

NATIONAL CLEARING COMPANY

OF

PAKISTAN LIMITED

REGULATIONS

NCCPL Regulations updated on January 25, 2012

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NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED**NOTIFICATION**

Karachi, the 26 February, 2008

**THE NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED REGULATIONS,
2003**

Whereas, the National Clearing Company of Pakistan Limited (“Company”) has been formed under the authorization of the Securities and Exchange Commission of Pakistan;

And whereas, the Company has established a national clearing and settlement system (“NCSS”);

And whereas, the Company made and notified the National Clearing and Settlement System Regulations in 2001 (“2001 NCSS Regulations”) for regulating the affairs of the Company, the NCSS and the persons who are admitted as Clearing Members under the NCSS Regulations;

And whereas, the 2001 NCSS Regulations were made by the Company pursuant to paragraph (6) of Clause III of its Memorandum of Association;

And whereas the Company intends to establish Margin Trading System, Margin Financing System to provide funding system at the national level.

And whereas the Company intends to establish Securities Lending and Borrowing System for lending and borrowing of SLB Eligible Securities at the national level.

And whereas, Regulation 22.1 of the 2001 NCSS Regulations permits the Company to make amendments to, including additions to or deletions from such Regulations, and the said paragraph (6) of Clause III of the Memorandum of Association of the Company permits the Company to make any new, amended or additional Regulations;

And whereas, in exercise of its aforesaid powers, based upon the changes and modifications proposed in the services provided by the Company, the Company has decided to revise and substitute the 2001 NCSS Regulations by these new Regulations.

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 2003.

1.2 Commencement

- 1.2.1 These Regulations shall come into force as of the date of approval of these Regulations by the Securities and Exchange Commission of Pakistan and shall substitute the 2001 NCSS Regulations as of that date. Such date shall be notified in the Gazette of Pakistan.

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 any thing 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.
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 and/or sub account maintained, as the case may be, 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 NCCS based on Clearing Member wise, UIN wise and corresponding CDS house/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.
Blocked Status	where any Securities are delivered to main, house 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 member 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
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.
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	the cash, margin eligible securities, eligible term finance certificates, bank guarantees and/or irrevocable undertakings deposited by a NCC Participant with the Company under these Regulations as security for the Exposure Margins, special margins and Mark-To-Market losses of such NCC Participant.
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	<p>means the excess of the amounts payable by the Company to a Clearing Member on account of Securities movements, and other cash settlements over:</p> <ul style="list-style-type: none">(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	<p>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.</p>
Data Base Tables	<p>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.</p>
Debit Balance	<p>means:</p> <ul style="list-style-type: none">(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. <p>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.</p>
Debt Market Clearing Member	<p>means a NCC Participant who meets the eligibility criteria as stipulated in these Regulations and has been admitted by the Company when acting as Broker Clearing Member or as Non-Broker Clearing Member, as the case may be for the settlement of Debt market trades.</p>
Default Management Committee	<p>means the committee described in Regulation 13.4.6 of these Regulations.</p>
Designated Branch	<p>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 such Settling Bank.</p>

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 Stock Exchange and/or on UTS and is received in NCSS as a locked-in trade contract for clearing and settlement through NCSS.
Fees, Charges and Security Deposit Schedule	means such Fees, Charges and Security Deposit Schedule for the 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.
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 Karachi Stock Exchange on the trade day of that Stock Exchange on which there were trades on such Stock Exchange in such Security. If there were no trades in such Security on the Karachi Stock Exchange or the Security is not listed on that Stock Exchange, the last trade price on the trade day of the Security traded on UTS. If there were no trades in such Security on UTS or the Security is not listed on UTS, the last trade price on the trade day of the Security on Lahore or Islamabad Stock Exchanges, in that order, 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.
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 in terms of the Fees, Charges and Security Deposit 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 Clearing and Settlement Fund	means the clearing and settlement fund established by the Company pursuant to Rule 12 of the Clearing Houses (Registration and Regulation) Rules, 2005 by a Trust Deed dated November 15, 2006 made between the Company, of the one part, and the trustees named in the said Trust Deed, of the other part, in whom (and in the trustees for the time being of the said Trust Deed) the NCC Clearing and Settlement 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.
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).
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) a broker to broker transaction, as per the Procedures, which is not effected on a Stock Exchange and is initiated by a Clearing Member, who is a member of a Stock Exchange, based on an Exchange trade; or

- (ii) 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 member 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 member or a non-member 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.

