash and/or Bank Guarantee and/ or Irrevocable Undertaking and 50% in securities eligible for trading in Deliverable Future Market or Cash/ Bank Guarantee	100% in Cash/ Bank Guarantee ***	Not Applicable	100% in Cash and/or bank guarantee and/ or Irrevocable Undertaking	Not Applicable	Not Applicable
5	Cash-Settled Futures Market	100% in Cash and/or Bank Guarantee	100% in Cash	Not Applicable	100% in cash and/or Bank Guarantee	Not Applicable	Not Applicable
6	Stock Index Futures Contracts Market	100% in Cash and/or Bank Guarantee	100% in Cash	100% in Cash and/or Bank Guarantee	Not Applicable	Not Applicable	Not Applicable
7	Index Option Market	100% in Cash and/or Bank Guarantee	100% in Cash	Not Applicable	Not Applicable	Not Applicable	Not Applicable
8	SLB Market	100% in Cash and/or Margin Eligible Securities and/or Bank Guarantee and/ or Irrevocable Undertaking and/or Treasury Bills ("T-Bills") provided by the respective SLB Participant	100% in Cash	Not Applicable	100% in cash and/or Bank Guarantee and/or Irrevocable Undertaking	Not applicable	Not applicable

9	Debt Market	100% in Cash and/or Bank Guarantee and/ or Irrevocable Undertaking by the respective Clearing Member	100% in Cash and/or Bank Guarantee and/ or Irrevocable Undertaking provided by the respective Clearing Member	Not applicable	Not applicable	Not applicable	Not applicable
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Note: 1. In Deliverable Futures Market, in case where Exposure is due to sale of a particular security by a UIN, 50% net-sold position of such security can be deposited by the same UIN to meet full Exposure Margin requirements.

2. The Company shall allow return to Clearing Member on the cash amount deposited with the Company as Exposure Margin, MtM Losses and other margins, if applicable, at the rate paid by the respective banks opted by the Clearing Member after retaining 1% as service charges by the Company.
3. Irrevocable Undertaking shall be acceptable collateral from Non-Broker Clearing Member and Non-Broker Trading Financier.

* All Margins and MtM Losses for Leveraged Buys executed through special function key by the Broker Clearing Members and committed to be financed through MT Market will be collected by the Company as applicable in Ready Delivery Contract Market till settlement on T+2. Subsequent to that FPR, MtM Losses and any other margins on relevant MT Transactions shall be collected by Company only in cash in accordance with these Regulations. MT Eligible Securities, as notified by the Company from time to time, are acceptable to the Company for the purpose of MT (R) transaction Margins to be collected from Finantee only, except Marked-to-Market Losses.

** Only Securities which are declared eligible for trading in the Deliverable Future Contracts Market, as notified by the Pakistan Stock Exchange from time to time, are acceptable as collateral to the Company for the purpose of Exposure Margin. Provided that Margin Eligible Securities shall be excluded from Exposure Margin after giving at least 30 days prior notice to the Clearing Members.

*** Bank Guarantee against MTM losses in DFM shall only be acceptable from NBCM.

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Schedule-III**MARGIN ELIGIBLE SECURITIES****1. Eligibility Criteria**

Eligibility criteria of Margin Eligible Securities shall include the following:

1.1 Maximum Number of Securities:

All Top 100 book-entry securities will be selected by giving 50% Weight to Average Daily Free Float Market Capitalization and 50% Weight to Average Daily Turnover during the previous six (6) months and same will be filtered based on the following criteria:

- a) Impact Cost:
Securities that have average daily Impact Cost of Less than 1% during the previous six months.
- b) Public Float
Securities that have a Free Float of at least 25% of issued capital or 60 million free float shares whichever is lower. Securities which do not fulfill this requirement shall be subject to additional haircut of 15%.
- c) Trading History
Securities that have traded at least 90% of the trading days during last six months.
- d) Auditors Opinion
Securities of the company should not have qualified opinion on going concern assumption in Auditor's report on the company's most recent audited annual Financial Statements.
- e) Profit before Tax
Profit before tax as per standalone audited financial statements in any one of the last three years of operations.
- f) Eligibility of companies with principle activity in investment/trading of securities.
There should be an additional haircut of 15% if the principal activities of the company is trading/investing in securities.

1.2 Ineligibility**a) Winding up Proceedings**

Where a listed company is subject to winding –up proceedings under relevant provisions of the Companies Ordinance, 1984, it shall be ineligible, even if the same has not been placed on defaulter's segment by the Pakistan Stock Exchange upon initiation of winding-up proceedings.

b) Equity

A company with negative equity should be ineligible for the purpose of Margin Eligible securities.

c) Listing History

All new securities with listing history of less than six months shall not be eligible for Margin Eligible Securities.

1.3 Eligibility Review

a) Interim Review of Securities

Sub Regulations 1.1 (a), (b), (c), (d), (e) and sub Regulation 1.2 (a) and (b) of the criteria to be reviewed after each 45 days. Such review shall be carried out at the same frequency and simultaneously with the interim review carried out for MT eligible securities and SLB eligible securities. Any security which does not meet any of these criteria shall be excluded from the list after giving notice of at least 30 days to market participants.

a) Final Review for Securities

The list of Margin Eligible Securities will be reviewed in the first 15 days of January and July every year based on their data of immediate preceding 6 calendar months made available by Pakistan Stock Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MF eligible securities, MT eligible securities and SLB Eligible Securities. For any resulting change in the securities, the Company shall give at least 30 days prior notice to the Clearing Members before including or excluding any security from the list of Margin Eligible Securities.

1.4 Admissibility

All Margin Eligible Securities selected on the basis as per aforementioned criteria will be acceptable against margins for market segments provided under Schedule II of this Chapter.

1. Haircut percentage

The following haircuts will be applicable on the Margin Eligible Securities selected based on above criteria:

VaR based Margin Bucket	Haircut applicable on daily closing rate in the Ready Market
00.00% to < 12.50%	15.00%
12.50% to < 15.00%	17.50%
15.00% to < 20.00%	22.50%
20.00% to < 25.00%	27.50%
25.00% to < 30.00%	32.50%
30.00% to < 40.00%	42.50%
Greater than 40%	60.00%

* The Haircuts specified in sub Regulation 1.1 (b) and (f) of Schedule III shall be applied in addition to the Haircut rates specified in the above table.

**Haircut rates specified in the above table shall be increased by a factor 1.1 on the Margin Eligible Securities acceptable against margins for Ready Delivery Contract Market and Deliverable Futures Contracts Market segments provided under Schedule II of this Chapter. Such increased factor of Haircut rates shall remain applicable until review of Haircuts by the Company and its implementation with the prior approval of the Commission.

3. Acceptable Quantity

The following limits shall be applied for the maximum number of securities in any margin eligible security that may be deposited by a Clearing Member or SLB/MT Participants for collateral purposes:

	VAR BASED MARGIN PERCENTAGES	MAXIMUM NUMBER OF SHARES IN A SYMBOL THAT MAY BE DEPOSITED AS COLLATERAL
CLEARING MEMBER*	$VaR \leq 20\%$	2% of Free-Float
	$VaR > 20\%$	0.5% of Free-Float
SLB/MT Participants**	$0 < x < 20\%$	1% of Free Float
	$x > 20\%$	0.25% of Free Float

*A maximum limit per security, as a percentage of Free-Float, shall apply to all securities deposited as security i.e. margin held by the Company cannot exceed 50% of Free-Float of such scrip.

The Company will notify the market when 70%, 80% and 90% limits in security are reached.

** A maximum limit per Margin Eligible Security, as a percentage of free float, shall apply to all Margin Eligible Securities deposited as margin held by the Company i.e. margin held by the Company cannot exceed 25% of free float of such Margin Eligible Security.

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Schedule-IV

POSITION LIMITS

Position Limit	Leveraged Markets	Deliverable Futures Contracts (Cumulative position limits based on the total open interest in a security across all Derivatives contracts)	Cash Settled Futures Contract (Cumulative position limits based on the total open interest in a security across all derivatives contracts)	Stock Index Futures Contracts based on per product (KSE - 30/Each sector Index)	Index Option Market based on Contracts per underlying Index	Ready Market Contracts (Position limit will be based on the volume in a security)
Market wide	As per Following	40% of Free-Float for each security	40% of Free-Float for each security	Not Applicable	Not Applicable	100% of Free-Float
Broker wide (Broker's position includes its clients' positions)		10% of the above mentioned market wide position limit for each security.	10% of the above mentioned market wide position limit for each security.	10% of the total open interest or 10,000 contracts (whichever is higher)	10% of the total open interest or 10,000 contracts (whichever is higher)	No limit
Client wide (this limit is also applicable to the Broker's proprietary position)		5% of the above mentioned market wide position limit for each security for a Broker Clearing Member's individual clients. For financial institutions and mutual funds clients trading at the Pakistan Stock Exchange Limited, each such institution will have a limit of 5% of the market wide position limit mentioned above. (Client position will be universal and determined on UIN basis)	5% of the above mentioned market wide position limit for each security for a Broker Clearing Member's individual clients. For financial institutions and mutual funds clients trading at the Pakistan Stock Exchange Limited, each such institution will have a limit of 5% of the market wide position limit mentioned above. (Client position will be universal and determined on UIN basis)	1% of the total open interest or 1,000 contracts (whichever is higher)	1% of the total open interest or 1,000 contracts (whichever is higher)	No limit

Leveraged Markets (SLB and MFS)

Position Limit	SLB Participants shall not exceed	MFS- Margin Finanee shall not exceed the following
Market wide position limit	20% of free-float for each SLB Eligible Security	40% of free-float for each security
SLB Participant/Margin Finanee wide position limit	2% of free-float of the SLB Eligible Security	4% of the free-float for each security
Client wide position limit	0.5% of free-float of the SLB Eligible Security. Client position will be universal and determined on UIN basis.	2% of the free-float for each security. Client position will be universal and determined on UIN basis.

Each SLB Participant's Position in a SLB Eligible Security at any point in time shall comprise of all outstanding SLB (R) Transactions.

Each Margin Financier's Position in MF Eligible Security at any point in time shall comprise of all outstanding MF (R) Transactions.

Leveraged Market -MTS

	Finanee having NCB Rs. 10.0 million and above	Finanee having NCB over Rs. 7.0 million, less than Rs. 10.0 million	Finanee having NCB over Rs. 4.0 million, less than Rs. 7.0 million
Market wide position limit:	20% of free-float for each MT Eligible Security subject to maximum of Rs. 10 billion.	20% of free-float for each MT Eligible Security subject to maximum of Rs. 10 billion.	20% of free-float for each MT Eligible Security subject to maximum of Rs. 10 billion.
Finanee wide position limit:	2% of free-float of the MT Eligible Security subject to maximum of Rs. 1 billion.	1.34% of free-float of the MT Eligible Security subject to maximum of Rs. 670 million.	0.66% of free-float of the MT Eligible Security subject to maximum of Rs. 330 million.
Client wide position limit:	0.5% of free-float of the MT Eligible Security. Client position will be universal and determined on UIN basis subject to maximum of Rs.250 million for each MT Eligible Security. Provided that overall financing availed in all MT Eligible Securities shall not exceed Rs.1.00 billion.	0.335% of free-float of the MT Eligible Security. Client position will be universal and determined on UIN basis subject to maximum of Rs. 167.5 million for each MT Eligible Security. Provided that overall financing availed in all MT Eligible Securities shall not exceed Rs.670 million.	0.25% of free-float of the MT Eligible Security. Client position will be universal and determined on UIN basis subject to maximum of Rs. 82.5 million for each MT Eligible Security. Provided that overall financing availed in all MT Eligible Securities shall not exceed Rs.330 million.
Finanee Capital Adequacy:	5 times the net capital balance of Finanee or Rs.5 billion whichever is lower.	3.35 times the net capital balance of Finanee or Rs. 3.35 billion whichever is lower.	1.65 times the net capital balance of Finanee or Rs. 1.65 billion whichever is lower.

Each Finanee's Position in a MT Eligible Security at any point in time shall comprise of all outstanding MT (R) Transactions.

Schedule -V

**PENALTY SCHEDULE OF NON-COMPLIANCE OF NET CAPITAL BALANCE
SUBMISSION**

NO. OF CALENDAR DAYS UNDER NON- COMPLIANCE	PENALTY IMPOSED (RS. PER DAY)	REDUCTION IN NET CAPITAL BALANCE
From Day 1 to Day 15	2,000	10%
From Day 16 to Day 30	3,000	20%
From Day 31 to Day 45	4,000	40%
From Day 46 to Day 50	5,000	80%
From Day 51 onward	5,000	100%

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Schedule-VI
CONCENTRATION MARGINS DEPOSITS

		CONCENTRATION MARGIN SLABS			
%AGE OF DFC/CSF POSITION TO TOTAL DFC/CSF POSITION		AND	%AGE OF DFC/CSF POSITION TO FREE-FLOAT OF SCRIP	Concentration Margins	
MARKET-WIDE SECURITY CONCENTRATION SLABS AND RATES					
Greater than	2	"	Greater than	5.00	1.00
Greater than	6	"	Greater than	7.50	2.00
Greater than	8	"	Greater than	10.00	3.00
Greater than	10	"	Greater than	15.00	4.00
Greater than	12	"	Greater than	25.00	5.00
Greater than	14	"	Greater than	35.00	6.00
BROKER-WIDE SECURITY CONCENTRATION SLABS AND RATES					
Greater than	5	"	Greater than	1.00	1.00
Greater than	10	"	Greater than	1.50	2.00
Greater than	20	"	Greater than	2.00	3.00
Greater than	30	"	Greater than	2.50	4.00
Greater than	40	"	Greater than	3.00	5.00
Greater than	60	"	Greater than	3.50	6.00
UIN-WIDE SECURITY CONCENTRATION SLABS AND RATES					
Greater than	1	"	Greater than	0.50	0.50
Greater than	2	"	Greater than	0.75	1.00
Greater than	4	"	Greater than	1.00	1.50
Greater than	8	"	Greater than	1.25	2.50
Greater than	16	"	Greater than	1.50	3.50

Note: All three tier Concentration Margins in DFC and CSF will be applied on 'AND' basis and shall be applicable on the basis of average of the margins corresponding to the two applicable slabs.

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Schedule VI (continued)

CONCENTRATION MARGIN SLABS in MTS AND SLB MARKET					
%AGE OF MTS/SLB		AND	%AGE OF MTS/SLB POSITION TO FREEFLOAT OF SCRP		CONCENTRATION MARGINS
MARKET WIDE SECURITY CONCENTRATION MARGIN SLABS AND RATES					
Greater than	2	“	Greater than	2.9	1.61
Greater than	6	“	Greater than	4.3	3.23
Greater than	8	“	Greater than	5.7	4.84
Greater than	10	“	Greater than	8.6	6.45
Greater than	12	“	Greater than	14.3	8.06
Greater than	14	“	Greater than	20	9.68
CLEARING MEMBER WIDE SECURITY CONCENTRATION MARGIN SLABS AND RATES					
Greater than	5	“	Greater than	0.6	1.61
Greater than	10	“	Greater than	0.9	3.23
Greater than	20	“	Greater than	1.1	4.84
Greater than	30	“	Greater than	1.4	6.45
Greater than	40	“	Greater than	1.7	8.06
Greater than	60	“	Greater than	2.0	9.68
UIN WIDE SECURITY CONCENTRATION MARGIN SLABS AND RATES					
Greater than	1	“	Greater than	0.17	0.81
Greater than	2	“	Greater than	0.25	1.61
Greater than	4	“	Greater than	0.33	2.42
Greater than	8	“	Greater than	0.42	4.03
Greater than	16	“	Greater than	0.50	5.65

Note: All three tier Concentration Margins will be applied on ‘AND’ basis and shall be applicable on the basis of average of the margins corresponding to the two applicable slabs.

Schedule-VII

MARKET LIQUIDITY MARGINS
DEPOSITS

EXPOSURE VALUE AS PER NEW REGIME		LIQUIDITY MARGINS %
From	To	
0	Rs. 50 million	No
Above Rs. 50 million	Rs.100 million	0.50%
Above Rs. 100 million	Rs. 150 million	1.00%
Above Rs.150 million	Rs. 200 million	1.50%
Above Rs. 200 million	Rs. 250 million	2.00%
Above Rs. 250 million	Rs. 300 million	2.75%
Above Rs. 300 million	Rs. 350 million	4.00%
Above Rs. 350 million	Rs. 400 million	5.50%
Above Rs. 400 million	Rs. 450 million	7.25%
Above Rs.450 million		9.25%

Note: The Liquidity Margin Deposits as calculated above will be charged to proprietary account of the Broker Clearing Member concerned.

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Schedule-VIII

[On non-judicial stamp paper as required under CDC Standardized Account Opening Form for individuals]

[For individual Sub-Account Holder]

SPECIFIC AUTHORIZATION PURSUANT TO CLAUSE (G) OF THE STANDARDIZED SUB-ACCOUNT OPENING FORM FOR PLEDGING OF BOOK-ENTRY SECURITIES

This Authorization is executed at Karachi, this ____ day of _____, _____ and shall be valid up to _____.