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

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

Report

means any of the reports whose parameters are prescribed in the Procedures from time to time.

Registration Details	<p>means:</p> <p>(a) in respect of an individual:</p> <ul style="list-style-type: none">(i) the name;(ii) the address; and(iii) CDC Account number. <p>(b) in respect of a company or other body corporate:</p> <ul style="list-style-type: none">(i) the name;(ii) the registered/Head Office address; and(iii) CDC Account number. <p>and includes such other Registration Details as may be prescribed by the Board.</p>
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 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.”
Stock Exchange	means a stock exchange registered under the Securities and Exchange Ordinance, 1969 (XVII of 1969).
System Price	means the last trade price of a Security on the Karachi Stock Exchange on the immediate preceding Business Day of that Stock Exchange on which there were trades on such Stock Exchange in such Security. If there were no trades in such Security on the Karachi Stock Exchange or the Security is not listed on that Stock Exchange, the last trade price on the immediate preceding Business Day of the Security traded on UTS. If there were no trades in such Security on the UTS or the Security is not listed on UTS, the last trade price on the immediate preceding Business Day of the Security on the Lahore or Islamabad Stock Exchanges, in that order, 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 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	means Stock Exchange member code issued by a Stock Exchange to their respective members.
Tripartite Agreement	means 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 whereunder 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 whereunder 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 by NCSS based on Clearing Member wise, UIN wise and corresponding CDS house/sub-account wise and main account wise in accordance with the conditions applicable under Regulations 10A.1 of the Chapter 10A of these Regulations.

Unified Trading System (UTS)	means a trading system based on a common platform established by Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE) for execution of orders by their members and for the purpose of this definition UTS shall be the Unified Trading System as defined in the relevant UTS Regulations.
Unique Identification Number (UIN)	<p>for the following client types of a Broker Clearing Member means:</p> <ul style="list-style-type: none">(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 / foreign asset management company / international broker dealer – Registration number issued by the concerned authority in the country of incorporation or registration of the foreign institutional investor / foreign asset management company / international broker dealer placing the order with an alphabetical prefix or suffix attached to such number by the Company;(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	means the Database Tables in NCSS for UIN Mapping available to the Commission and to every 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: <ul style="list-style-type: none"> (i) Client name; (ii) Applicable UIN; (iii) Client Code/Client ID issued by a Broker Clearing Member; (iv) Client Type; and (v) CDS house 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 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 and/or sub-account number means the CDS house 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 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 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

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, 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) 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 Security Deposit

- 3.6.1 The Board shall, with the prior approval of the Commission, make a Fees, Charges and Security Deposit 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 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, whereafter, (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, any 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), 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.

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 Stock Exchanges 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) member 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, mutual fund of any kind constituted under the said Rules or any trustee appointed with the approval of the Commission pursuant to the said Rules which has been allocated minimum short term credit rating of A3, provided that in case of a mutual fund which has not been allocated minimum short term credit rating of A3, the said requirement as to credit rating of A3 shall be deemed to have been satisfied if the asset management company managing such mutual fund has been allocated minimum short term credit rating of A3, provided further that where such asset management company has not been allocated minimum short term credit rating of A3, this requirement shall be deemed to have been satisfied for a period of one year in the case of a new asset management company if the principal sponsor of the asset management company has been allocated 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) 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 members 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 member of a Stock Exchange(s), 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 member of a Stock Exchange(s), 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 and Security Deposit as specified in the Fees, Charges and Security Deposit 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 managership 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 member 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 member; 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 member 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 member;
 - (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.

5.7.2 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, and
 - (ii) it has been allocated minimum short-term credit rating of A3;

- (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 NCSS Procedures 2001 and NCSS Procedures 2003 prior to the insertion of this Regulation in these Regulations shall continue to remain as Settling Banks as if admitted as Settling Banks under these Regulations provided that such Settling Banks shall have minimum short-term credit rating of “A3” and that such 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, the twenty-third (23rd) Business Day from the SLB Transaction Date 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.

Risk Meter	means a computer application as applicable in Karachi Stock Exchange for calculation of VaR margins.
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 a contract between the Lender and the Borrower for lending and borrowing of SLB Eligible Securities which is a combination of a SLB Transaction and a SLB (R) Transaction , wherein SLB (R) Transaction will either be initiated on the Maturity Date automatically or on the Accelerated Maturity Date upon the initiation of the Borrower.
SLB Contract Price	means the product of applicable Premium specified in the Bid, the SLB Transaction Value and SLB Contract Period.
SLB Contract Period	means the period lapsed from (and including) the SLB Transaction Date until and including the SLB (R) Transaction Date. <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 defaulter 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.
Special Margins	means the margins as prescribed under Regulation 7A.5.5 (<i>Special Margins required from the Borrower</i>) of these Regulations.
Spot Period	means the trading periods prior to the commencement of book closure date, as notified by the stock exchange(s) from time to time.

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 Regulation 7A.5.1;
- (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) 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 the relevant Stock Exchange and CDC for suspension or termination of membership of the 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

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

7A.3.3 Interim Review

The satisfaction of criteria described in clauses 1 through 3 of Regulation 7A.3.2 (Eligibility Criteria) above are subject to 45 days review and any security which does not meet any of these criteria 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 every six months and such review shall be undertaken before the end of such duration and shall be based upon the data of last six months made available by the relevant Stock Exchange. 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. However, 50% 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. In such case, 50% 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 50% 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 in accordance with the procedures.

7A.4.8 Forced Release

All SLB Contracts shall be force released on the working day before the start of a Spot Period relating to the SLB Eligible Security.

7A.4.9 Functions of the Company

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.

7A.4.10 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.

7.4.11 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.4.12 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.4.13 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 8% per annum.

7A.5. Risk Management**7A.5.1 Capital Adequacy Requirements**

1. The minimum net capital balance for SLB Participants which are Broker Clearing Members shall be the higher of the amount prescribed in Section 3(b) of the Securities and Exchange Rules, 1971 or any other amount as may be specified by the relevant Stock Exchange from time to time.
2. The aggregate Exposure of each SLB Participant who is a Broker Clearing Member, (including outstanding Positions on all Markets and the SLB market) shall not exceed 25 times of its net capital balance.
3. The aggregate Exposure of each SLB Participant who is a Broker Clearing Member in respect of SLB Market shall not exceed 5 times of its net capital balance.
4. The Company shall monitor the net capital balance of each SLB Participant who is a Broker Clearing Member on a pre-trade basis.

7A.5.2 Separate Markets

All Markets are separate Markets and accordingly, no netting shall be allowed between and/or among these Markets.

7A.5.3 Approved Collaterals

Cash shall be the only acceptable collateral against any margin and Marked-to-Market Losses requirement under these Regulations.

7A.5.4 Exposure and Margins

1. Security-wise and client-wise exposure of each SLB Participant will be calculated by the Company at any point in time, subject to the applicable netting rules as prescribed by these Regulations.

2. All trades in any SLB Eligible Security shall be subject to the margin requirements prescribed in these Regulations or such other additional margins as the Company may prescribe from time to time in addition hereto, with the prior permission of the Commission.
3. The VaR based margins for each SLB Eligible Security shall be calculated by the Company applying VaR Estimates calculated by the Risk Meter at the end of each trading day.
4. 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 from the Borrower till settlement of SLB (R) Transaction. However, 50% of the SLB Transaction Value held by the Company on the Borrowed Securities shall be treated as exposure margin of the respective Lenders till settlement of SLB (R) Transaction.
5. (a) The exposure margins shall be deposited by a SLB Participant 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 trading day.

(b) Exposure margins deposited by a SLB Participant under these Regulations must be kept separate by the Company, segregated from margins of all other Markets. Such SLB related margins will be utilized for the benefit of SLB Participants only in the event of default.
6. Margins payable by a SLB Participant under these Regulations will be accepted by the Company only in the form of cash.
7. No netting such 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.