Pursuant to Clause (G) of the Standardized Sub-Account Opening Form, I/we the undersigned, maintaining Sub-Account No. [insert Sub-Account No.] under CDS Participant Account of [insert name of the Participant] having ID No. [insert Participant ID] hereby give my/our specific authority to the Participant under Section 12 of the Central Depositories Act, 1997 to pledge my/our Securities represented by Book-entry Securities entered in my/our aforesaid Sub-Account as detailed below only in favour of National Clearing Company of Pakistan Limited (NCCPL) FOR THE SPECIFIC PURPOSE OF PROVIDING MARGINS AGAINST OTHER PERSON OR PERSONS' TRADING EXPOSURE AND MARK-TO-MARKET LOSSES THROUGH ABOVE SAID PARTICIPANT AS A Clearing Member through the Central Depository System to the extent of this transaction only. The NCCPL shall have the full authority to liquidate these Book-entry Securities kept as margin in any manner at its discretion in the event of non-fulfillment of financial obligations by that person(s) or his/their Clearing Member in accordance with the Regulations of NCCPL:

Details of Book-entry Securities			
S. #	Name of Securities	Volume	Time Duration, if any, as specified by the Pledgor
1.			

2.

3.

IN WITNESS WHEREOF I/we have executed this Authorization on the date first above written in the presence of witnesses named below.

EXECUTED BY THE SUB-ACCOUNT HOLDER(S)

Name & Signature of Sub-Account Holder: _____(CNIC Number)

Name & Signature of Joint Account Holder 1: _____(CNIC Number)

Name & Signature of Joint Account Holder 2: _____(CNIC Number)

Name & Signature of Joint Account Holder 3: _____(CNIC Number)

In the presence of :

WITNESSES:

1. _____ 2. _____

Name: _____ Name: _____

Address: _____ Address: _____

CNIC #: _____ CNIC#: _____

Note:

1. Use of this Authorization in piecemeal is strictly prohibited.
2. This Authorization shall be signed as per the operating instruction of the Sub-Account in Participant's records.
3. This Authorization shall be duly verified by the Company Secretary of the Clearing Member.

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**CHAPTER 12A: RISK MANAGEMENT SYSTEM OF THE COMPANY FOR
NON-BROKER CLEARING MEMBERS**

Deleted

**CHAPTER 12B: RISK MANAGEMENT SYSTEM OF THE COMPANY FOR
DEBT MARKET CLEARING MEMBERS**

Deleted

**CHAPTER 12C: RISK MANAGEMENT SYSTEM OF CUSTODIAN CLEARING
MEMBER**

Deleted

CHAPTER 13: MONEY DEFAULT MANAGEMENT (OTHER THAN TRADE-FOR-TRADE SETTLEMENT)

13.1 Failure of Settlement of Money Obligation, Margin/MtM Losses by Clearing Member

- 13.1.1 A Clearing Member shall be deemed to have “failed to settle his money obligations” upon receipt of confirmation by the Company by the Designated Time from the Designated Branch of its Settling Bank as to non or short collection as compared to the details set out in the Settlement Statements provided by the Company to such Clearing Member and to the Designated Branch on each Settlement Date.

Furthermore, a Clearing Member shall be considered to have “failed to settle his money obligations” on the occurrence of a failure by such Clearing Member to fulfill its Margin requirements and MtM Losses within the period prescribed in Chapter 12 of these Regulations and/or its failure to pay the contributions payable by it towards the SGF as specified in Chapter 29 (SETTLEMENT GUARANTEE FUND) of these Regulations within the period stipulated in the Designated Time Schedule.

- 13.1.2 Where a Clearing Member fails to settle his money obligations within the Designated Time, the Company shall issue a notice to such Clearing Member, the Pakistan Stock Exchange Limited and the CDC. Such notice shall contain the details of the unpaid amount. The Clearing Member shall be required to pay the unpaid amount mentioned in the notice within thirty (30) minutes of the receipt of the notice.

On the occurrence of a failure by a Custodian Clearing Member to meet its money obligation, within the Designated Time, for its affirmed IDS transaction(s), the Company shall revert such money obligation to the concerned counter initiating Broker Clearing Member(s) for its settlement. Accordingly, the Company shall issue a notice to such Broker Clearing Member along with the details of the outstanding money obligation and shall require such Broker Clearing Member to pay such amount within the time specified in DTS.

- 13.1.3 Where a Clearing Member fails to pay the amount specified in the notice referred to in Regulation 13.1.2 within the deadline for its payment, the Company may in accordance with the requirements of Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) of these Regulations, suspend or restrict access of such Clearing Member (hereinafter in this Chapter referred to as the “Suspended Clearing Member”) to any or all of the services provided by the Company. Where the Company has allocated any additional IDs to a Clearing Member pursuant to Regulation 4.3.1A and the Company has taken action against such Clearing Member under the preceding sentence of this Regulation in respect of the notice served on him under Regulation 13.1.2 with regard to his money obligations under all of his IDs, the Company shall suspend or restrict such Clearing Member’s access to any or all of the services provided by the Company to the Clearing Member under both his IDs. The Company shall deliver suspension or restriction notice to (i) the Suspended Clearing Member, (ii) Pakistan Stock Exchange, (iii) all Clearing Members and (iv) CDC.

Upon receipt of such notice, the Pakistan Stock Exchange Limited and CDC shall take necessary actions against such Clearing Member in accordance with their regulations.

Notwithstanding the above, in case where such suspended Clearing Member is also a MT Participant, necessary actions shall also be taken against such Clearing Member in accordance with the Chapter 7C and Chapter 12 of these Regulations.

13.2 Actions in the Event of Suspension or Restriction of the Suspended Clearing Member’s access to services offered by the Company

- 13.2.1 On the determination by the Company of the net money obligations of a Suspended Clearing Member on the basis of the notice served by the Company under Regulation 13.1.2 on the Suspended Clearing Member and any amount received by the Company from the Suspended Clearing Member pursuant to such notice, the Company shall endeavor to satisfy such obligations in the following order as soon as practicably possible from the following sources:
- (a) Firstly from the total amount of the Security Deposit and/or Basic Deposit of the Suspended Clearing Member deposited with the Company. Provided that Basic Deposit of Clearing Member deposited with the Company shall be utilized to satisfy the obligation of Suspended Clearing Member in the relevant Market(s). Where the Security Deposit/Basic Deposit has been invested in any securities in accordance with the terms of these Regulations, the said funds may be arranged by the Company from any bank or financial institution by using such security wherein such Security Deposit/Basic Deposit are invested. The cost of any such borrowing shall be paid by the Company.
 - (b) Secondly from the funds realized by using cash and/or cash equivalent deposited by such Clearing Member as collateral to the Company.
 - (c) Thirdly from amounts received under any insurance policy obtained, where applicable/available, to satisfy shortfall in meeting the settlement obligation on account of default by a Clearing Member subject to its availability.
 - (d) Fourthly, amount if made available by the bank against Balance Orders retrieved Securities, and Margin Eligible Securities of a Suspended Clearing Member and/or against SGF.
 - (e) Lastly, amount utilized from the SGF in accordance with Chapter 29 (SETTLEMENT GUARANTEE FUND) of these Regulations provided that utilization of the SGF shall only be

limited to settlement of Exchange trades and Non-Exchange Transactions fulfilling the conditions prescribed under the term defined as “Acceptance for Guaranteed Settlement” in these Regulations. However, funds utilized from SGF shall be replenished in accordance with clause 29.6 of Chapter 29 (SETTLEMENT GUARANTEE FUND) of these Regulations.

In case the sources mentioned above, to the extent available, are not sufficient to satisfy the money obligation of the suspended Clearing Member, the Company shall retain the proportionate amounts of credits due to the Clearing Members on that Settlement Date in accordance with Regulation 13.2.2.

- 13.2.2 Notwithstanding Regulation 13.2.1, the Company on a particular Settlement Date, may provide the Settling Bank(s) with revised settlement statements (credits) after retaining proportionate amounts in accordance with the credits due to the relevant Clearing Members on that Settlement Date in the following manner:
1. In case such Suspended Clearing Member failed to satisfy his net money obligation pertaining to other Markets (excluding Debt market), the Company shall hold proportionate amounts in accordance with the credits due to all those Clearing Members, excluding Custodian Clearing Members, to whom credits shall be due on that Settlement Date in respect of other markets; and
 2. In case such Suspended Clearing Member failed to satisfy his net money obligation in All Markets, the Company shall hold proportionate amounts in accordance with the credits due to all those Clearing Members including Debt Market Clearing Members excluding Custodian Clearing Members, to whom credits shall be due on that Settlement Date.
 3. In case such Clearing Member failed to satisfy his money obligation pertaining to MTS Contracts, the Company shall hold credits due to other Clearing Members who are MT Participant to whom credits shall be due on that Settlement Date in accordance with the Chapter 7C of NCCPL Regulations.

Provided that where any funds are subsequently realised by the Company and/or become available to the Company under Regulation 13.2.1, such funds shall be disbursed on pro-rata basis to all those Clearing Members from whom any proportionate amounts were withheld as above stated.

- 13.2.3 Clearing Members shall have no claims whatsoever against the Company for withholding proportionate amounts or delaying release of payments (credits) to them.
- 13.2.4 Notwithstanding the above provisions of Regulation 13.2.2, the right of the Company to hold back proportionate amounts or delay the release of payments (credits) to any Clearing Members shall not affect the Company's right to seek contributions to the SGF from such Clearing members in accordance with this Chapter and Chapter 29 of these Regulations.

- 13.2.5 The Company shall refer the case to the NCC Default Management Committee. The Default Management Committee, shall initiate and/or cause to initiate squaring-up/ closing-out process on the Suspended Clearing Member's unsettled Balance Orders, Positions and other Margin Eligible Securities held by the Company and any other outstanding positions communicated by the Pakistan Stock Exchange Limited. The Pakistan Stock Exchange Limited shall provide all data and information relating to the unsettled and open positions of the relevant Clearing Member in All Markets, trades, contracts and transactions to the NCC Default Management Committee in case such information is not available with the Company. The squaring-up/closing-out shall be undertaken by the NCC Default Management Committee in the manner specified below and in accordance with these Regulations and Procedures:
- (a) Upon suspension of a Clearing Member due to his failure to meet the money obligations either on his proprietary account or on account of his clients, the collaterals held by the Company shall be dealt with in the following manner:
 - (i) The collaterals in the form of Margin Eligible Securities and/or Cash/Bank Guarantee deposited by the Clearing Member and/or pledged book-entry securities under these Regulations shall be retained by the Company against all trades executed through such Clearing Member and held by the Company with respect to each of the markets and shall be subject to and applied exclusively in accordance with these Regulations. These margins shall remain available to the Company till the satisfaction of all money and/or delivery obligation and/or any other obligation ascertained after squaring-up and/or closing out of the Clearing Member's positions (including proprietary position and/or clients' positions) as provided in these Regulations. In such case of liquidation of collaterals as margins such Clearing Member or sub-account holders who have provided authority under these Regulations, as the case may be, shall have no claims whatsoever against the Company. Provided the collaterals of the defaulting Clearing Member shall be utilized.
 - (ii) The collaterals derived by the Company from the respective sub-accounts of clients of a Clearing Member shall be retained and utilized by the Company to the extent of margin requirement against their trades/transactions and relevant Mark-to-Market losses on UIN basis, whereby such collaterals will remain available to the Company till the satisfaction of all money and/or charges related to the trading of such client, ascertained after squaring-up and/or closing out of the concerned Clearing Member's position. In such case of liquidation of collaterals as margin on UIN basis, such clients shall have no claims whatsoever against the Company. No collateral shall be so utilized in excess of the margin requirements against the trades/transactions of that client and the respective Mark-to-Market losses.
 - (c) For the purpose of delivering Margin Eligible Securities squared-up or sold out by the Default Management Committee, the Company shall be authorized to execute pledge call on Margin Eligible Securities pledged by the suspended Clearing Member in accordance with CDC Regulations dealing with pledge transactions.
 - (d) While disposing of the unsettled Balance Order, collaterals, in the form of Margin Eligible Securities, cash and/or bank guarantee, of clients of a Clearing Member kept as margin, the Company shall have the absolute discretion to liquidate such collaterals/unsettled Balance Order in preference to others to meet the obligations of Company.

The amount realized shall be applied towards Settlement Guarantee Fund in repayment of the outstanding amount of that fund utilized under Chapter 29 (SETTLEMENT GUARANTEE FUND) of these Regulations.

- 13.2.6 The Final loss of the Suspended Clearing Member shall be determined after utilizing of and application of the funds realized by the Company through squaring-up / closing-out of the Suspended Clearing Member's unsettled Balance Orders and Positions and liquidation and encashment of margins, as above stated.

However, in case where Suspended Clearing Member is also a Trading Financier, the settlement obligation pertaining to the MT Market and MT Financed Securities held in Blocked Status of such suspended Trading Financier shall be dealt in accordance with the Regulation 7C.6.14-1 and Chapter 12 of these Regulations. In case where such Suspended Clearing Member is also a Finantee in MT Market, the settlement obligation pertaining to the MT Market shall be dealt in accordance with the Regulation 7C.6.14-21 and Chapter 12 of these Regulations.

Whereas, in case such Suspended Clearing Member is also a MF Participant in MF Market, the settlement obligation pertaining to the MF Market shall be dealt in accordance with the Regulation 7B.10 and Chapter 12 of these Regulations.

The relevant provisions of the Procedures dealing with squaring-up / closing-out process are contained in Chapter 4 of the Procedures.

Upon determination of a Suspended Clearing Member's final loss, a loss notice demanding payment during the banking hours on the next Business Day shall be served on the Suspended Clearing Member, by the Company in accordance with these regulations. Copies of the loss notice shall be sent to the Pakistan Stock Exchange Limited and the CDC. On non-compliance of any such notice, the Company shall declare such Clearing Member as a defaulter (hereinafter in this Chapter referred to as the "Defaulter Clearing Member") and the Company shall terminate the Defaulter Clearing Member's admission to NCC Systems and his access to the services offered by the Company. The Company shall serve a notice declaring the Clearing Member as a defaulter to the Defaulter Clearing Member, the Pakistan Stock Exchange, all Clearing Members, CDC and the Commission.

- 13.2.7 The Pakistan Stock Exchange Limited upon receiving a notice from the Company under Regulation 13.2.6 declaring a Clearing Member as a Defaulter shall also declare such Clearing Member who is a TRE Certificate Holder, as a defaulter under its relevant regulations in all markets. Moreover, the CDC shall suspend and/or restrict such defaulter Clearing Member's access to its accounts in the CDS. Additionally, in case a defaulter Clearing Member is also a MF Participant and/or MT Participant, the default of such defaulter Clearing Member shall also be dealt in accordance with the Chapter 7B, 7C and 12 of these Regulations.
- 13.2.8 Once the Company declares a Broker Clearing Member as a defaulter, the Pakistan Stock Exchange Limited, shall liquidate all assets of the defaulting Broker Clearing Member under its control as per the manner prescribed in the relevant regulations of the Pakistan Stock Exchange Limited. The proceeds recovered shall be made available to the Company by the Pakistan Stock Exchange in accordance with its relevant regulations to meet any shortfall in the replenishment of the SGF.
- 13.2.9 After the Company's declaration of a Non-Broker Clearing Member as a Defaulter, all the assets of such defaulting Non-Broker Clearing Member under the control of the Company shall be liquidated by the Company and the proceeds shall be made available to meet any shortfall in the replenishment of SGF.

The Company shall not be liable towards a Clearing Member or any of its client in the event that it takes any action as prescribed under Clause 13.2 of this Chapter which is taken as a result of a Clearing Member's failure to settle its money obligations, Margin and MtM Losses, including but not limited to, actions taken by the Company to satisfy a Clearing Member's net money obligations. For the avoidance of doubt, no suit or claim shall lie against the Company in this regard.

13.3 The Company shall not be liable towards a Clearing Member or any of its client in the event that it takes any action as prescribed under Clause 13.2 of this Chapter which is taken as a result of a Clearing Member's failure to settle its money obligations, Margin and MtM Losses, including but not limited to, actions taken by the Company to satisfy a Clearing Member's net money obligations. For the avoidance of doubt, no suit or claim shall lie against the Company in this regard.

13.4 Miscellaneous

13.4.1 Any costs or charges incurred by the Company in arranging funds for inter Settling Banks movements due to delay in payment by a Clearing Member and the delayed payment charges/non payment charges referred to in Regulation 13.4.4 shall be charged to such Clearing Member.

13.4.2 The Company shall make every possible effort to release funds to Clearing Members having credit balances on the same Settlement Date on which a default occurred but delays in release of payments (credits) to Clearing Members may nevertheless occur as envisaged in Regulation 13.2.3 above. Such Clearing Members shall have no claim whatsoever against the Company for delay in release of or holding back of payments (credits) due to them.

13.4.3 Due to net squaring-up / closing out of a Suspended Clearing Member's unsettled Balance Order and Positions, deliveries to receiving Clearing Members may be delayed. Such Clearing Members shall have no claim whatsoever against the Company for delay in deliveries to them.

13.4.4 Without prejudice to or in any manner limiting the obligations of a Clearing Member as set out in these Regulations and/or the Procedures arising from his failure to make payment, within the deadline for its payment, of the amount set out in the notice issued to the Clearing Member under Regulation 13.1.2, the Clearing Member shall pay to the Company (in addition to the amount set out in the said notice and other amounts payable under these Regulations and/or the Procedures) delayed payment charges / non-payment charges calculated at the rate of 0.50% of the amount not paid, subject to a minimum of Rs. 2,500/- (Rupees Two thousand and five hundred only).