7A.5.5 Marked-to-Market Losses

1. Marked-to-Market Loss shall be calculated, separately for each SLB Eligible Security, for each SLB Participant on the basis of the Closing Price.
2. The obligation of the SLB Participants to deposit their respective Marked-to-Market Losses shall commence from the SLB Transaction Date and shall continue till such time that SLB Transaction is settled. Thereafter, Marked-to-Market Losses shall be collected from the SLB Participants on SLB (R) Transaction till the settlement date of such SLB (R) Transaction. However where Marked-to-Market Losses are payable by a Lender, such Lender shall pay such Marked-to-Market Losses on 50% of the SLB Transaction Value.
3. Marked-to-Market 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 trading day but not later than prior to opening of trading on the next day.

4. While determining the Marked-to-Market 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.
5. Deposit against Marked-to-Market Losses will be accepted by the Company in the form of cash only.

7A.5.6 Special Margin required from Borrower

1. Special Margin shall be payable on daily basis only where the average transaction price of the Borrower's proprietary position or his client's position in a SLB Eligible Security in SLB Market is different from 26 weeks moving average price of that SLB Eligible Security in the Ready Market.
2. In case where the average transaction price of a Borrower's proprietary position or his client's position in a SLB Eligible Security in SLB Market is less than the 26 weeks moving average price of that SLB Eligible Security in the ready market by more than 10% then special margins shall be payable equal to the difference between average transaction price of the gross sell position of such Borrower (including proprietary and client positions) and 26 weeks moving average price of that SLB Eligible Security in the ready market.

7A.5.7 Position Limits

1. Position of SLB Participants shall not exceed the following:

Market wide position limit	20% of free-float for each SLB Eligible Security
Member wide position limit	2% of free-float of the SLB Eligible 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. Each SLB Participant's Position in a SLB Eligible Security at any point in time shall comprise of all outstanding SLB (R) Transactions.

7A.5.8 Lien on Deposits

The monies, SLB Eligible Securities and other assets deposited by a SLB Participant by way of exposure margins, Special Margins and Marked-to-Market Losses under these Regulations shall be subject to a first and paramount lien and pledge of the Company, with a right of sale and set off in each case in accordance with these Regulations, for any sum due to the Company by such SLB Participant and for the proper and punctual performance of such SLB Participant's engagements, obligations and liabilities arising out of or incidental

to any SLB Contract and other contracts made subject to these Regulations or anything done in pursuance thereof.

7A.5.9 Obligation of SLB Participant to collect margins from their clients

1. SLB Participants taking exposure in SLB Market under these Regulations shall collect margins from their respective clients in accordance with the rates prescribed by the Company based on VaR estimates. Such prescribed margins shall be the minimum margins that must be collected by the SLB Participants from their respective clients while taking exposure on behalf of such client.
2. The collection of any type of margin by a SLB Participant from its client(s) shall be the sole responsibility of such SLB Participant; nevertheless any failure of the client to pay such margin shall not affect the obligation of the SLB Participant to pay such margin to the Company.

7A.5.10 Withdrawal or Release of Collateral

On submission by a SLB Participant of written request, duly signed by an authorized person, the Company may release any Collateral held against the Collateral requirement of such SLB Participant, provided that such release of Collateral shall not create any deficiency in the value of the Collateral required to be deposited by such SLB Participant with the Company in terms of this Chapter.

7A.5.11 Suspension/Default

Where a SLB Participant fails to deposit any margin, Marked-to-Market Losses or special 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 Marked-to-Market Losses and where applicable, Special 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.

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 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 Margin Financier 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.

Financing Participation Ratio ("FPR") means the ratio between the minimum equity participation required to be paid by the Margin Financier for the purchase of each MF Eligible Security and the MF Transaction Value. For this purpose, the minimum equity participation for each MF Transaction shall be 25% of MF Transaction Value or VaR Estimate of the relevant MF Eligible Security, whichever is higher.

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 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, pursuant to this Chapter of these Regulations.
MF Participant	means a Margin Financier or a Margin Finnee 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 bilateral agreements between the relevant MF Participants as counter-parties 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 Finnee 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 Finnee 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 Finnee	means a Broker 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 Broker 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 Financee 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.
Spot Period	means the trading periods prior to the commencement of book closure date, as notified by the stock exchange(s) from time to time.

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 member 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 membership under the respective regulations, rules and procedures governing their admission to the relevant stock exchange(s);
2. has no action, pending in any court, which might materially and adversely affect such Broker Clearing Member's membership, or no such action has been initiated by the concerned stock exchange(s) 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 Finances 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 the relevant Stock Exchange and CDC for suspension or termination of membership of 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.

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 the relevant 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 every six months and such review shall be undertaken before the end of such duration and shall be based upon the data of last six months available at the relevant stock exchange. 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 agree terms and conditions thereof. For this purpose, MF Participants shall execute an agreement in accordance with the Rules and covering matters such as:
 - 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) treatment of corporate actions; and
 - i) 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 the Stock Exchange.
 4. The Margin Finanee 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 Finanee including the default on any margin call made by the respective Margin Financier.

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 Finanee, 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 only 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 member-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 Finanee. The net purchases shall not include purchases that are financed in the MT Market.
3. Based on the above net purchases calculated by the Company as provided in paragraph 2 above, the Margin Finanee 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 Finanee and transmitted to Margin Financier within Designated Time Schedule. Provided that a Broker Margin Financier cannot provide Margin Financing to any member of the same Stock Exchange, whether or not such member is a Margin Finanee.
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 Financier 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 Financier 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) Member-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, member-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 Financier on the respective Settlement Date. Upon settlement, all the Margin Financed Securities shall be delivered to the CDC account of the respective Margin Financier in Blocked Status.
2. If a Margin Financier does not receive the Margin Financed Securities in its CDC account in 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 in 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 financee 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 Financee will have no obligation with regard to such MF (R) Transaction.

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

1. An MF(R) Transaction can be initiated by a Margin Financee with his 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 member-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, such transactions shall be settled directly between the relevant MF Participants outside the NCSS. In such case, Margin Financed Securities shall be unblocked from the Blocked Status of relevant Margin Financier and shall be transferred automatically in available status in CDC account of such Margin Financee or sub-accounts of its clients, as the case may be.
3. Initiating Margin Financee 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 Blocked Status and transferred from the CDC account of the Margin Financier 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 shall also be settled by the respective MF Participants in accordance with their mutual agreement outside the NCSS.

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 Finantee of such MF (R) Transaction has paid the Shortfall Amount to the Company. If such Margin Finantee 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.

7B.4 Functions of the Company

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.

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 Risk Management

7B.9.1 Capital Adequacy Requirements for Margin Finances:

1. The aggregate Exposure of each Margin Finanee in all Markets including MF Transactions shall not exceed 25 times of its net capital balance.
2. The aggregate Exposure of each Margin Finanee in respect of MF Market shall not exceed 5 times of its net capital balance.
3. 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).
4. Minimum net capital balance for Broker Margin Financier:
 - (i) For Broker Clearing Member of Karachi Stock Exchange will be Rs. 20 million;
 - (ii) For Broker Clearing Member of Lahore Stock Exchange will be Rs. 8 million; and
 - (iii) For Broker Clearing Member of Islamabad Stock Exchange will be Rs. 5 million.
5. The Company shall monitor the net capital balance of each Margin Finanee, at pre-initiation of MF Transactions. The MF Module will not allow any Margin Finanee to enhance its Exposure over and above the prescribed capital adequacy limits and will accordingly reject such transactions.

7B.9.2 Position Limits on Margin Finances

1. Position of Margin Finanee shall not exceed the following:

Market wide position limit	40% of free-float for each security
Member wide position limit	1% of the free-float for each security
Client wide position limit	0.5% of the free-float for each security. Client position will be universal and determined on UIN basis.

2. Each Margin Finanee's Position in MF Eligible Security at any point in time shall comprise of all outstanding MF (R) Transactions.

7B.9.3 Netting

All Markets are separate Markets and accordingly, no netting shall be allowed between and/or among these Markets.

7B.9.4 Exposure and Margins for MF Participants

Margins will initially apply on the Margin Financee on the ready market purchase as per the risk management requirements of the Exchanges 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.

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 from the Margin Financier on the corresponding MF (R) Transaction, provided that Margin Financed Securities have been delivered and held in the CDC account of the Margin Financier in Blocked Status.