13.4.5 Default Management Committee

1. The Default Management Committee shall comprise the following members:

- (a) Chairman and / or a person nominated by the Board of Directors of the stock exchange(s), whose TRE Certificate Holder has defaulted;
- (b) Managing Director of the stock exchange(s), whose TRE Certificate Holder has defaulted;

- (c) Chairman and / or a person nominated by the Board of Directors of the Company;
 - (d) Chief Executive Officer of the Company;
 - (e) Chairman and / or a person nominated by the Board of Directors of the Pakistan Banks' Association;
 - (f) Chairman and / or a person nominated by the Board of Directors of the Mutual Funds Association of Pakistan;
2. The Chairman of the Committee shall be selected by majority of the members.
 3. The Chief Executive Officer of the Company shall act as the secretary of the Default Management Committee.
 4. Three members of the Default Management Committee will constitute the quorum for a meeting of the Default Management Committee.
 5. The Default Management Committee shall meet as often as necessary. The meetings of the Default Management Committee shall be convened by a notice in writing issued by the secretary of the Default Management Committee.
 6. All decisions and recommendations of the Default Management Committee shall be expressed by way of a resolution passed by a majority of the members of the Default Management Committee present and voting at the meeting.
 7. The resolutions passed by the Default Management Committee shall be valid notwithstanding any defect in the appointment of any of its members or existence of any vacancy in its membership.
- Provided that all members of the aforementioned Committee who have any conflict of interest, whatsoever, shall explicitly disclose, such conflict of interest, to the Committee during the course of the said Committee meeting (s), which shall also be documented in the minutes of the meeting.
8. Such person having conflict of interest in any matter, shall not vote in respect of such matter, nor shall be accounted for in the quorum of the meeting.

CHAPTER 14: POWER TO IMPOSE DISCIPLINARY CHARGES ETC.**14.1 Imposition of disciplinary charges and other actions**

14.1.1 If the Company receives information in respect of a NCC Participant which in the reasonable opinion of the Chief Executive Officer discloses any contravention of any provisions of these Regulations and/or the Procedures by the NCC Participant or errors, delays or other conduct of the NCC Participant embarrassing or adversely affecting the operations of NCC Systems, the Chief Executive Officer may by order in writing:

- (a) ensure the NCC Participant;
- (b) impose a disciplinary charge, not exceeding an amount as fixed by the Board, on the NCC Participant;
- (c) if because of the contravention, the Company has suffered loss or damage (other than any loss or damage specifically mentioned in any specific provisions of these Regulations and/or the Procedures and to be recovered in accordance with such provisions), to pay to the Company such loss or damage;
- (d) if because of the contravention, any other NCC Participant has suffered loss or damage (other than any loss or damage specifically mentioned in any specific provisions of these Regulations and/or the Procedures and to be recovered in accordance with such provisions), to pay to such other NCC Participant an amount not exceeding the amount of that loss or damage.

14.2 Imposition of disciplinary charges by Chief Executive Officer

14.2.1 Notwithstanding Regulation 14.1.1, the Chief Executive Officer shall be authorised, by order in writing, to impose any disciplinary charges on any NCC Participant which the Company is authorised to impose under any other provisions of these Regulations and/or the Procedures.

14.3 Notice to NCC Participant before taking action

14.3.1 Before passing an order under Regulation 14.1 or 14.2 of this Chapter, the Chief Executive Officer shall:

- (a) give Notice to such NCC Participant of the charges against the NCC Participant and calling upon the NCC Participant to show cause on or before a date specified therein as to why any action under Regulation 14.1.1 or Regulation 14.2.1 shall not be taken by the Chief Executive Officer; and
- (b) give the NCC Participant an opportunity of being heard and of placing before the Chief Executive Officer facts and material in support of his contention.

14.4 Right of Hearing

14.4.1 Any NCC Participant aggrieved by any order made by the Chief Executive Officer under Regulations 14.1.1 and 14.2.1 may request for a hearing under Chapter 23 (HEARING AND APPEAL PROCEDURES). A request for a hearing must be in writing and filed within seven (07) Business Days after receipt from the Company of the order of the Chief Executive Officer under Regulations 14.1.1 and 14.2.1.

CHAPTER 15: WHEN THE COMPANY RESTRICTS, SUSPENDS OR TERMINATES ITS SERVICES TO A NCC PARTICIPANT

15.1 Notice to NCC Participant when the Company ceases to act for him

15.1.1 When the Company takes any action in respect of a NCC Participant pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY), it shall provide to that NCC Participant with a Notice to this effect and general Notice to all NCC Participants, the Pakistan Stock Exchange, Commission and CDC of the action taken by the Company. Such Notice shall also be placed on the Company's website preferably on the same day on which the action is taken. In addition to the above, the Company shall also provide above referred notice to the Eligible UIN Holders who have subscribed for UIN Information Systems in accordance with Regulation 9.12.

In addition to the above, the Company shall also provide above referred notice to the Eligible UIN Holders who have subscribed for UIN Information Systems in accordance with Regulation 9.12.

15.1.1(a) Notice shall also be sent to the Commission in case the NCC Participant is terminated due to default.

15.1.2 Any Notice required to be given to a NCC Participant pursuant to Regulation 15.1.1 shall state therein, or in a subsequent Notice, any consequent steps to be taken and as to how pending Exchange trades and Non-Exchange transactions shall be effected.

15.1.3 When the Company has taken any action in respect of a NCC Participant, as aforesaid, the NCC Participant may be permitted restricted access to the NCC Systems within the limitations prescribed by the Company to the intent that the liability of the NCC Participant is reduced. Any further Exchange trades and/or Non-Exchange transactions of the NCC Participant Transmitted to the Company or recorded with the Company during such restricted access to NCC Systems and which have the effect of increasing the liability of the NCC Participant may be ignored and excluded from all operations of the Company.

15.1.4 Any Exchange trades so excluded shall be settled by Pakistan Stock Exchange in appropriate manner deemed necessary by Pakistan Stock Exchange and not through the Company.

15.1.5 All Balance Order Transactions not excluded pursuant to Regulation 15.1.3 shall be handled as provided for in these Regulations and/or Procedures.

15.2 Balance Order Securities deliverable to Clearing Member in respect of whom the Company has taken action.

15.2.1 Except as otherwise may be determined by the Company in any particular case, Balance Order Securities deliverable to the Clearing Member in respect of whom the Company has taken any action pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) shall be retrieved by NCSS and the Company shall cause sell-out of such Securities in accordance with the Procedures. The Balance Order Securities deliverable by such a Clearing Member shall be caused to be bought-in by the Company in accordance with the Procedures and delivered to the Clearing Member to whom such Securities are to be delivered. If any profit or loss, as the case may be, accrues to the Company as a result of the purchases or sales effected as above stated under the Balance Order Settlement System, such profit or loss shall be credited or debited to the Clearing Member's Money Account, provided that payment of profit shall be subject to the approval of Pakistan Stock Exchange.

15.3 Rights of the Company

- 15.3.1 After the Company has taken any action against a NCC Participant pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) either in respect to a particular transaction or transactions generally, the Company shall nevertheless have the same rights and remedies in respect to any Debit Balance due from such NCC Participant or any liability incurred on his behalf as though it had not taken any such action against the said NCC Participant.
- 15.3.2 As security for any and all liabilities existing or arising at any time of a NCC Participant to the Company, the Company shall have a lien on:
- (a) the Security Deposit and/or Basic Deposit of the NCC Participant;
 - (b) all cash received by the Company for delivery to such NCC Participant; and
 - (c) any Securities which are retrieved by the Company in terms of these Regulations and/or the Procedures.

CHAPTER 16: SUSPENSION OF REGULATIONS / PROCEDURES**16.1 — Waiver or suspension by the Board**

~~16.1.1 — The time fixed by the Procedures for the doing of any act or acts may be extended or the doing of any act or acts required under the Procedures by the Company may be waived or the Procedures may be suspended by the Board, whenever, in its judgment, such extension, waiver or suspension is necessary or expedient. However, the time fixed by these Regulations for the doing of any act or acts under the Regulations may be extended or any provision of these Regulations may be waived by the Board only with the prior approval of the Commission.~~

~~16.1.2 — A written Report of any such extension, waiver or suspension (other than an extension of time of less than eight hours), stating the pertinent facts, the identity of the person or persons who authorized such extension, waiver or suspension and the reason such extension, waiver or suspension was deemed necessary or expedient, shall be promptly made and filed with the Company's records and shall be available for inspection by any NCC Participant during regular business hours on a Business Days. Any such extension or waiver may continue in effect after the event or events giving rise thereto but shall not continue in effect for more than 60 calendar days, unless the Board may, in a meeting or meetings, grant further extension or extensions or waiver or waivers.~~

CHAPTER 17: CHARGES FOR SERVICES RENDERED**17.1 Fees and charges**

- 17.1.1 The Company shall recover and the NCC Participants shall pay such fees and charges to the Company as shall be specified in the Fees, Charges and Security Deposit Schedule, subject to the Procedures.

CHAPTER 18: RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY

18.1 Restriction, suspension or termination of access to services

- 18.1.1 The Company may restrict, suspend or terminate a NCC Participant with respect to access to services offered by the Company in the event that:
- (a) Being a stockbroker, his registration is cancelled by the Commission or his request for renewal of registration is refused by the Commission. In such case of cancellation or refusal for renewal of broker registration, the Company shall also restrict mapping of his proprietary UIN with any other Broker Clearing Member of the Pakistan Stock Exchange for execution of trades;
 - (b) being a TRE Certificate Holder of Pakistan Stock Exchange, he is suspended or ceases to be a TRE Certificate Holder of Pakistan Stock Exchange, due to any reason including non-submission of the broker registration certificate after the expiry of its registration or non-submission of capital adequacy certificate with the Pakistan Stock Exchange, or its failure to apply to Pakistan Stock Exchange for renewal till the date of expiry of its registration. The Company shall also restrict mapping of his proprietary UIN with any other Broker Clearing Member of the Pakistan Stock Exchange for execution of trades; the Company shall not (except if any other paragraphs of this Regulation applies to such NCC Participant restrict, suspend or terminate his access to the services offered by the Company in respect of his Exchange trades and Non-Exchange Transactions on NCC Systems);
 - (c) the NCC Participant has ceased to be a NCC Participant or an Account Holder of Central Depository or he is suspended by the Central Depository, or any such Restrictions are imposed on him by the Central Depository which make it impossible for him to act as a NCC Participant under these Regulations and/or the Procedures. The term “Restrictions” as used above in this Regulation shall have the same meaning as set out in the CDC Regulations making it impossible for the NCC Participant to move Securities from his account with CDC or from any other account with CDC which is controlled by the NCC Participant and/or restrict CDS account of NCC Participant in non-compliance of CDC Regulations governing asset under custody;
 - (d) such NCC Participant is in money default in terms of Chapter 13 (MONEY DEFAULT MANAGEMENT);
 - (e) such NCC Participant is in such financial or operating difficulty, that the Company determined, in its discretion, that such action is necessary for the protection of the Company, NCC Participant s , and/or investors;
 - (f) the Company has reasonable grounds to believe that such NCC Participant is subject to a legal disability by virtue of which it cannot act as a Clearing Member;
 - (g) the Company determines that such NCC Participant does not meet the applicable qualifications for membership set forth in Chapter 5 and Chapter (APPLICATION FOR ADMISSION AND ADMISSION CRITERIA);
 - (h) the NCC Participant has given a Notice to the Company under Regulation 19.1.1 or the Company treats the NCC Participant as an insolvent under Regulation 19.2.1;

- (i) the NCC Participant has given a 07 (seven) days Notice to the Company of his intention to terminate his business with the Company; or
- (j) the NCC Participant, in case of a TRE Certificate Holder of Pakistan Stock Exchange, has voluntarily switched-off his trading terminal. Further, in such case the Company shall also restrict mapping of his proprietary UIN with any other Broker Clearing Member of Pakistan Stock Exchange for execution of trades; or
- (k) being a TRE Certificate Holder of Pakistan Stock Exchange, his trading terminals are restricted for closing-out the open outstanding positions by the Pakistan Stock Exchange in accordance with its relevant rules and regulations. In addition to any other actions, the Company shall also restrict all Non Exchange Transactions, in case the settlement obligation of such member may increase, and UIN Registration facility of such NCC Participant.
- (l) In any other circumstances in which, in the discretion of the Company, adequate cause exists to do so.

The actions specified under clause (a), (b), (j) and (k) shall be taken upon intimation from the Pakistan Stock Exchange to the Company.

18.1.2 The Company may restore access to NCSS services restricted consequent to disciplinary action(s) taken by the Pakistan Stock Exchange subject to clearance from Pakistan Stock Exchange.

18.2 Notice to NCC Participant before taking action

18.2.1 Before restricting, suspending or terminating, as the case may be, a NCC Participant access to services offered by the Company pursuant to this Chapter, the Company shall notify such NCC Participant pursuant to Regulation 18.2.2, except where action has been taken by the Company pursuant to paragraphs (a), (b) (c), (d), (h) and (i) of Regulation 18.1.1.

18.2.2 Any Notice required to be given by the Company pursuant to Regulation 18.2.1 shall set forth the specific grounds upon which any restriction, suspension, or termination, as the case may be, of access may be based and shall call upon the NCC Participant to show cause as to why his access to the services offered by the Company should not be restricted, suspended or terminated, as the case may be, on account of the grounds set out in the said Notice. If a reply to such Notice is not received by the Company within seven Business Days after it is received by the NCC Participant or such a reply is received but is not found satisfactory by the Company, the Company may by a further two Business Days Notice to the NCC Participant restrict, suspend or terminate, as the case may be, the NCC Participant's access to the services offered by the Company. The NCC Participant shall have a right to request a hearing against such action of the Company. Such request shall be required to be filed by such NCC Participant pursuant to Chapter 23 (HEARING AND APPEAL PROCEDURES) within seven Business Days after he has received the said further Notice from the Company. Notwithstanding such request for hearing, the restriction, suspension or termination, as the case may be, of the NCC Participant's access to the services offered by the Company shall remain effective, unless the decision of the Tribunal in the hearing does not uphold the action of the Company.

18.2.3 In the event that the Company has restricted, suspended or terminated, as the case may be, a NCC Participant's access to the services offered by the Company pursuant to Regulation 18.2, the Company shall take such action(s) as are set out in Chapter 15 (WHEN THE COMPANY

RESTRICTS, SUSPENDS OR TERMINATES ITS SERVICES TO A NCC PARTICIPANT), except as otherwise provided in these Regulations.

18.3 Summarily restriction, suspension or termination

18.3.1 Notwithstanding Regulation 18.2.1 the Company may summarily restrict, suspend or terminate, as the case may be, a NCC Participant's access to services offered by the Company in the event that either one or more of conditions (a), (b), (c), (d), (h) and (i) of Regulation 18.1.1 apply to such NCC Participant.

18.3.2 In the event that the Company has summarily restricted, suspended or terminated, as the case may be, a NCC Participant's access to the services offered by the Company, the Company shall take such action(s) as are set out in Chapter 15 (WHEN THE COMPANY RESTRICTS, SUSPENDS OR TERMINATES ITS SERVICES TO A NCC PARTICIPANT), except as otherwise provided in these Regulations.

18.4 Liability of the Company upon suspension or termination of a NCC Participant with respect to services offered by the Company

18.4.1. In the event of suspension or termination of a NCC Participant with respect to services offered by the Company under these Regulations and/or the Procedures, the Company shall close out or cause to be closed out the Positions of the NCC Participant at the time any of the said action is taken by the Company.

18.5 Liability of NCC Participant upon his restriction, suspension or termination with respect to services offered by the Company

18.5.1 In the event of the restriction, suspension or termination of a NCC Participant with respect to services offered by the Company such an event shall not release him from the unsatisfied obligations to the Company and other NCC Participants.

CHAPTER 19: INSOLVENCY

19.1 Insolvency Notice by NCC Participant

- 19.1.1 A NCC Participant who fails to perform his contracts or obligations or determines that he is unable to do so or is insolvent shall immediately notify the Company pursuant to Regulation 19.2.1.
- 19.1.2 Any Notice required to be given to the Company by a Clearing Member pursuant to Regulation 19.1.1 shall be given in writing as soon as possible after the NCC Participant fails to perform his contracts or obligations or determining that he is unable to do so or is insolvent.

19.2 Events in which NCC Participant will be treated insolvent

- 19.2.1 A NCC Participant shall be treated by the Company in all respects as insolvent:
- (a) upon receipt of written Notice, pursuant to Regulation 19.1.1, or
 - (b) in the event of the entry of a decree or order by a Court having jurisdiction in the premises adjudging the NCC Participant bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment (otherwise than by way of amalgamation) or composition of or in respect of the NCC Participant under or any applicable Federal or Provincial law or appointing a receiver, liquidator, assignee, trustee, (or other similar official) of the NCC Participant or of any substantial part of his property or ordering the winding up or liquidation of the NCC Participant or of his affairs, or
 - (c) the institution by the NCC Participant of proceedings, as the case may be, to be wound-up or to be adjudicated as bankrupt or insolvent, or
 - (d) Upon the consent by him to the institution of bankruptcy, insolvency or winding up proceedings against him, or
 - (e) Upon the filing by him of a petition or consent in seeking reorganization or relief under or any applicable Federal or Provincial law, or
 - (f) Upon the consent by him to the filing of any such petition, or to the appointment of a receiver, liquidator, assignee, trustee, (or other similar official) of the NCC Participant or of any substantial part of his property, or
 - (g) the making by him of an assignment for the benefit of creditors, or
 - (h) the admission by him in writing of his inability to pay his debts generally as they become due, or
 - (i) the taking of corporate action by the NCC Participant in furtherance of any action above mentioned.

19.3 Notice by the Company of action taken

- 19.3.1 The Company shall notify NCC Participants pursuant to the provisions of Regulation 19.3.2 of actions taken by the Company pursuant to Regulation 18.1.1(i) of Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY).

- 19.3.2 Notice by the Company pursuant to Regulation 19.3.1 to all NCC Participant s shall be given as soon as possible after the receipt of a NCC Participant 's Notice under Regulation 19.1.1 or as soon as possible after the NCC Participant is determined by the Company to be insolvent under Regulation 19.2.1, whichever is earlier; and shall state whether the Company has ceased to act for the insolvent NCC Participant (that is to say, terminated the Clearing Member's access to the services offered by the Company) as well as how the pending matters will be affected and what steps will be taken in connection therewith.

CHAPTER 20: ADMISSION TO PREMISES OF THE COMPANY POWER OF ATTORNEY, ETC.

20.1 Representative of NCC Participant

- 20.1.1 No person will be permitted to enter the premises of the Company as the representative of any NCC Participant unless he has first been approved by the Company and has been issued such credentials as the Company may from time to time prescribe and such credentials have not been canceled or revoked. Such credentials must be shown on demand, and may limit the portions of the premises to which access is permitted thereunder. Any credentials issued pursuant to this Regulation may be revoked at any time by the Company in its discretion, and prompt Notice of such revocation shall be given to the employer of the person whose credentials have been so revoked.
- 20.1.2 Any NCC Participant shall, if any person in its employment to whom any credentials have been issued pursuant to this Regulation or to whom a power of attorney or other authorization has been given to act for it in connection with the work of the Company shall for any reason cease to be so employed, give to the Company immediate Notice in writing of such termination of employment and if any such power of attorney or other authorization is otherwise revoked or canceled, shall likewise give to the Company immediate Notice in writing of such revocation or cancellation. All credentials issued pursuant to this Regulation shall be immediately surrendered to the Company upon their revocation by the Company or by the employer or upon the termination of the employment of the holder thereof.
- 20.1.3 Unless revoked by the Company, all credentials, authorizations, and powers of attorney issued pursuant to this Regulation or in connection with the work of the Company shall remain in full force and effect until the Company shall have received written Notice of the revocation thereof or of the termination of the holder's employment.
- 20.1.4 All approvals, credentials, powers of attorney and/or authorizations, as above-mentioned, issued and/or granted pursuant to the corresponding provisions of the 2001 NCSS Regulations and in force at the time of the coming into force of these Regulations shall, subject to Regulation 20.1.3, continue to remain in force and deemed to have been issued and/or granted under this Chapter.

CHAPTER 21: FORMS

21.1 Prescribing of Forms

- 21.1.1 In connection with any transactions or matters handled through, with or by the Company under or pursuant to the Regulations and/or the Procedures, such forms and other documents shall be used as the Company may from time to time prescribe, and additions to, changes in and elimination of any such forms or documents may be made by the Company at any time in its discretion provided that the forms and other documents referred to in this Regulation as were prescribed by the Company pursuant to the corresponding provisions of the 2001 NCSS Regulations shall be deemed to be the forms and other documents prescribed by the Company under this Regulation.

CHAPTER 22: AMENDMENTS IN THE REGULATIONS

22.1 Amendment in, addition to or substitution of the Regulations

- 22.1.1 The Company may at any time make amendments to, including additions to or deletions from or substitution of these Regulations with prior written approval of SECP under section 27 of the Securities Act, 2015. Any such amendment, addition or substitution shall be notified in the official Gazette and shall take effect on such date as may be specified in the notification.
- 22.1.2 The provisions of the Regulations and Procedures relating to the posting of collateral by the NCC Participating will not be changed and / or substituted by the Company without circulating the proposed changes and / or the new provisions to the concerned Clearing Members and soliciting comments of the concerned Clearing Members on such changes and / or new provisions. In order to undertake the aforementioned process, a Committee shall be formed which shall consist of:
- (i) Chairman and the Chief Executive of the Company;
 - (ii) Chairman or a person nominated by the Board of Directors of the Pakistan Stock Exchange;
 - (iii) Chairman or a person nominated by the Pakistan Bank Association; and
 - (iv) Chairman or a person nominated by the Mutual Funds Association of Pakistan.

The Committee shall make its recommendations to the Company with regard to the proposed amendments and new provisions. Subject to compliance with this requirement where applicable, the Company shall be fully empowered under Regulation 22.1 to amend or substitute these Regulations and Procedures and final decision with regard to any such amendments or substitution shall remain with the Company.

CHAPTER 23: HEARING AND APPEAL PROCEDURES

23.1 Request for Hearing

23.1.1 A NCC Participant Clearing Member or an applicant for admission as a NCC Participant (hereinafter in this Regulation referred to as the “Interested Person”) may, when permitted by these Regulations, request a hearing by filing with the Company, within the applicable time period specified by these Regulations, a written request for a hearing setting forth:

- (a) the action or proposed action of the Company or of the Chief Executive Officer with respect to which the hearing is requested, and
- (b) the name of the representative of the Interested Person who may be contacted with respect to the hearing.

23.1.2 Except as may be otherwise provided in any specific provisions of these Regulations, within 10 Business Days after the Interested Person files such written request with the Company, the Interested Person shall submit to the Company a clear and concise written statement setting forth with particularity:

- (a) the action or proposed action of the Company or of the Chief Executive Officer with respect to which the hearing is requested;
- (b) the basis for objection to such action;
- (c) whether the Interested Person intends to attend the hearing; and
- (d) whether the Interested Person chooses to be represented by counsel at the hearing.

23.1.3 The failure of the Interested Person to file the written request referred to above within the time period required by these Regulations and/or the failure of the Interested Person to submit the written statement within the time period specified above will be deemed to be an election to waive the right to a hearing.

23.1.4 The Company shall notify the Interested Person in writing of the date, place and hour of the hearing at least 5 Business Days prior to the hearing (unless a shorter period is specified in any specific provisions of these Regulations or the parties agree to waive the 5 Business Days requirement).

23.2 Tribunal

23.2.1 The hearing will be before a Tribunal (hereinafter called the “Tribunal”) constituted as set out in Regulations 23.2.2 and 23.2.3.

23.2.2 A Tribunal shall consist of a President or a Deputy President appointed under Regulation 23.2.2 and two members selected by the President out of a panel (“Panel”) constituted by the Board under Regulation 23.3:

- (a) The Board shall appoint:
 - (i) a member of the Panel as the President of the Tribunal; and

(ii) a member of the Panel as the Deputy President of the Tribunal,

and shall determine the period for which, and the terms and conditions (including as to remuneration) on which the President and Deputy President shall hold office. The President and the Deputy President of the Tribunal appointed by the Board under the 2001 NCSS Regulations shall continue to hold their respective offices till replaced by the Board, and shall be deemed to have been appointed under this Regulation.

- (b) If for any reason (including conflict of interest) the President of a Tribunal is unable or unwilling to perform any of the functions of the President in relation to a hearing, the Deputy President of the Tribunal may act in the President's place in relation to that hearing.
- (c) Where the Deputy President of a Tribunal acts in place of the President, under paragraph (b) of this Regulation the Deputy President shall constitute the President of the Tribunal and he shall then co-opt on the Tribunal another member of the Panel as the Deputy President of the Tribunal.

23.2.3 If for any reason (including conflict of interest) the President and the Deputy President of the Tribunal are both unable or unwilling to perform the functions of the President in relation to a hearing, the Board may nominate a member of the Panel who shall act in the President's place in relation to that hearing.

23.3 Establishment of the Panel

23.3.1 The Board shall establish a Panel from which members of the Tribunal shall be chosen in accordance with these Regulations. The Panel established by the Board under the 2001 NCSS Regulations shall, till changed by the Board, continue to remain in place and shall be deemed to have been established under this Regulation.

23.3.2 The Board shall appoint persons to the Panel from amongst its members and/or from a list of other persons approved by the Board from time to time for appointment to the Panel.

23.3.3 The Board shall appoint persons to the Panel from time to time so that the Panel has not less than 5 members at any time. The persons appointed by the Board to the Panel shall remain members of the Panel till replaced by the Board, and shall be deemed to have been appointed to the Panel under this Regulation.

23.3.4 The Board may determine the period for which, and the terms and conditions (including as to remuneration) on which persons are appointed to the Panel.

23.3.5 If:

- (a) a member of the Panel is asked to serve on the Tribunal; and
- (b) at any time while the member serves on that Tribunal, the member becomes aware of any material interest the member has in the subject matter of hearing before that Tribunal, the member shall forthwith declare the existence of that interest, and decline to serve on the Tribunal.

23.4 Appeals

23.4.1 An Interested Person or the Company may Appeal against the decision of the Tribunal by giving an Appeal Notice to the Company Secretary of the Company that complies with Regulation 23.4.2.

23.4.2 An Appeal Notice shall:

- (a) identify the decision or part of a decision of the Tribunal against which the Appeal is made;
- (b) sets out the grounds of Appeal; and
- (c) be given no later than 10 Business Days after receipt by the appellant party of the decision of Tribunal under Regulation 23.6.12.

23.4.3 If the Company Secretary of the Company:

- (a) receives an Appeal Notice from an Interested Person; or
- (b) receive an Appeal Notice from the Company,

the Company Secretary shall promptly give a copy of the Appeal Notice to the Commission and request that the Commission appoints a date, time and place for the hearing of the Appeal.

23.4.4 If the Commission receives a copy of an Appeal Notice from the Company Secretary of the Company, the Commission shall, as soon as practicable:

- (a) appoint a date, time and place for the hearing of the Appeal; and
- (b) give reasonable Notice to the Interested Person and to the Company of the date, time and place for the hearing.

23.5 Hearing and determination of Appeals

23.5.1 An Appeal shall be conducted in accordance with Regulation 23.6.

23.5.2 The Appeal shall not be conducted as a re-hearing of the hearing giving rise to the decision of the Tribunal Appealed from, but the Commission may review, and depart from, any findings of the Tribunal.

23.5.3 The Commission may:

- (a) affirm;
- (b) vary in any respect, including as to any fine or disciplinary charge imposed or direction given; or
- (c) set aside and substitute with another determination,

the decision of the Tribunal to which the Appeal relates.

23.5.4 If the Commission determines that a contravention by a NCC Participant of Regulations and/or Procedures or errors, delays or other conduct of the Clearing Member adversely affecting the operations of NCC Systems has occurred and varies or sets aside the determination of the Tribunal the Company shall take enforcement action in accordance with the determination of the Commission.

23.5.5 If an Appeal is allowed in full, the reasonable costs of the appellant Party shall be borne by the other Party. In any other case, the Commission may, in its discretion, direct a Party to pay the reasonable costs, or a specified part or proportion of the costs, of the other Party to the Appeal.

23.6 Hearings before the Tribunal and the Commission

23.6.1 The President of Tribunal or the Commission, as the case may require, may cancel a hearing date for which Notice has previously been given and appoint a substitute hearing date provided reasonable Notice of the substitute hearing date is given to the Parties.

23.6.2 A Tribunal or the Commission, as the case may require, may adjourn and re-convene a hearing as it thinks fit.

23.6.3 Subject to Regulation 23.6.2, hearings before a Tribunal or the Commission, as the case may require, shall take place in private.

23.6.4 A Party may be represented at a hearing before the Tribunal or the Commission by:

- (a) an officer or employee of the Party;
- (b) an advocate licenced to practice in a High Court in Pakistan;
- (c) any other professional adviser whose knowledge or qualifications are, in the opinion of the Tribunal or the Commission, as the case may require, relevant to the hearing; or
- (d) any other person approved by the Tribunal or the Commission.

23.6.5 If a Party does not wish to appear at a hearing before a Tribunal or the Commission, as the case may require, that Party may, not less than 10 Business Days before the day of the hearing (or such lesser time as is reasonable having regard to the prior Notice of the hearing which was given to that Party), lodge with the President of the Tribunal or the Commission, as the case may require, a written submission in relation to the hearing or Appeal, as the case may require.

23.6.6 Hearings before a Tribunal or the Commission, as the case may require, shall be conducted:

- (a) with as little formality and with as much expedition as a proper consideration of the matters before the Tribunal or the Commission permits; and
- (b) subject to the provisions of this Chapter, as the Tribunal or the Commission thinks fit.

23.6.7 The Tribunal or the Commission, as the case may require, may cause a transcript of Proceedings at a hearing to be taken. If a transcript is taken, the Tribunal or the Commission must make the transcript available to the Parties.

23.6.8 In a hearing, the Tribunal or the Commission, as the case may require, shall:

- (a) determine matters before it without bias;
- (b) give each Party a fair hearing; and
- (c) otherwise observe the rules of natural justice.

23.6.9 The Tribunal or the Commission, as the case may require, may obtain such legal or other professional advice as it requires, and may have its advisers present at a hearing.

- 23.6.10 Each member of a Tribunal shall exercise one vote and determinations of the Tribunal shall be by majority. The President of the Tribunal shall not have a casting vote.
- 23.6.11 If a Tribunal or the Commission, as the case may require, uphold the imposition of fine, disciplinary charge or payment of any other amount or directs that a payment be made (including payment of any costs), the Tribunal or the Commission may specify a date by which payment must be made.
- 23.6.12 The Tribunal or the Commission, as the case may require, shall, within 15 Business Days after the conclusion of a hearing, give to each Party its written decision setting forth the specific grounds upon which the decision is made.
- 23.6.13 Subject to Regulation 23.5.5, each Party to a hearing before a Tribunal or Appeal shall bear its own costs in relation to the hearing before the Tribunal or the Commission.

23.7 Indemnification of members of Tribunal

- 23.7.1 To the fullest extent permitted by law, the Company shall indemnify:
- (a) each member of the Tribunal; and
 - (b) each officer of the Company acting in connection with hearing before the Tribunal or before the Commission in an Appeal, against any liability arising in connection therewith.

23.8 Savings

- 23.8.1 Any request for hearing, any hearing, any Appeal Notice and/or any Appeal and/or any other action or proceeding under the corresponding provisions of this Chapter of the 2001 NCSS Regulations and pending on the date of coming into force of these Regulations shall be acted upon, continued and disposed of under this Chapter.

CHAPTER 24: RELEASE OF CLEARING DATA

24.1 Disclosure of Clearing Data

- 24.1.1 Except as provided in any other law for the time being in force, neither the Company nor any director or officer of the Company whether during his tenure of office or during his employment or thereafter, and no other person who has by any means knowledge of any Clearing Data (as referred to in Regulation 24.1.6 below) shall give, divulge, reveal or otherwise disclose such Clearing Data to any other person.
- 24.1.2 A person who has any Clearing Data which to his knowledge has been disclosed in contravention of Regulation 24.1.1 shall not in any manner howsoever disclose it to any other person.
- 24.1.3 The provisions Regulation 24.1.1 shall not entitle the Company to refuse to disclose any Clearing Data:
- (j) of a Clearing Member to such Clearing Member;
 - (k) of a Clearing Member which such Clearing Member has authorised in writing to disclose;
 - (c) in case where Clearing Member, being an individual, is declared an insolvent or, being a firm, company or other body corporate is being or has been wound up within or outside Pakistan to the person who have a right to receive Clearing Data relating to a Clearing Member arising from such development.
 - (d) in the case of any litigation or other legal proceedings, subject to a proper court order;
 - (e) to any person duly authorised by a competent court, by the Commission or any other competent authority holding any inquiry or investigating into any offence under any law for the time being in force;
 - (f) for the purpose of enabling or assisting the Commission to exercise any power conferred on it by these Regulations or by any law for the time being in force;
 - (g) for the purpose of enabling or assisting any competent authority or other Government functionary to exercise any power conferred on it by any law for the time being in force;
 - (h) for the purpose of enabling or assisting Pakistan Stock Exchange or a Central Depository or any other Governmental or other competent authority to discharge its functions;
 - (i) for the purpose of enabling or assisting auditors of the Company or of a Clearing Member to discharge their functions; or
 - (j) to the Commission or any other competent authority if the disclosure is required in the interest of investors or in the public interest.
 - (k) For the purpose of enabling or assisting the Pakistan Stock Exchange or Commission on the request of Managing Director(s) of the Pakistan Stock Exchange or the authorized officer(s) of the Commission, as the case may be, to effectively enhance the market monitoring and

surveillance capacity of Pakistan Stock Exchange and Commission. The Company shall provide the Clearing Data having the Client UIN Registration Detail of a Broker Clearing Member which the Pakistan Stock Exchange; or the Commission, as the case may be has requested. Such Clearing Data will be provided on the condition that the Pakistan Stock Exchange or the Commission, as the case may be, will ensure confidentiality of this data and will use it only for the purpose for which the data was required.

24.1.4 Absent valid legal process or as provided in Regulation 24.1.5 hereof, the Company will only release Clearing Data relating to Exchange trades and Non-Exchange transactions of a particular Clearing Member to such Clearing Member upon his written request to the extent that it can be disclosed in terms of any restriction on disclosure notified by any competent authority. Provided that nothing in this Regulation shall prevent the Company from releasing Clearing Data to others, provided that such data shall be in a form as to prevent the disclosure, whether patently or in easily discernible format, of proprietary and/or confidential financial, operations or trading data of any Clearing Member or Clearing Members.