7B.9.5 Data Transmission Mechanism for Affirmed MF Transactions to the Relevant Stock Exchange

On each Trade Date, member-wise, securities-wise and UIN-wise Margin Financee side-details of affirmed MF Transactions and / or MF (R) Transactions may be provided to the relevant Stock Exchange of which such Margin Financee is a member, for the risk management purposes of such Stock Exchange, on the mechanism agreed between the Company and the relevant Exchange from time to time in accordance with the NCSS Procedures.

7B.10 Suspension/Default

7B.10.1 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 Financee shall continue to remain responsible for and shall ensure the settlement of its entire ready market purchases. In case of non-fulfillment of such ready market settlement obligation by the respective Margin Financee, the default procedures in accordance with these Regulations shall be applied for the satisfaction of corresponding ready market sellers. In addition to the cancellation of the MF Transactions penalties, under Regulation 7.B.7.2 of this Chapter, shall also be imposed on relevant Margin Financier who has failed to fulfill its settlement obligation in respect of an MF Transaction.

7B.10.2 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 Financee shall continue to remain responsible for and shall ensure the settlement of its corresponding ready market sell transactions. In case of non-fulfillment of such ready market settlement obligations by the respective Margin Financee, normal delivery default procedures in accordance with the Procedures shall be applied for the satisfaction of corresponding ready market buyers.

7B.10.3 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 Finanee 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 Finanee on the ground that the Margin Financed Securities should not have been unblocked for any reason whatsoever.

7B.11 Margin Financing Market Information

7B.11.1 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) Any other report that the Company and/or Commission intends to provide to the public or monitoring purposes.

7B.11.2 Information to be made available to the Company

Each Broker Margin Financier shall provide the Company, on monthly basis, information regarding Margin Financing provided to its clients out of own resources in accordance with the procedures.

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.
Bank Guarantees	means a bank guarantee that fulfills the criteria specified in Regulation 7C.6.3 (<i>Approved Collaterals</i>).
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.
Concentration Margin	means the margins as prescribed under Regulation 7C.6.7 (<i>Concentration Margins</i>) of 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.
Haircut	means the percentage rates on which the Margin Eligible Securities are discounted for valuation purposes at the relevant Stock Exchange.

Irrevocable Undertakings	means irrevocable undertakings that fulfill the criteria specified in Regulation 7C.6.3 (<i>Approved Collaterals</i>).
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.
Liquidity Margins	means the liquidity margins as prescribed in the relevant regulations by the Stock Exchanges from time to time.
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 Finantee 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 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 Finantee.
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 Finantee.
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 Eligible Securities	means the securities declared by the Company as such pursuant to Regulation 7C.3.1 (<i>Eligibility Declaration</i>).
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 Finanee pursuant to the execution of an MT Contract under which the Trading Financier is required to pay for the ready market purchase of the Finanee 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 Finanee pursuant to the execution of an MT Contract under which the Finanee 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.

Margin Eligible Securities	means securities notified to be acceptable as Collateral pursuant to Regulation 7C.6.3 (<i>Approved Collaterals</i>).
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, 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.
Non-Broker Trading Financier	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.
RiskMeter	means a computer application as applicable in Karachi Stock Exchange for calculation of VaR margins.
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.
Spot Period	means the trading periods prior to the commencement of book closure date, as notified by the stock exchange(s) from time to time.
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.
VaR	means the VaR Estimates as defined in the relevant regulations of the Karachi Stock Exchange.

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 7C.6.1;
- (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) a collective investment scheme as defined in the Non-banking Finance Companies and Notified Entities Regulations, 2008 and categorized as equity scheme or any scheme launched for the purpose of investment in margin trading provided its constituent documents allow such scheme to provide financing for margin trading and it has been allocated 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 membership under the respective regulations, rules and procedures governing their admission to the relevant stock exchange(s);
2. has no action pending in any court, which might materially and adversely affect such Broker Clearing Member's membership, or no such action has been initiated by the concerned stock exchange(s) 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 authorised 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 relevant Stock Exchange and CDC for suspension or termination of membership of 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 the relevant 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 to be reviewed after each 45 days 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

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.