24.1.5 With respect to the foregoing, except as regards the release of any Clearing Data pursuant to an order of a Court, the Commission, Pakistan Stock Exchange or other competent authority, the release of any Clearing Data to a person shall be conditional upon either:

- (a) a written request, or
- (b) the execution of a written agreement with the Company,

whichever is appropriate in the Company's discretion, and the Company, in its discretion, shall establish the conditions under which such data shall be released and the fees, if any, to be paid for such data.

24.1.6 The term "Clearing Data" shall mean, for the purposes of this Chapter, trade and/or transaction data with the Company for inclusion in the clearance and/or settlement process of the Company, or such data, Reports or summaries thereof which may be produced as a result of processing such trade and/or transaction data.

24.2 Usage and addition to the UINs Database

24.2.1 CDC will be provided access by the Company to its UINs Database in respect of UINs to ascertain the requisite UINs and UIN Registration Details of the Account Holders of CDC entered into the UINs Database. Where CDC requests for the creation of UINs or UIN Registration Details for any of its Account Holders in the UINs Database, CDC shall provide to the Company the UIN Registration Details of such persons for the purposes of creation of new UINs for such persons and inclusion into the UINs Database as per the Procedures.

24.2.2 The UIN Registration Details of the Account Holders of CDC will be entered by the Company into its UINs Database on the condition that CDC shall be responsible for the correctness and completeness of the UIN Registration Details provided to the Company and entered by the Company into its UINs Database, and on the further condition that CDC shall be required to obtain from and maintain the documentary evidence of UINs for each of its Account Holders and where requested by the Company, CDC shall provide to the Company any additional documentary evidence of the UINs of any of the Account Holders of CDC entered into the UINs Database. The Company may, at its sole discretion, reject documentary evidence for any reason whatsoever. Notwithstanding acceptance by the Company of any such documentary evidence submitted by CDC, CDC shall remain responsible for the correctness and completeness of the UIN Registration Details of the Account Holders of CDC provided by CDC to the Company.

- 24.2.3 CDC shall be responsible for obtaining all necessary authorizations from its Account Holders for the purposes of creation of UINs of such Account Holders by the Company in the UINs Database. The Company shall not be responsible for the misuse of any UINs by CDC. CDC shall indemnify and hold harmless the Company from and against any claims, losses, damages, costs and expenses suffered and/or incurred by the Company as a consequence of the creation and use of any UINs in the UINs Database and as a consequence of ascertainment by CDC of the UINs and UIN Registration Details of any of its Account Holders by accessing the UINs Database.
- 24.2.4 The UINs Database access provided, to the CDC by the Company, on the condition that the CDC will ensure confidentiality of this Database and will use it only for the purpose for which the data was required.
- 24.2.5 The Company will, at the request of the NCEL, verify the UINs entered by the NCEL, against the existing UIN records in the UINs Database, through an interface provided by the NCEL to the Company.
- 24.2.6 Where the UINs created by the NCEL do not exist in the Company UINs Database, the Company shall, in the case of UINs for Individual Pakistani citizens (being their CNIC numbers) verify the same through the terminal provided by the NADRA.
- 24.2.7 In the case of non-individuals, the NCEL will be provided by the Company with necessary information from the UINs Database such as name, UIN and type of the client for the purpose of creation of UIN(s) by the NCEL. Where the UIN(s) created by the NCEL are not found / exist in the information stored in the UINs Database, the NCEL shall provide the necessary details to the Company. Upon being satisfied by such details provided by the NCEL, the Company will incorporate such details in its UINs Database so as to enable the NCEL to create UIN(s) at its end.
- 24.2.8 Where the details provided by the NCEL cannot be incorporated by the Company in its UINs Database, such fact will be notified to the NCEL together with the reasons thereof.
- 24.2.9 The UIN records found and approved by the Company shall duly become part of the UINs Database.
- 24.2.10 The NCEL shall be responsible for the correctness and completeness of the UIN Registration Details provided by it to the Company and entered by the Company into its UINs Database and the NCEL shall be required to obtain from and maintain the documentary evidence of UINs for each of its members.
- 24.2.11 The NCEL shall be responsible for obtaining all necessary authorizations from its members for the purposes of creation of UINs of such members by the Company in the UINs Database. The Company shall not be responsible for the misuse of any UINs by the NCEL. The NCEL shall indemnify and hold harmless the Company from and against any claims, losses, damages, costs and expenses suffered and/or incurred by the Company as a consequence of the creation and use of any UINs in the UINs Database.
- 24.2.12 The information of the UINs Database provided, to the NCEL by the Company, on the condition that the NCEL will ensure confidentiality of such information of the UINs Database and will use it only for the purpose for which the information was required.

CHAPTER 25: **LISTS TO BE MAINTAINED**

25.1. List of Securities

- 25.1.1. The Company shall maintain lists of the Securities (which may be the subject of contracts cleared through the Company), and may from time to time add securities to such lists or remove securities there from. The Company shall accept an issue of securities as a Security only upon a determination by the Company that it has the existing operational capability to do so and to continue successfully to provide its services to Clearing Members. The lists of the Securities maintained by the Company under the corresponding provisions of the 2001 NCSS Regulations shall continue to remain in force (unless changed by the Company) and shall be deemed to have been maintained by the Company under this Regulation.
- 25.1.2 A Security that the Company in its discretion determines no longer meets the requirements imposed pursuant to this Regulation shall cease to be a Security. In addition, the Company may determine that a Security shall cease to be a Security in the event that:
- (a) such Security shall have been suspended from trading on Pakistan Stock Exchange on which it is listed;
 - (b) the Company determines that there may exist a legal impediment to the validity or legality of the issuance or continued transfer or delivery of the Security;
 - (c) the Company determines, after discussion with the Commission and Pakistan Stock Exchange, where possible, that continued clearance and settlement by the Company presents unacceptable risks to the Company and/or Clearing Members.

25.2 List of Settling Banks

- 25.2.1 The Company shall maintain a list of banks which satisfy the eligible criteria set out in these Regulations and have agreed to act as Settling Banks. The list of the Settling Banks maintained by the Company under the corresponding proceedings of the NCSS Procedures 2001 and NCSS Procedures 2003 shall continue to remain in force (unless changed by the Company) and shall be deemed to have been maintained by the Company under this Regulation.

CHAPTER 26: EFFECT OF SUBSTITUTION OF THE 2001 NCSS REGULATIONS BY THESE REGULATIONS

26.1 Effect of substitution of the 2001 NCSS Regulations

26.1.1 The substitution of the 2001 NCSS Regulations by these Regulations shall not, except as may be (and to the extent) provided in these Regulations:

- (a) affect the previous operations of the 2001 NCSS Regulations or anything duly done or suffered thereunder;
- (b) affect any right, privilege, obligation or liability acquired, accrued, incurred and/or allocated under the 2001 NCSS Regulations; and
- (c) affect any fine imposed or other action taken or pending against any person under the 2001 NCSS Regulations.

26.1.2 Save as otherwise specifically herein provided, nothing in these Regulations shall affect or be deemed to affect any things done, actions taken, investigations, hearings or Appeals or any other proceedings taken or commenced, orders, Procedures, appointments, deeds, documents, agreements or other instruments made, fees and charges recovered or accrued, allocations made, directions given, any notices or documents issued under or in pursuance of the 2001 NCSS Regulations, and any such things, actions, investigations, hearings, Appeals or any other proceedings, orders, Procedures, appointments, deeds, documents, agreements, instruments, fees and charges, allocations, directions, notices or documents shall, if in force at the time of coming into force of these Regulations and not inconsistent with any of the provisions of these Regulations, continue to be in full force and have effect as if these were respectively done, taken, commenced, made, directed, passed, given, executed or issued under these Regulations.

26.1.3 Except as otherwise specifically herein provided, the substitution of these Regulations for the 2001 NCSS Regulations is not meant to create any gap or interruption in the services provided by the Company to the Clearing Member and the Exchange trades, and/or Non-Exchange transactions received or recorded by or with the Company at the time of or after the coming into force of these Regulations shall be processed, subject to these Regulations and subject to the performance and compliance by the Clearing Members, the Stock Exchanges and the Settling Banks of their respective functions and/or obligations in terms of these Regulations and the Procedures, in the same efficient and expeditious manner as the same were processed under the 2001 NCSS Regulations.

CHAPTER 27: NCSS REVIEW

27.1 NCSS Review

27.1.1 The Company shall require an independent Firm to conduct an annual review of the NCSS and that review will comprise:

- (a) reviewing the Company's information processing facilities and security of the NCSS including:
 - (i) maintenance of integrity and confidentiality over the data of the NCSS;
 - (ii) physical security over the NCSS operation;
 - (iii) business continuity procedures; and
 - (iv) system access controls;
- (b) assessing the integrity and accuracy of information generated by the NCSS including, without limitation:
 - (i) internal control over data input by the Company; and
 - (ii) processing and reporting of transaction data

27.2 The Company shall provide a copy of the report to the Commission within 1 calendar month of receiving it.

27.3 Except as expressly provided in these Regulations, no NCSS Element shall have any right of access to, or right to inspect, the Company's records and systems.

CHAPTER 28: REGULATIONS FOR COMPUTATIONS, DETERMINATION, COLLECTION AND DEPOSIT OF CAPITAL GAIN TAX ON DISPOSAL OF LISTED SECURITIES, FUTURES AND DERIVATIVE PRODUCTS/CONTRACTS, UNITS OF FUNDS OR SCHEMES AND RELATED MATTERS (CGT REGULATIONS)

Whereas, the National Clearing Company of Pakistan Limited (“Company”) has been entrusted under the Income Tax Ordinance, 2001 (“the Ordinance”), for the computation, determination, collection and payment of Capital Gain Tax into the Government Treasury arising from the disposal of listed securities’ transactions as provided under the Ordinance and the Rules made there under.

And whereas, the Company has established a capital gain tax system (“CGT System”) under the NCCPL Regulations;

And whereas, the Company made and notified the NCCPL Regulations pertaining to CGT System for computation, determination, collection of CGT, to all its Clearing Members, asset management companies and PMEX;

And whereas, Regulation 22.1 of the National Clearing Company of Pakistan Limited Regulations 2003, permits the Company to make amendments to, including additions to or deletions from such Regulations, and Memorandum of Association of the Company permits the Company to make any new, amended or additional Regulations;

And whereas, the Company, through its CGT System, shall compute and determine capital gain or loss, as the case may be, on market based and non-market based trades/transactions of listed securities, futures and derivative products/contracts and units of funds or schemes in accordance with section 37(A) read with 100(B) of the Ordinance and the Rules.

28.1. Definitions

When used in this Chapter of these Regulations and, where applicable, in the Procedures, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

Capital Gain Tax (“CGT”)

means the Tax on capital gains on disposal of securities as provided under the Ordinance;

Capital Gain Tax (“CGT”) System

means an automated system developed by the Company for computation and determination of Capital Gains and collection and deposit of CGT in accordance with the Ordinance and Rules made there under;

Commissioner

means the Commissioner Inland Revenue, Federal Board of Revenue;

FBR

means the Federal Board of Revenue established under section 3 of the Federal Board of Revenue Act, 2007.

Foreign Institutional Investors

For the purpose of this chapter means foreign investor investing in listed securities, futures and derivatives products/contracts and units of funds or schemes through international broker dealer/global custodians and whose incorporation/ registration number is issued by the relevant authority in the country of incorporation or the registration and has been assigned a UIN by the Company.

Instrument of Redeemable Capital

means as defined under Clause (30A) of Section 2 of the Companies Ordinance, 1984.

Leveraged Market

means as defined in the Securities (Leveraged Markets and Pledging) Rules, 2011;

Listed Securities

means securities listed on Pakistan Stock Exchange and declared NCSS Eligible Securities by the Company;

PRAL

means Pakistan Revenue Automation Limited, a company incorporated under the Companies Ordinance, 1984 (XLVII of 1984).

Rules

means the rules related to Special Procedures for Computation of Capital Gains and Collection of Tax under the Eighth Schedule of the Ordinance and other related matters as provided under the Income Tax Rules, 2002; and

Ordinance

means the Income Tax Ordinance, 2001.

28.2 Eligible Person for CGT System

- 28.2.1. The Company shall compute, determine capital gains and loss on disposal of listed securities, futures and derivative products/contracts and units of funds or schemes and collect tax thereon (if any), from the investor(s) or any person(s) involved in the investing activities in the listed securities, futures and derivative products/contracts and units of funds or schemes on behalf of FBR, other than the following:-
- (a) persons or classes of persons as laid down in sub-section (2) of Section 100B of the Ordinance;
 - (b) any eligible person/investor who opt-out irrevocably from the provisions relating to Capital Gain Tax in accordance with the Rule (5) of the Schedule and file an undertaking to the Company in the prescribed form to that effect and
 - (c) entities mentioned in clause 47B of Part IV of 2nd Schedule to the Ordinance.
- 28.2.2 The capital gain tax computed, determined and collected in accordance with Regulations 28.2.1, shall be deposited by the company on behalf of investor(s) in the manner prescribed in clause 4 of Eight Schedule of the Ordinance.

28.3 Data Requirement for CGT Computation, Determination and Collection

- 28.3.1 For the performance of the functions entrusted to the Company by the FBR in terms of the Ordinance and the Rules made there under, the Company shall obtain requisite information from Stock Exchanges, CDC, asset management companies, PMEX and from any other entity, as per the agreed transmission/communication mechanism, that may be required by the Company from time to time.

28.4 CGT Determination, Computation and Collection

- 28.4.1 The Company, through its CGT System, shall compute and determine capital gain or loss, as the case may be, on trades/transactions of listed securities, futures and derivative products/contracts, and units of funds or schemes as reported to or provided to or extracted from the systems or procedures in place with the Company, Stock Exchanges, CDC, asset management companies and PMEX. Accordingly, tax thereon shall be collected and deposited in accordance with the Ordinance and Rules made there under. The amount of tax on capital gains from clients of Clearing Member, unit holders of funds or schemes and members of PMEX shall be collected by the Company from or through the respective Clearing Member, asset management company or PMEX.

- 28.4.2 For collection of tax on capital gains, arising on disposal of listed securities, futures and derivative products/contracts listed at Pakistan Stock Exchange, the Company shall provide an exclusive set of collection information to respective Settling Banks of Clearing Members by 7th Settlement Date of each month through NCSS Pay & Collect for the amount of tax determined for previous month or months. Provided that such 7th Settlement Date shall be considered from the date of which the net CGT amount for previous month or months has been computed in CGT System and client/investor level reports of CGT have been made available to Clearing Members.

Tax on capital gains arising on redemption of units of funds or schemes and on trading of commodity futures and derivative products/contracts at PMEX shall be deposited by asset management companies and PMEX respectively, within 10 working days of the month end as per the Rules to NCCPL.

- 28.4.3 The Company shall provide necessary report or reports, from time to time, to Clearing Members, asset management companies and PMEX, so as to enable them to collect or with hold amount in advance from their clients.

- 28.4.4 The amount of tax on capital gains from Clearing Member's clients/investors shall be collected by the Company from or through the respective Clearing Members. However, in case a client/investor maintains multiple trading accounts/CDS accounts with different Clearing Members, the amount of tax on capital gains shall be collected in proportion to the trade/transactions executed through respective Clearing Members.

28.5 Clearing Member's, asset management company's and PMEX's Warranties and Indemnities

- 28.5.1. A Clearing Member, asset management company or PMEX supplying any information to the Company in pursuance of their obligation under these Regulations shall:
- (a) be deemed to have warranted to the Company that the information supplied is complete, true and correct and nothing has been cancelled or omitted which will make such information inaccurate, incorrect or misleading; and
 - (b) indemnify the Company from all types of losses, damages, costs or expenses (if any) suffered or

incurred by the Company as a result of any inaccuracies or mistakes contained in the information, or omission from the information supplied by the Clearing Member, asset management company or PMEX or such information being misleading.

28.6 Functions of the Company

28.6.1 The Company, under the Ordinance, has been entrusted for the function of computation, determination, collection and payment of CGT into the Government Treasury arising from the disposal of listed securities' transactions as provided under the Ordinance and the Rules made there under.

28.7 Liability of Company

28.7.1 The information provided to the Company in accordance with Regulation 28.3.1 of CGT Regulations, shall be used by the Company exclusively for the purpose of the functions entrusted by FBR to the Company for the computation, determination, collection and deposit of CGT as provided under the Ordinance and the Rules made there under.

28.7.2 The only obligation of the Company with regard to the computation, determination collection and deposit of CGT shall be to facilitate the Clearing Members, asset management companies and PMEX, in computation and determination of CGT based on the trades and transactions executed between the Clearing Members for their own account or on behalf of their clients, on the trading system of Pakistan Stock Exchange or in CDS, on redemption of units of funds or schemes of asset management companies and on trading of commodity futures and derivative products/contracts on PMEX, respectively, in accordance with the relevant regulations and procedures and reported to the Company. Clearing Members, asset management companies and PMEX acknowledge and confirms that the Company shall not be responsible for:

- (a) the title, ownership, genuineness, regularity or validity of any security or any other documents or instrument transmitted/communicated through the NCC System;
- (b) the execution, genuineness, validity, enforceability or sufficiency of any agreement or any other document relating thereto;
- (c) the collectability and recovery of amounts payable in respect of CGT from clients/investors of Clearing Members, unit holders of funds or schemes of asset management companies and members of PMEX;
- (d) the financial condition of any Clearing Member, asset management company, PMEX and its clients/investors;
- (e) the performance and observance by Clearing Members, asset management companies and PMEX of their obligations under the Ordinance and the Rules made there under; or
- (f) the accuracy of any statements (whether written or oral) made by or transmitted/communicated by a Clearing Member, asset management company or PMEX in connection with any agreement or documents in respect of computation, determination, collection of CGT of any of their clients/investors.

28.8 Liability of the Clearing Members, asset management companies and PMEX

28.8.1 Clearing Members, asset management companies and PMEX confirms to the Company that they have made their own independent investigation and assessment of the financial condition and affairs of the concerned clients/investors in connection with their obligation of payment of due CGT and have not relied on any information provided to them by the Company in connection with CGT;

- 28.8.2 Clearing Members, asset management companies and PMEX shall not close the client code(s) created under the Unique Identification Number until and unless a clearance certificate is issued by the Company for closer of such client(s) code.
- 28.8.3. In case of the closure of client account by a Clearing Member without taking clearance certificate from the Company, the Company may restrict the UIN mapping facility of such Clearing Member till the submission of such Clearance Certificate to the Company by such Clearing Member.
- 28.8.4 All outstanding amount of CGT, as computed and determined by the Company, shall be binding upon the Clearing Member until settled in accordance with the Ordinance and the Rules made there under.
- 28.8.5 In case of closure of accounts of units holders of funds or schemes by asset management companies and accounts of members of PMEX by PMEX, without obtaining clearance certificate from NCCPL, asset management company or PMEX, as the case may be, shall remain responsible to ensure that any outstanding liability in respect of Capital Gains Tax which has arisen or may arise, has been collected from respective investor and deposited with NCCPL.

28.9 Transaction Costs

- 28.9.1 Clearing Members, asset management companies and PMEX shall pay prevailing costs to the Company in accordance with Fees, Charges and Security Deposit Schedule in respect of services provided for computation, determination, collection and deposit of CGT by the Company in the manner prescribed by the FBR from time to time.

28.10 Actions in the Event of Non or Short payment of CGT by Clearing Members, asset management companies or PMEX to the Company

- 28.10.1 Where a Clearing Member fails to deposit an amount in respect of CGT of its own and its clients, as the case may be, such Clearing Member shall be required to identify the defaulted UIN(s) by next day of the date of default.
- 28.10.2 The Company shall immediately suspend such UIN(s) to take further position in any Market and serve a Notice at the day end to such Clearing Member so as to give an opportunity to deposit the required amount of CGT by the end of next working day and fulfill the requisite demand of CGT. In case Clearing Member is not able to deposit or collect an amount of CGT for its own behalf or from the defaulted client within the above mentioned stipulated time, such defaulting UIN(s) may be restricted from taking new positions in all Markets till the recovery of amount of CGT. However, squaring-up of open Position(s) may be allowed for such restricted UIN(s).
- 28.10.3 The short collection or non-collection of CGT in any month during the financial year shall continue to appear in the CGT liability of coming month or months during the same financial year. After the end of the financial year the Company shall have right to refer the case to FBR with all relevant details.
- 28.10.4 The Company shall refer such matter to the FBR. However, the Company shall also take necessary action so as to reasonably ensure the compliance of the Ordinance and the Rules made there-under.
- 28.10.5 Relevant Clearing Member shall also be liable to pay penalty for such deposits in the following manner:

First default by the client or proprietary in a financial year	Penalty @ 2% of the defaulted amount of such UIN(s) including proprietary UIN.
second default by the same client or any other client or proprietary in a financial year	Penalty @ 4% of the defaulted amount of such UIN(s) including proprietary UIN
on any subsequent default by any UIN or proprietary	Penalty @ 10% of the defaulted amount of such UIN(s) including proprietary UIN.

28.11 Payment of CGT Collected by the Company to the FBR

The net amount of CGT collected from the investors/persons by the company on behalf of the FBR computed/determined in the accordance with the provision of the Ordinance and Rules made there-under, shall be deposited in a separate bank account with National Bank of Pakistan and the said amount shall be paid to the FBR along with interest accrued thereon yearly basis by July 31st next following the financial year in which the amount was collected.

28.12 Issuance of Certificate/Statement by the Company

The Company in respect of computation, determination, collection and deposit of capital gain tax shall, in accordance with the provisions of the Ordinance and Rules made there-under, issue/file following certificate/statement:

- 28.12.1 Certificate showing computation/determination of capital gains or loss and CGT thereon, if any, and payment thereof to each client/ investor through Clearing Member, asset management company or PMEX within thirty days from the end of the financial year.
- 28.12.2 Quarterly statement of capital gains and tax thereon to FBR within thirty days from the end of each quarter in the prescribed manner and form; and
- 28.12.3 Any other certificate or statement to be issued or provided, as required from the FBR from time to time in accordance with the Ordinance and Rules made there under,

28.13 Audit of CGT System, Procedures and Implementation of recommendations.

- 28.13.1 Under clause 6 of Eight Schedule of the Ordinance, PRAL or any authority or any person appointed by the FBR shall conduct regular system and procedural audits of the Company related to computation/determination of Capital Gains or Loss on disposal of listed securities, futures and derivative products/contracts and units of funds or schemes, collection and deposit of tax thereon on quarterly basis to verify the implementation of the provisions relating to Capital Gain Tax under the Ordinance and Rules made there-under and suggest recommendations, if any in this regards.

28.13.2. The Company shall implement the recommendations, if any, of the audit report under 28.13.1, as approved by the Commissioner, and make adjustments for short or excessive deductions. However, no penal action shall be taken against the Company on account of any error, omission or mistake that has occurred from application of the system as audited under Regulation 28.13.1 of the CGT Regulations.

CHAPTER 29: SETTLEMENT GUARANTEE FUND (SGF)

CHAPTER 29: Settlement Guarantee Fund (SGF)

- 29.1.1 The Company has established and is maintaining a fund called the NCC Clearing & Settlement Fund (“NCSF”) in respect of clearing and settlement of trades and transactions of its Clearing Members to be reported, cleared and settled through the NCC Systems. In order to ensure timely settlement of trades and transactions in the event of failure of any Clearing Member to settle its obligations towards the Company the scope of NCSF shall be enhanced as prescribed in this Chapter. The NCSF shall now be called the Settlement Guaranteed Fund (“SGF”).
- 29.1.2 The Company with the prior approval of the Commission may prescribe, from time to time, the procedures, terms and conditions governing the SGF which may, *inter alia*, specify the criteria for determining the minimum amount to be maintained in the SGF, the amount of deposit or contribution to be made by each Clearing Member to the SGF, the terms, manner and mode of deposit or contributions, conditions pertaining to the replenishment of the SGF for maintaining the required minimum amount or any other amount to be maintained in the SGF as otherwise determined by the Company or the Commission, the charges for utilization of the SGF, penalties and disciplinary actions for non-performance thereof and any other operational requirements and procedures pertaining to the SGF.

29.2 Management and Administration of SGF

- 29.2.1 The management and administration of the SGF established by the Company shall be under the control of the trustees of the SGF in accordance with the SGF trust deed, approved or amended from time to time with the prior approval of the Commission, executed between the Company and the trustees named in the SGF trust deed. The trustees of the SGF shall have all requisite powers and authority in respect of the management and administration of the SGF as well as for achieving the object and purpose of the SGF in accordance with the SGF trust deed, these Regulations and the Procedures. The trustees in accordance with the provisions of the Trust Deed may outsource administrative work including management of funds forming part of SGF to any entity including the Company.

29.3 Composition of SGF

29.3.1 The SGF shall comprise of the following:

- (a) Contributions made to the SGF by the Company;
- (b) Contributions to the SGF by the Pakistan Stock Exchange and/or any contribution or transfers of funds received from the clearing house protection fund trusts, by whatsoever name called, or any other trusts;
- (c) Contributions to the SGF by the Clearing Members;
- (d) Accretion in the SGF due to income arising from investments made from the SGF;
- (e) Any penalty or other amount prescribed by the Company under these Regulations; and
- (f) Donations and contributions received from any other source as approved by the Board with the prior approval of the Commission or any payments or contributions made pursuant to the directions

of the Commission.

29.3.2 Contribution to SGF by the Company

The contributions made by the Company to the SGF shall comprise of the following:

- (a) Rs. 100 million which have been contributed by the Company to the SGF (formerly NCSF) in accordance with the Clearing House (Registration and Regulations) Rules, 2005;
- (b) Periodic contributions made by the Company to SGF (formerly NCSF) out of its tariff in accordance with the provisions of these Regulations;
- (c) Periodic contributions collected by the Company from Clearing Members and deposited into SGF (formerly NCSF) in accordance with these Regulations; and
- (d) Any additional amount out of the reserves of the Company to the SGF in accordance with Regulation 29.4 and Regulation 29.6.

29.3.3 Contribution to SGF by the Pakistan Stock Exchange or any other trusts established for the protection of settlement of trades and transactions

29.3.3(1) Pakistan Stock Exchange Limited shall initially on its own or through the trustees of the clearing house protection fund trust contribute an amount as mutually determined and agreed between the Company and Pakistan Stock Exchange based on the amount of the SGF determined through actuarial valuation carried out by an authorized actuary and/or the best estimate determined by the Company.

29.3.3(2) The trustees of the Islamabad Stock Exchange Settlement Protection Fund Trust, the Lahore Stock Exchange Members' Contribution Fund Trust and the Lahore Stock Exchange TREC Holders' Contribution Fund Trust shall maintain, at all times, such amounts as prescribed by the Company in accordance with the actuarial valuation of the SGF either in the form of cash or in the form of un-conditional irrevocable bank guarantee(s) issued by commercial bank(s) holding the minimum prescribed rating as determined by the trustees of the SGF under its Trust Deed.

Provided that the Company shall be entitled to require the Trustees of the Islamabad Stock Exchange Settlement Protection Fund Trust, the Lahore Stock Exchange Members' Contribution Fund Trust and the Lahore Stock Exchange TREC Holders' Contribution Fund Trust to replace un-conditional and irrevocable bank guarantee(s) issued in favour of the SGF, with cash, in such manner and within such time as may be determined by the Commission.

29.3.4 Contribution to SGF by the Clearing Members

29.3.4(1) The Clearing Members of the Company shall make contributions to the SGF in accordance with the provisions of these Regulations. Continuous contributions by the Clearing Members to SGF shall be non-refundable and shall be collected by the Company through the pay and collect module of NCSS.

29.3.4(2) The Clearing Members shall provide to the SGF additional contribution as determined by the Board and approved by the Commission from time to time.

29.3.5 Accretion in SGF due to income arising from investments of the SGF

- 29.3.5(1) The trustees of the SGF or the Company if so authorized by the trustees may invest the money held in the SGF in investments which are permitted under the Trust Deed of the SGF and under these Regulations. Any amount earned and arising from such investments shall form part of the SGF.
- 29.3.5(2) The management fee as prescribed by the Company with the approval of the Commission, applicable taxes, professional fee, legal charges for registration and any other amounts incurred by the Company including premium paid against any insurance policy or the running finance facility obtained for the prudent management of the SGF shall be paid from the sums accruing on the investments made by the SGF.
- 29.3.5(3) Any reduction or loss arising on investments made from the SGF not occurring as a result of negligence, willful default or fraud by any trustees of the SGF or fund management company, shall be borne from the SGF. In such event the trustees of the SGF or relevant fund management company shall not be held liable for such loss.

In the event that any loss arises on investments made by the SGF due to the negligence, willful default or fraud by the trustee(s) of the SGF or fund management company, the trustee(s) or fund management company committing the negligence, willful default or fraud shall be personally liable for such loss. Trustees of the SGF who are not responsible for such negligence, willful default or fraud shall not be liable for the loss.

- 29.3.6 Any contribution made to the SGF in accordance with clause 29.3 shall be non-refundable unless otherwise stated in this Chapter. In case of any subsequent valuation of the SGF under clause 29.4 resulting in the determination of a lower value compared to the value determined under the immediately preceding actuarial valuation, the SGF contribution over and above such previous limit shall be retained in the SGF by the Company.

29.4 Review of SGF Contribution

- 29.4.1 The Company with prior approval of the Board, shall determine the minimum amount to be retained in the SGF, based on the valuation carried out by the Company from time to time in accordance with Regulation 29.4.4. The minimum amount to be retained in the SGF pursuant to a determination shall be communicated to the trustees of the SGF and the Company shall take immediate steps to ensure that the determined minimum amount of the SGF is complied with. Moreover, the Company shall arrange an actuarial valuation of the SGF which shall be conducted every two years by an authorized and reputable actuary.
- 29.4.2 The Company and trustees of the SGF shall endeavor to ensure that the value of the SGF at any point of time is not less than the value as prescribed in clause 29.4.1.
- 29.4.3 If the amount in the SGF falls below the minimum amount which needs to be maintained in the SGF, the Board will forthwith takes steps to ensure that the amount available in the SGF is increased to an amount which is not less than the minimum amount which needs to be maintained in the SGF. Such steps include but are not limited to the imposition of additional contributions on all Clearing Members and/or by additional contributions as determined by the Board in such manner as decided with the prior written approval of the Commission.

- 29.4.4 The Company shall, at such regular intervals as may be determined with the prior approval of the Commission, review and determine the minimum amount of the SGF in the light of procedures and valuation models prescribed by the Company with the approval of the Commission. Such reviews and determination shall either be based on actuarial recommendations or any other method used to accurately determine the required amount of the SGF based on risk analysis, stress-testing, determination of actual or contingent liabilities, historical market performance, history of defaults, capital adequacy of brokers etc., or best estimate as determined by the Company and /or any other conditions. Following such review, any alteration in the amount of the SGF may be permissible subject to the approval of the Board and the Commission.

29.5 Utilization of SGF

- 29.5.1 The utilization of the SGF shall be limited to the extent of the amount available in the SGF. In the event of any shortfall, the Company or trustees of the SGF shall endeavor to manage the shortfall in accordance with the provisions of this Chapter. Provided that utilization of the SGF shall only be limited to settlement of Exchange trades and Non-Exchange Transactions fulfilling the conditions prescribed under the term defined as “Acceptance for Guaranteed Settlement” in these Regulations. Trades which are not accepted for guaranteed settlement by the Company as defined under the term “Acceptance for Guaranteed Settlement” in these Regulations shall be settled in accordance with the relevant provisions of the NCCPL Regulations and NCSS Procedures.
- 29.5.2 The Company may establish such additional arrangements, subject to terms of availability and allied cost, including but not limited to bank facilities, policies of insurance or any other appropriate source of funds, as it may from time to time consider necessary, to minimize and limit the probability of a shortfall upon utilization of the SGF in case of an occurrence of a default. The Company shall make best efforts to cover any shortfall arising after utilization of the SGF in case of default in accordance with the applicable provisions of these Regulations.

29.6 Replenishment of the SGF

- 29.6.1 At whatever time the SGF is utilized in accordance with the provisions of these Regulations, the Company shall replenish deficiency of contributions made from the SGF from the following resources:
- a. The amount realized from squaring-up/ closing-out process initiated by the NCC Default Management Committee against Suspended Clearing Member in accordance with Chapter 13 (MONEY DEFAULT MANAGEMENT (OTHER THAN TRADE-FOR-TRADE SETTLEMENT)).
 - b. If the proceeds received from the sources as mentioned in sub-clauses (a) above fall short of SGF amount utilized from contributions made to the SGF, the shortfall resulting in the SGF shall be replenished from the Clearing Members as additional contribution(s) to the SGF as determined by the Board and approved by the Commission from time to time.
 - c. If the proceeds received from the sources as mentioned in sub-clauses (a) and (b) above fall short of SGF amount utilized from contributions to SGF the shortfall in the SGF shall be replenished from the contribution out of the reserves of the Company as determined by the Board with the

prior approval of the Commission.

- d. Any amount realized by the Pakistan Stock Exchange Limited and/or by the Company from the sale of any asset under the control of the Pakistan Stock Exchange Limited and/or the Company as the case may be.
- e. While determining the deficient amount required to be replenished in the SGF and the contributions to be made to remedy such deficient amount, the Company shall consider the contributions made by Clearing Members, the Company and by any other sources as may be determined by the Commission. The allocation of the shortfall to the SGF shall be determined in accordance with the proportions as determined by the Board and approved by the Commission. The Company, after approval of its Board will accordingly submit such working to the Commission to replenish the deficient amount in the SGF as required in accordance with sub-clause (b) and (c) above.

29.7 Suspension of the SGF

- 29.7.1 The Board may, with the approval of the Commission, limit the amount to be contributed and retained in the SGF, if at any time it becomes apparent that doing so is in the interests of the Clearing Members or in the interests of the NCSS operations and the Company.
- 29.7.2 At the time of limiting the amount of the SGF, the Board with the approval of the Commission shall also specify the application of such limitation ensuring the benefits of the SGF and the Company.

29.8 Liability of the Company

- 29.8.1 The liability of the Company resulting from Novated Contracts of Clearing Members with the Company and in respect of losses arising therefrom shall be limited to the extent of the contributions available in the SGF. The Company shall not be liable for obligations of a Clearing Member to Non-Broker Clearing Member, obligation of a Clearing Member to another Clearing Member towards deals not reported or recorded to NCC System of the Company.
- 29.8.2 The trustee of the SGF or the Company, where appointed as a managing agent by the trustees, shall maintain separate record of all amounts standings to the credit of the SGF from time to time.