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. Operating Profit

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

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

For the MT Market, a Financee 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 Financee. 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 Financee intends to sell;
- (ii) The applicable rate of return;
- (iii) Trader ID of the Financee; 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 Financee 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 Financee 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 Financee 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 Financee, 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 Financee. 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 Financee due to default by respective Trading Financier on the Settlement Date under Regulation 7C.6.13.1.

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 Financee 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) in case where MT Transactions executed by the Financee on behalf of its inter-exchange clients, i.e. a Broker Clearing Member of other Stock Exchange and its clients, as the case may be, such MT Transactions shall be auto-initiated and Broker Clearing Member, of that Stock Exchange, shall be required to affirm such MT Transactions through broker-to-broker transaction module of NCSS in accordance with the Procedures. Upon affirmation, such Broker Clearing Member shall be required to settle such MT Transaction on its 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. However, the Financee who executed such MT Transaction shall remain responsible to deposit necessary margins and Marked-to-Market Losses to the Company till the settlement of MT (R) Transactions; and
 - (c) 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.
- b) in case where MT (R) Transactions executed by the Finantee on behalf of its inter-exchange clients, i.e. a Broker Clearing Member of other Stock Exchange and its clients, as the case may be, such MT (R) Transaction shall be treated as auto-affirmed by Broker Clearing Member of that Stock Exchange through broker-to-broker transaction module of NCSS in accordance with the Procedures. Accordingly such Broker Clearing Member shall be required to pay the MT Contract Price, determined after adjustment of Marked-to-Market Losses and amount paid so far, upon each Maturity Date(s) or Accelerated Maturity Date(s), by the Finantee (who executed MT Transactions on behalf of its inter-exchange clients, i.e. a Broker Clearing Member of other Stock Exchange and its clients), and the Trading Financier shall be obliged to deliver the quantity of MT Financed Securities corresponding to such release transaction. However, the Finantee who executed such MT(R) Transaction shall remain responsible to deposit necessary margins and Marked-to-Market Losses to the Company till the settlement of such MT (R) Transactions.

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

7C.4.11 Roll Over

Roll-over of MT Contracts shall be allowed on a Maturity Date and Accelerated Maturity Date. Provided that during the Spot Period, MT Participants shall not be allowed to enter into MT Contract.

7C.4.12 Functions of the Company

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.

7C.4.13 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.4.14 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.4.15 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

7C.6.1 Capital Adequacy Requirements

1. Minimum net capital balance for Finanee:
 - (i) for Broker Clearing Member of Karachi Stock Exchange will be Rs. 10 million; and
 - (ii) for Broker Clearing Member of Lahore Stock Exchange and Islamabad Stock Exchange will be Rs. 4 million
2. The aggregate Exposure of each Finanee, (including outstanding Positions on the all Market and the MT market) shall not exceed 25 times of its net capital balance.
3. The aggregate Exposure of each Finanee in respect of MT Market shall not exceed 5 times of its net capital balance.
4. The Company shall monitor the net capital balance 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.
5. Minimum net capital balance for Broker Trading Financier:
 - (iv) For Broker Clearing Member of Karachi Stock Exchange will be Rs. 20 million;
 - (v) For Broker Clearing Member of Lahore Stock Exchange will be Rs. 8 million; and
 - (vi) For Broker Clearing Member of Islamabad Stock Exchange will be Rs. 5 million
6. Minimum paid-up capital for Broker Trading Financier:
 - (i) For Broker Clearing Member of Karachi Stock Exchange will be Rs. 50 million;
 - (ii) For Broker Clearing Member of Lahore Stock Exchange will be Rs. 20 million; and
 - (iii) For Broker Clearing Member of Islamabad Stock Exchange will be Rs. 10 million

7C.6.2 Separate Markets

All Markets are separate Markets and accordingly, no netting shall be allowed between and/or among these Markets.

7C.6.3 Approved Collaterals

The following shall be approved collaterals for the purpose of Exposure Margins, MT (R) Transaction Margins, Concentration Margins, Marked-to-Market Losses and any other margins that may be required by the Company:

1. Margin Eligible Securities

a) For Exposure Margins

The Company shall notify from time to time, as declared by the stock exchange under their respective 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.

b) For MT (R) Transaction Margins

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 Finnee only, except Marked-to-Market Losses.