CHAPTER 30: NATIONAL CUSTODIAL SERVICES (NCS)

30.1 Definitions

When used in this Chapter and, where applicable, in the Procedures, the following expressions shall, unless the context requires otherwise, have the meaning herein specified below:

Applicant

means a person who applies to the Company for admission as an NCS Client in accordance with these Regulations.

Application Form

Means the application form prescribed and made available by the Company from time to time, for admission as an NCS Client under these Regulations.

Securities Available Balance

means NCSS Eligible Securities readily available in the CDS sub-account of NCS Client maintained with the Company pursuant to these Regulations. Provided that deliverable Securities Balance Order(s), net deliverable affirmed NCS Transactions, un-affirmed net sell positions as per clause 30.9, pledged, withdrawal requests made by NCS Client as per clause 30.12.2(C), restriction on movement of any Security by an order of any court or a directive of any competent authority, any other restriction/freezing or, as the case may be, restricted by CDC shall be excluded from the respective Securities Available Balance in CDS sub-account of respective NCS Client. Further provided that net buy position of affirmed NCS Transactions of Trade Date in accordance with clause 30.9 may be included in the Security balance of NCS Client and disseminated to Broker Clearing Member as per clause 30.7 of these Regulations.

Cash Available Balance

means funds of NCS Client readily available with the Company pursuant to these Regulations. Provided that amount payable by NCS Client on Settlement Date(s), net payable amount of affirmed NCS Transactions, un-affirmed net buy positions as per clause 30.9, withdrawal request made by NCS Client as per clause 30.12.1(g), fees, costs, expenses, CGT required to be paid by the NCS Client, restriction on movement of funds by an order of any court or a directive of any competent authority shall be excluded from the fund balance maintained with the Company for respective NCS Client. Further provided that credit balance of net sell position of affirmed NCS Transactions of Trade Date in accordance with clause 30.9 may be included in the fund balance of NCS Client and disseminated to Broker Clearing Member as per clause 30.7 of these Regulations.

National Custodian Services (NCS)

means the services offered by the Company to NCS Clients for custody of Securities and assets in an electronic form and clearing and settlement of NCS Transactions executed by such Clients through Broker Clearing Member and all other services related to such activity, in accordance with these Regulations, Procedures and terms and conditions prescribed in the Application Form by the Company from time to time.

NCS Client

means a person who has applied to the Company for the NCS and in whose name the NCS Account shall be maintained. Where the Securities Services are to be jointly subscribed by two or more persons, then unless otherwise specified or the context otherwise requires, "NCS Client" shall mean all of such persons collectively.

Securities Account

means the CDS sub-account opened by the Company in the name of an NCS Client in connection with custody of securities and transactions as prescribed in these regulation and procedures.

Settlement Account

means the bank account opened and maintained by an NCS Client with the Designated Branch of a Settling Bank or any other branch of a commercial bank which is designated by the NCS Client to receive funds from the Company and shall include such account as may from time to time be re-designated or re-numbered.

NCS Account

means the cash balance and the securities account maintained by an NCS Client with the Company.

NCS Transactions

Means Locked-in Exchange trades in NCSS Eligible Securities executed by Broker Clearing Member in the ready market, odd-lot market, BATS and NDM Market on behalf of an NCS Client and/or Broker-to-Broker Non-Exchange Transactions in NCSS Eligible Securities affirmed by a Broker Clearing Member executed on Locked-in Exchange Trade of ready, odd-lot and NDM Markets in accordance with these Regulations and the NCSS Procedures.

Temporary Account

Means a CDS account maintained by the Company for the handling of Balance Order Settlement of NCS Transactions due to blocking of any CDS sub-account of NCS Client in which such Balance Order is to be delivered.

UIN Information System (UIS)

means the online system provided by the Company to Eligible UIN Holders for the purposes of providing information and to perform all the activities pertaining to NCS as prescribed by the Company from time to time.

30.2 Eligibility of Client

- 30.2.1 Any person may apply to subscribe to the NCS as an NCS Client provided that it has satisfactorily completed and provided all the required registration information and signed the respective

Application Form, delivered all supporting documents required and executed other formal documents as required by the Company from time to time.

30.2.2 The Applicant should have access or have subscribed to the Company for access to UIS in accordance with the Clause 9.11.1 (b) on these regulations.

30.2.3 The Applicant must ensure that its registration information is duly updated and any change therein must be reported to the Company in a timely manner.

30.2.4 Once a person is admitted as an NCS Client, the Company will create and maintain an NCS Account for such client for the performance of NCS functions.

30.2.5 The Company retains complete discretion to accept or reject any application made to it by any person for becoming an NCS Client.

30.3 Performance of NCS Function

30.3.1 The Company will provide centralized clearing, settlement and custody services under the NCS functions in accordance with the provision of these Regulations and Procedures.

30.3.2 The Company shall open and maintain separate bank account in the Designated Branch of a Settling Bank, which shall be used for NCSS money settlement of NCS Transactions.

30.3.3 The Company shall also open and maintain a CDS participant account with CDC which shall be used to maintain the Securities Accounts of NCS clients and for handling of Balance Order Settlement of NCS Transactions.

30.4 Registration of NCS Client by Broker Clearing Member

30.4.1 Upon request of NCS Client, Broker Clearing Member will be required to open a separate client code with a new “NCS” option for clearing and settlement of NCS Transactions through the UIN Registration Screen of NCSS.

30.4.2 The Broker Clearing Member will tag the CDS sub-account opened by the Company with such client code. NCS Client codes which are not tagged with CDS sub-accounts maintained with the Company will not be eligible for trading in the Market.

30.4.3 NCS Clients will also be allowed to maintain sub-accounts with the respective Broker Clearing Members and may tag such CDS sub-accounts with other client code through UIN Registration Screen of NCSS. However, trades/transactions executed by such Broker Clearing Members for NCS Clients through such client code(s) shall not be cleared and settled directly by the Company.

30.5 Maintenance of Securities Account

30.5.1 Securities Account of an NCS Client shall always be maintained by the Company. The Company is authorised by the NCS Client to act as its **agent** for the purposes of settlement of NCS Transactions executed through the relevant Broker Clearing Member up to the percentage assigned by the NCS client from the Securities Available Balance on the basis of Security-wise, Settlement Date-wise net sell position in accordance with these Regulations as well as the withdrawal or collection of Securities, or the exercise of any rights or claims arising from or relating to Securities including (without limitation) dividends, rights issues or other corporate actions.

30.6 Maintenance of Cash Balances

- 30.6.1 Cash balances of NCS Client shall always be maintained by the Company. The Company is authorised by the NCS Client to act as its agent for the purposes of settlement of NCS Transactions executed through the relevant Broker Clearing Member up to the percentage assigned by NCS Client from the Cash Available Balance on the basis of Settlement Date-wise net buy position and/or differential amount in accordance with these Regulations as well as the withdrawal or collection of cash on the instruction of the NCS Client.
- 30.6.2 The Company shall debit the NCS Client Cash Available Balance with an amount (including the purchase price/difference and all related fees, costs, expenses and CGT) required to be paid by the NCS Client pursuant to any NCS Transaction executed under these Regulations and Procedures.

30.7 Allocation of Securities and Cash Balances by NCS Clients

- 30.7.1 NCS client shall be provided with an option to assign a percentage of Securities Available Balance and / or Cash Available Balance as the case may be for disclosure to a Broker Clearing Member. However, any such assignment shall not exceed from Securities Available Balance and / or Cash Available Balance.
- 30.7.2 For this purpose, the NCS Client may assign a percentage of Securities and / or cash from Securities and Cash Available Balances to each Broker Clearing Member through a screen made available in UIS to such NCS Client by the Company within the Designated Time Schedule (“DTS”) of NCSS. NCS Client may update such percentage during the Trade Date, however, NCS Client will not be allowed to reduce such percentage for the Trade Date.
- 30.7.3 Securities and Cash Available Balances assigned by an NCS Client as per clause 30.7.2 will be made available to the respective Broker Clearing Member through NCSS. It will be the responsibility of the Broker Clearing Member to obtain and update such Securities Available Balance and / or Cash Available Balances as assigned by NCS Client for the purposes of assigning trading limits and executing trades in the Market.

30.8 NCS Transaction Execution

- 30.8.1 For the purposes of trading in the ready market, odd lot market, NDM and BATS Market, an NCS Client will be required to open an account with a Broker Clearing Member. Accordingly, trades of NCS Clients will be executed by their respective Broker Clearing Members at the Pakistan Stock Exchange in accordance with the rules and regulations of the said Pakistan Stock Exchange.
- 30.8.2 The NCS Clients may after assigning a percentage of the Securities and/or cash from the Securities Available Balance and / or Cash Available Balance as the case may be to the relevant Broker Clearing Member directly proceed to place the orders for the execution of the NCS Transactions through Broker Clearing Member.
- 30.8.3 An NCS Transaction once executed by a Broker Clearing Member in NCSS and received in NCSS as a Locked-in trade, shall be deemed to be a valid transaction that has been duly authorized by the NCS Client and as such shall be automatically affirmed by the Company without seeking any further confirmation from the NCS Client subject to fulfillment of provisions stipulated in Clause 30.9.4.

30.8.4 For the purpose of information of NCS Clients, all such executed transactions will also be made available in the UIS.

30.9 NCS Transaction Initiation and Affirmation Process

30.9.1 NCSS shall facilitate initiation and affirmation of NCS Transactions by the Company in accordance with these Regulations and NCSS Procedures.

30.9.2 An NCS Transactions received in NCSS as Locked-in trade, shall be processed by the Company for affirmation as per Clause 30.8.3 above on the same Trade Date within the specified time as per DTS.

30.9.3 The Company shall not edit the details of such NCS Transactions.

30.9.4 NCS Transactions will be affirmed automatically within the specified time as per DTS subject to fulfillment of the following conditions:

- (a) In case of a net sell position of a Security, net sell quantity of such Security should not exceed the percentage assigned to such Broker Clearing Member by the NCS Client from his Securities Available Balance maintained with the Company; and
- (b) In case of net buy position of a Security and/or difference amount payable by the NCS Client, net buy amount and/or difference amount of such Security should not exceed the percentage assigned to such Broker Clearing Member by the NCS Client from his Cash Available Balance maintained by the Company.

30.9.5 NCS Transactions which are affirmed in accordance with clause 30.9.4 will be settled by the Company through the NCSS in accordance with these Regulations and the NCSS Procedures.

30.9.6 If such initiated NCS Transactions remain un-affirmed/rejected due to non-conformity of the conditions as mentioned in clause 30.9.4 within the specified time as per DTS, NCSS shall automatically drop it during End of Day (EOD) process for further processing. Accordingly, such un-affirmed/rejected transactions shall be settled by the initiating Broker Clearing Member(s) in accordance with these Regulations and the NCSS Procedures.

30.10 Clearing and Settlement

Affirmed NCS Transactions shall be settled under the Balance Order System as prescribed in these Regulations and NCSS Procedures. Accordingly, NCSS will generate Balance Orders in the respective CDS sub-accounts of NCS Clients and generate net payable or receivable settlement obligation that shall be debited or credited from the Company's bank account maintained in the Designated Branch of a Settling Bank on the respective Settlement Date through the existing pay and collect mechanism of NCSS.

30.11 Settlement with NCS Clients

30.11.1 Settlement of Cash Balance

- (a) The NCS Client shall ensure that at all times sufficient cash balance should be maintained with the Company to satisfy all payments due in relation to any purchase of NCSS Eligible Security, settlement of difference amount, relevant commission, taxes, fee, charges and expenses.
- (b) At the time of admission of an NCS Client, the Company shall provide a list of the Company's Settling Banks with account numbers. All deposits by NCS Clients to the Company shall only be made in the provided list of Company's Settling Bank account numbers.
- (c) The NCS Client may deposit cheque, demand draft, pay order and/or any other financial instrument in the account of the Company maintained in the Designated or any Online Branch of the Settling Banks. NCS Client will also be required to provide deposit evidence along with necessary details as determined by the Company from time to time by UIS, facsimile, post, in person or via e-mail in accordance with these Regulations.
- (d) The Company, after due verification of funds credited by respective Settling Bank in the Company's account, will record and enter such funds as deposited by an NCS Client in the NCS System.
- (e) The NCS Client, at the time of admission, will be required to provide its bank account detail to the Company including the name of the bank, branch, account number and/or any other information as required by the Company from time to time.
- (f) The Company, as per the terms and conditions as set-out in the Application Form, shall give credit instructions in the bank accounts of NCS Clients who have fund receivable on Settlement Date as per DTS of NCCPL. Provided that such credit instructions shall only be provided for NCS Clients, who have bank accounts in the online branches of Settling Bank. Where bank account is not maintained by NCS Client in the online branches of Settling Bank or account is maintained with any other bank which is not declared as eligible Settling Bank by the Company, in such case, the Company shall issue a cheque in the name of such NCS Client. Distribution of cheque to such NCS Client will be processed by the Company in person, by post on the mailing address provided by the NCS Client and/or any other method as determined by the Company from time to time.
- (g) For the purposes of withdrawal of funds by an NCS Client from the Company, the NCS Client shall be required to initiate a request through UIS or by written request (on the prescribed format and duly signed by the authorized person) to the Company for release of Cash Available Balance maintained with the Company.
- (h) The Company shall, validate the current Cash Available Balance of such NCS Client. In case of sufficient Cash Available Balance, the Company may release such funds to the NCS Client who has bank account in the online branches of Settling Bank on the next Settlement Date. Where bank account is not maintained by NCS Client in the online branches of Settling Bank or account is maintained with any other bank which is not declared as eligible Settling Bank by the Company, in such case, the Company shall issue a cheque in the name of such NCS Client. Distribution of cheque to such NCS Client will be processed by the Company in person, by post on the mailing address provided by the NCS Client and/or any other method as determined by the Company from time to time.
- (i) In case of deficiency in the Cash Available Balance of the NCS Client requesting the withdrawal, the Company shall reject the request in NCS.

30.11.2 Settlement of Securities

- (a) The Company is authorized to act as the agent of the NCS Client relating to NCSS Settlement of NCS Transactions as well as the registration, withdrawal or collection of Securities, or the exercise of any rights or claims arising from or relating to Securities including (without limitation) dividends, rights issues or other corporate actions.
- (b) The NCS Client shall ensure that at all times, sufficient Securities should be maintained with the Company to satisfy all obligations due in relation to any sale of NCSS Eligible Security.
- (c) For the purposes of free delivery in CDS, pledge, withdrawal of Security or any other transaction, allowed as per Procedures, by an NCS Client from the Company, the NCS Client shall be required to initiate request by UIS or through written request (on the prescribed format and duly signed by the authorized person) and, where required, submit necessary documentation to the Company in accordance with the CDC Regulations.
- (d) The Company shall then validate the current Securities Available Balance of such NCS Client. In case of sufficient Securities Available Balance, the Company may perform free delivery, pledge and/or withdrawal of Security as the case may be through the respective sub-account of NCS Client maintained with the Company in accordance with the CDC Regulations.
- (e) In case of deficiency in the Securities Available Balance of such NCS Client, the Company shall reject the request in UIS or by a written reply.
- (f) The NCS Client may transfer Securities in the CDS sub-account maintained with the Company. Accordingly, Securities Account of such NCS Client may be updated in accordance with DTS subject to the confirmation from CDS as per the mechanism agreed with CDC from time to time.

30.12 Suspension or Termination of NCS Client

- 30.12.1 An NCS Client may, at any time, close its account maintained with the Company by informing the Company in writing. The Company shall close its account, subject to settlement of unsettled affirmed NCS Transactions, fees, costs, expenses and CGT and/or any other charges and amounts due from the NCS Client to the Company.
- 30.12.2 The CDS sub-account of an NCS Client will not be closed prior to withdrawal/transfer of Securities by the NCS Client. Moreover, the CDS sub-account of NCS Client will not be closed if Securities are in a pledge position, no corporate action is pending at that point of time in connection with any Securities and/or any conditions applied in CDS.
- 30.12.3 The Company may at any time by giving notice to the NCS Client suspend or terminate the services provided pursuant to these Regulations until further notice. Any such suspension or termination shall not affect any right or liability in respect of services already provided by the Company prior to the suspension or termination. These terms and conditions will continue to apply until all outstanding NCS Transactions have settled and the outstanding amounts and liabilities have been paid in full by the NCS Client.
- 30.12.4 The NCS Client shall forthwith be terminated upon the death of the NCS Client but all acts to be performed by the Company, shall be valid and binding upon the successors in title or permitted assigns of the NCS Client.

30.12.5 On termination by either party, the Company shall be entitled to receive from the NCS Client all fees, costs, charges, taxes, expenses and liabilities accrued or incurred under these Regulations including any additional expenses or losses reasonably and properly incurred in terminating NCS Client.

30.13 Return on Cash Balances

The Company shall provide return to NCS Clients on the cash balances maintained with the Company at the rate paid by its Settling Bank after retaining service charges as determined by the Company from time to time.

30.14 Reports and Statements

The Company will make available to the NCS Clients on a daily basis:

1. Cash ledger that will record all financial (debit & credit) transactions in the cash balance maintained with the Company by each NCS Client and respective NCS Client can view activity therein through UIS.
2. Securities ledger that will record all in and out transactions in the securities balance maintained with the Company by each NCS Client and respective NCS Client can view activity therein through UIS.
3. Any other information in respect of NCS Transactions to an NCS Client in UIS in the format prescribed by the Company from time to time.

30.15 Fee and Charges

The Company shall collect prevailing fee and charges from all NCS clients in accordance with Fees, Charges and Security Deposit Schedule as mentioned in these Regulations.

30.16 CGT Collection/Refund

The Company in accordance with these Regulations shall collect or make refunds of CGT to NCS Client as per the manner prescribed and notifies to the NCS Client from time to time.

30.17 Liability and Indemnity

30.17.1 In the event of fraud, negligence or default by an NCS Client and/or Broker Clearing Member, neither the Company nor any of its officers, employees shall be liable to the NCS Client and/or concerned Broker Clearing Member for any loss suffered by the NCS Client and/or Broker Clearing Member arising out of any act or omission in relation to NCS.

30.17.2 The Company shall not be responsible for validating the authenticity or accuracy of any such NCS transactions and shall automatically process them for affirmation and subsequent settlement subject to the percentage assigned by the NCS Client to such broker from his Cash Available Balance or Securities Available Balance as the case may be. The Company shall not be a part of any dispute arising on account of execution of NCS Transaction between a Broker Clearing Member and an NCS Client. All such disputes shall be dealt with in accordance with the relevant Rules, Regulations of the Pakistan Stock Exchange.

30.17.3 In terms of Clause 30.5 and 30.6, the Company shall have absolute discretion to determine whether or not to accept any instructions as to any transactions in Securities or Cash Available Balance given pursuant to these Regulations and the Procedures by the NCS Client. The Company shall not be held liable for the consequences of any such refusal or delay unless caused by the error, omission, negligence, fraud or willful default of the Company.

30.17.4 With respect to Clause 30.7.2 and 30.7.3, the Company shall not be responsible for any delay, failure, error, interruption or suspension in the transmission or communication of information, or the mistaken receipt of any instructions by an NCS Client unless caused by negligence, fraud or willful default of the Company.

30.17.5 In terms of Clause 30.12.1;

- (a) If the Company for any reason whatsoever fails to receive payment for all or any part of any amount due to be paid to the NCS Client in accordance with these Regulations, the Company's obligation to make payment to such NCS Client shall, subject to the default management procedures in accordance with the Regulations, be limited to the amount or payment actually received by the Company.
- (b) The Company reserves the right to debit or credit the NCS Client account if it has been inadvertently or through inadvertence, mistake or an error credited or debited by the Company.

30.17.6 In terms of Clause 30.12.2:

- (a) Where the Company requires a response and/or necessary document from the NCS Client within a specified time frame failure to respond within such specified time frame may result in the Company being unable to implement the NCS Clients instructions
- (b) If the Company for any reason whatsoever fails to receive Securities for all or any part of any Security due to be delivered to the NCS Client in accordance with these Regulations, the Company's obligation to deliver Security to such NCS Client shall subject to the default management procedures in accordance with the Regulations, be limited to the amount or payment and/or quantity of Security actually received as the case may be, by the Company.

30.17.7 In particular, the NCS Client shall be subject to the following provisions:

- (a) It shall be liable to the Company for all obligations to be performed by the Company in respect of NCS conducted by the Company as agent for and on behalf of the NCS Client.
- (b) The Company shall not be responsible for any failure, delays, errors or inaccuracies in the transmission or communication of instructions to NCS Client or Broker Clearing Member by UIS and NCSS due to the breakdown or failure of transmission or communication facilities or to any other cause or causes beyond its reasonable control.
- (c) The Company shall not be responsible for any failure, delays, errors or inaccuracies in the transmission or communication of information from any Stock Exchange and/or CDC due to the breakdown or failure of transmission or communication facilities or to any other cause or causes beyond its reasonable control.

- (d) The Company shall not be liable to the NCS Client for or in respect of any losses or failure to comply or delay in complying with its obligations under these Regulations which is caused directly or indirectly by Force Majeure or any other causes, event or circumstances beyond the Company's reasonable control.
- (e) Where instructions are given through UIS, the Company has no responsibility for any delay, failure, error, interruption or suspension in the transmission or communication of instructions or information or the mistaken receipt of any instructions by NCS Client or the Broker Clearing Member.

- 30.17.8 Prior to giving instructions to transfer any Securities from Securities Available Balance, the NCS Client will provide the necessary documents to the Company as required by the Company from time to time where applicable. The NCS Client shall be responsible for any delays, expenses and losses caused due to restrictions on the transfer of Securities in accordance with applicable rules and regulations.
- 30.17.9 The NCS Client acknowledges that it will be responsible to the Company for any loss, costs, fees, CGT and/or any expenses in connection with failure to meet his obligations in accordance with these Regulations. Further, the Company has the authority to liquidate the Securities Available Balance or debit the Cash Available Balance to recover any charges, cost, loss, fee or taxes related to the NCS Transactions. However, any such disposal or debit shall be limited to the amount outstanding on account of such charges and shall be made after giving the NCS Client two weeks time to settle the obligation.
- 30.17.10 In case of non-affirmation of NCS Transaction by the Company in accordance with these Regulations, neither the Company nor its directors, officers or employees shall be liable for any losses, damages, costs or expenses suffered or incurred by the NCS Client or Broker Clearing Member as the case may be.
- 30.17.11 The Company nor its directors, officers or employees shall be liable for any losses, damages, costs or expenses suffered or incurred by an NCS Client and/or Broker Clearing Member as a result of any act or omission of the Company (in its capacity as agent or otherwise), its directors, officers and employees as the case may be except those resulting from negligence, willful default or fraud.
- 30.17.12 The NCS Client acknowledges that subject to these Regulations the Company and its directors, officers and employees' liability for any losses, damages, costs or expenses suffered or incurred by an NCS Client and/or Broker Clearing Member as a result of any act or omission of the Company (in its capacity as agent or otherwise), its directors, officers and employees is excluded to the maximum extent permitted by the law.
- 30.17.13 The NCS Client shall comply with all these Regulations, applicable laws, rules and regulations of Stock Exchange and CDC where applicable. In case of any non-compliance, it and/or respective Broker Clearing Member shall be responsible to the Company, Stock Exchange, the Commission or any other entity as the case may be.

NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED
FEE, CHARGES AND DEPOSITS SCHEDULE

NOTIFICATION
Karachi, July 1, 2017

In exercise of the powers conferred by Regulation No. 3.6 of NCCPL Regulations, the National Clearing Company of Pakistan Limited has made with the prior approval of the Securities and Exchange Commission of Pakistan, the following amendments(s) in Fee, Charges and Deposits Schedule which shall come into force on approval by the Commission.

The following changes have been made in the Fee, Charges and Deposits Schedule. Accordingly, the amendments have been incorporated in the Fee, Charges and Deposits Schedule.

SCHEDULE OF FEE AND CHARGES							
S. No.	NAME	Revised Rate		BASIS	LEVIED ON	COLLECTION	
		Retail Sector **	Corporate Sector *			TIME	MODE
1	Trade Fee						
a.	Regular Market Fee (Please refer Note B)	1.70	2.00	Per Rs. 100,000 value of trade	Clearing Member	Monthly	Through NCSS Pay & Collect
b.	Non- Deliverable Future Contract Fee	0.81	0.81				
c.	Deliverable Future Contract / provisionally listed companies market fee	1.70	2.00				
d.	NDM Fee	1.00	2.00				
e.	Reporting Fee for un-listed TFCs	1.00	2.00				
f.	Odd Lot Market Fee	2.00	2.00				
g.	Trade For Trade Settlement Fee	2.00	2.00				
h.	SECP fee- Regular Market	0.30	0.30				
2	Non-Exchange Transaction Fee:						
a.	IDS transaction fee- NBCM	NA	2.50	Per Rs. 100,000 value of transaction	Clearing Member	Monthly	Through NCSS Pay & Collect
b.	RMS fee on IDS (Please refer Note C)	NA	1.00				
c.	IDS transaction fee - CCM	NA	5.00				
d.	IBD transaction fee - CCM	NA	2.50				
e.	Non-affirmed/rejected auto initiated IDS transaction charges	NA	500	Non-affirmed/rejected auto initiated transaction between BCM & NBCM on the basis of per CM, per scrip and per day.			
3	Fixed Fee						
a.	IDS Facility Fee -(Please refer Note D)	NA	30,000	Monthly tariff	Non-Broker Clearing Member / Custodian Clearing Member	Monthly	Through NCSS Pay & Collect
b.	UIN Maintenance Fee- Individual	Rs 150	NA	Per UIN Record --- Client Code Wise	Clearing Member	Annually	
c.	UIN Maintenance Fee- Corporate	NA	2,500		Non-Broker Clearing Member		
d.	UIN Maintenance Fee- NBCMs	NA	5,000		Non Broker Margin Financier		
e.	MF Annual Fee	NA	100,000	Annual Fee	Non Broker Trading Financier		
f.	MT Annual Fee	NA	250,000				

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g.	SLB Annual Fee	NA	250,000		Non Broker SLB Participant		
h.	Settling bank fee	NA	100,000	Per branch	Settling bank	Monthly	P. O. / Draft / Cheque
i.	Additional Terminal Fee	10,000	10,000	Per terminal	Clearing Member	Annually	Through NCSS Pay & Collect
j.	Minimum annual fee per CM	50,000	50,000	If total fee is below Rs. 50,000			
4	Contribution towards Settlement Guarantee Fund						
a.	Regular Market	0.22	0.22	Per Rs 100,000 value of trade	Clearing Member	Monthly	Through NCSS Pay & Collect
b.	Non- Deliverable Future Contract	0.31	0.31				
c.	Deliverable Future Contract / provisionally listed companies market	0.31	0.31				
d.	Odd Lot Market	0.31	0.31				
e.	SLB Transactions	0.10	0.10	Per Rs 100,000 value of SLB Transaction multiplied by No. days of SLB Contract	SLB Participants		
5	Leveraged Market Fee						
a.	MT Transaction Fee	1.50	1.50	Per Rs. 100,000 value of MTS / MFS / SLB Transaction multiplied by No. days of respective contracts	Trading Financier and Finantee	Monthly	Through NCSS Pay & Collect
b.	RMS fee on MT Transaction	0.75	0.75		Trading Financier		
c.	MF Transaction Fee	0.75	0.75		Clearing Member		
d.	MF Transaction Fee - Spot financing	1.50	1.50		SLB Participants		
e.	SLB Transaction Fee	1.00	1.00		Authorized Financier, Finantee and SLB Participants		
f.	SECP Levy	0.19	0.19				
6	Fixed Annual CGT Fee for local investors according to values of trades and transactions used for computation and determination of CGT as follows:						
a.	- Traded values less than Rs.100, 000	0	0		Clearing Member	Half Yearly	Through NCSS Pay & Collect
b.	- Traded values from Rs. 100,000 and less than Rs. 5 Million	240	240				
c.	- Traded values from Rs. 5 Million and less than Rs. 10 Million	360	360				
d.	- Traded values from Rs. 10 Million and less than Rs. 50 Million	600	600				
e.	- Traded values from Rs. 50 Million and less than Rs. 100 Million	1,800	1,800				
f.	- Traded values from Rs. 100 Million and less than Rs. 500 Million	5,000	5,000				
g.	- Traded values from Rs. 500 Million and less than Rs. 1 Billion	20,000	20,000				
h.	- Traded values from Rs. 1 Billion and less than Rs. 5 Billion	30,000	30,000				
i.	- Traded values Rs. 5 Billion and above	50,000	50,000				
7	Fixed Annual CGT Fee for Foreign Institutional Investors (FIIs) according to values of trades and transactions used for computation and determination of CGT as follows:						
a.	- Traded values less than Rs.10 million	5,000	5,000		Clearing Member	Half Yearly	Through NCSS Pay & Collect
b.	- Traded values from Rs. 10 Million and	10,000	10,000				

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	less than Rs. 100 Million						
c.	- Traded values from Rs. 100 Million and less than Rs. 500 Million	50,000	50,000				
d.	- Traded values from Rs. 500 Million and less than Rs. 1 Billion	100,000	100,000				
e.	- Traded values Rs. 1 Billion and above	200,000	200,000				
8	Fixed Annual CGT Fee for different categories of unit holders of funds or schemes for computation and determination of CGT as follows: Individual Investors with investment below Rs.100,000 Individual Investors with investment of Rs.100,000 and above Corporate investors	Rate of CGT in Rupees NIL 240	 1,000		Asset management Companies	Half Yearly	Through NCSS Pay & Collect / Cheques as applicable
9	Transaction Value for NCS Clients.						
a.	- Transaction Values are upto Rs. 100,000/-	0.05%	0.05%	Value of NCS Transactions	NCS Client	Monthly	Through NCSS Pay & Collect
b.	- Transaction Values are between Rs.100,001 to Rs. 500,000/-	0.075%	0.075%				
c.	- Transaction Values are above Rs. 500,000/-	0.10%	0.10%				
d.	Admission Fee (Note E)	1,000	1,000	At the time of Admission		On receiving application form	P.O. /Draft/Cheque
e.	Other Charges			As applicable to client		As and when applied	Through NCSS Pay & Collect
10	IBFT Transaction Fee						
a.	- Transaction value upto Rs. 500,000	250	250	On the value of transaction	Clearing Member	Monthly	Through NCSS Pay & Collect
b.	- Transaction value between Rs. 500, 001 and 10,000,000	500	500				
c.	- Transaction value of Rs 10,000,001 and above	1,000	1,000				
11	Other fee & charges						
a.	Fee for using settling bank other than the main designated settling bank.	500	500	Per request by clearing member	Clearing Member	Monthly	Through NCSS Pay & Collect
b.	Late/non Delivery charges - BO	0.50%	0.50%	Value of failed delivery - Min Rs 2,000			
c.	Non Delivery charges - BATS	1.00%	1.00%	Value of failed delivery - Min Rs.10,000			
d.	Square-up Charges - BO	1.00%	1.00%	Value of failed delivery - Min Rs 4,000			
e.	Square-up Charges - BATS	2.00%	2.00%	Value of failed delivery - Min Rs 20,000			
f.	Delayed Payment Charges	0.50%	0.50%	Failed money obligation - Min Rs 2,500 Max Rs 200,000			
g.	Documentation Fee	5,000	5,000	Per request by CM	Clearing Member		

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h.	Service charges on cash deposits as margins etc.	1.50%	1.50%	Calculated on the Exposure Margin, MtM Losses and other margins	Payable to Clearing Member	Monthly	Through NCSS Pay & Collect
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SCHEDULE OF DEPOSITS					
S No.	NAME	RATE	BASIS	COLLECTION	
				TIME	MODE
1.	Security Deposit from Broker CM	Rs.200,000	One time fixed, per Exchange memberships	On signing of agreement	P. O. / Draft/ Cheque
2.	Security Deposit from Broker CM	Rs.100,000	One time fixed for BTB / MF facility	On receiving request letter	
3.	Security Deposit from Non-broker CM for allowing IDS functionality on Regular Market Trades	Rs. 2,500,000	One time fixed	On signing of agreement	
4.	Security Deposit from Non-Broker Margin Financier for MF	Rs. 250,000			
5.	Security Deposit from Non Broker Trading Financier	Rs. 250,000			
6.	Security Deposit from Custodian Clearing Member	Rs. 500,000			
7.	Market wise Basic Deposit requirement from Broker Clearing Members:		One time fixed for such Markets		P.O./Draft/Cheque for all markets
	a. Deliverable Future Contracts Market	Rs. 1,000,000		Rs. 500,000 within 30 day Notice period from the date of approval of amendments to this Schedule and remaining Rs. 500,000 within 90 day Notice period from the date of approval of amendments to this schedule	
	b. Ready Delivery Contract or Ready Market Contract /Odd-lots Market	Rs. 200,000		On signing of agreement	
	c. provisionally listed companies market	Rs. 100,000 per security		On signing of agreement	
	d. Stock index option Market	Rs. 25,000		On signing of agreement	
Note: Basic Deposit of Broker Clearing Members in sub-clauses (b), (c) and (d)of clause (7) of this Schedule as maintained by the Pakistan Stock Exchange shall be transferred by the Pakistan Stock Exchange to the Company in order to discharge Basic Deposit requirements of respective Broker Clearing Members.					

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- Note A
- IDS = Institutional Delivery System.
 - CM= Clearing Member.
 - BCM= TREC Holder of Stock Exchange.
 - NBCM= not a TRE Certificate Holder of Stock Exchange.
 - RMS = Risk Management System
 - SLB = Securities Lending & Borrowing
 - MF= Margin Financing
 - MT= Margin Trading
 - IBFT=Interbank Fund Transfer facility
- Note B
- Re. 0.11 of the Regular Market Fee shall be transferred to Settlement Guarantee Fund.
- Note C
- One half of RMS fee on IDS (as defined in S. No 2.b.) shall be transferred to Settlement Guarantee Fund.
- Note D
- 30% of monthly fee on IDS Facility Fee (as defined in S. No 3.a.) shall be transferred to Settlement Guarantee Fund.
 - 20% of monthly fee on IDS Facility Fee (as defined in S. No 3.a.) shall be charged as SECP Levy.
- Note E
- Admission Fee will not be charged for first 6 months from the date of NCS implementation.
- * Corporate Sector includes Banks / DFIs, NBFC, foreign companies & individuals, Mutual Funds and other corporate companies; and
- ** Retail Sector comprises Individuals, Brokers, overseas Pakistanis and other similar investors.