2. Cash

Cash shall be acceptable collateral against any margin requirement under these Regulations and shall be the only acceptable form for payment of Marked-to-Market Losses and Concentration Margins to be collected from relevant Finnee.

3. Bank Guarantees

A bank guarantee shall be an acceptable collateral 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 and Concentration Margins (to be collected from Finnee) provided such bank guarantee is issued:

(i) in the form prescribed by the Company from time to time; and

(ii) by a bank which is:

(a) 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;

(b) it has been allocated minimum long term credit rating of "A". Provided that, where bank has been allocated minimum credit rating of "A" the amount of such Bank Guarantee per NCC Participant is limited up to Rs. 400 million, whereas, in case of "AA" and above credit rated bank the amount of such Bank

Guarantee per NCC Participant is limited upto Rs. 1 billion; and

- (c) it has a branch located in Karachi which is acceptable to the Company as such bank's main contact branch;

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 the Collateral requirements of MT Participants.

4. Irrevocable Undertaking

An irrevocable undertaking in the form prescribed by the Company from time to time shall be an acceptable collateral for the purpose of Exposure Margins, Concentration Margins, Mark-to-Market Losses and any other margins 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 Trading Financiers for their own obligations:

- (a) 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.

7C.6.4 Exposure and Margins

1. Security-wise and client-wise Exposure of each MT Participant will be calculated by the Company or the relevant Stock Exchange, as the case may be, at any point in time, subject to the applicable netting rules as prescribed by these Regulations.
2. 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 permission of the Commission, from time to time prescribe in addition thereto.
3. The VaR based margins for each MT Eligible Security shall be calculated by the Company or the relevant Stock Exchange, as the case may be, applying VaR estimates calculated by the RiskMeter at the end of each trading day.
4.
 - (ai) The Exposure margins shall be deposited by a MT Participant to the Company or relevant Stock Exchange as the case may be, within such time as may be determined by the Company or relevant Stock Exchange, as the case may be, from time to time but in no case later than the opening of trade on the next trading day.
 - (aia) The MT(R) Transaction Margins shall be deposited by a Finanee 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 trading day.
 - (b) Exposure margins and MT (R) Transaction Margins deposited by a MT Participant under these Regulations must be kept separate by the Company or relevant Stock Exchange, as the case may be, segregated from margins of all other Markets. Such margins will be utilized in respect of settlement of relevant obligation in the Ready Market and MT Market, as the case may be, in accordance with these regulations.

5. All margins deposited by the MT Participants with the Company or relevant Stock Exchange in respect of MT Market, shall be in the form of approved Collaterals, and shall be subject to the following conditions:
- (a) 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 MT Participant wide and/or market wide limits of deposit of such Margin Eligible Security as prescribed below;

VAR based margin percentages	Maximum No. of Margin Eligible Security that may be deposited by a MT Participants
$0 \leq x < 20\%$	1% of Free Float
$x > 20\%$	0.25% of Free Float

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.

- (b) The Margin Eligible Security is in book entry form.
- (c) The issuer of Margin Eligible Security is not placed on the defaulter's counter of any of the Stock Exchanges.
- (d) MT Participants listed on Stock Exchanges will not be allowed to deposit their own shares against margin deposits.
- (e) The Company may from time to time prescribe, with the prior approval of the Commission, the maximum number of acceptable Margin Eligible Securities. 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 this Chapter of these Regulations.
- (f) Any other criterion prescribed by the Company and approved by the Commission from time to time.
6. The MT Participant 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 trading day, the required margins against Exposure of a MT Participant exceed the already deposited margins, such MT Participant shall deposit with the Company the margin computed by the Company within the

time specified by the Company, but not later than opening of the market on the next trading day.

7C.6.5 Netting Regime for Exposure Margins and MT (R) Transaction Margins in MT Market

1. Trading Financier shall deposit exposure margins in respect of its obligation to pay for the ready market purchase of the Finanee, 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.

2. When a ready market purchase is financed in MT Market, Finanee shall pay to the exchange(s) the Exposure margins, Marked-to-Market Losses and Liquidity Margins relating to such trade in the form of Approved Collaterals from the date of such purchase till its settlement in the Ready Market in accordance with the relevant regulations of the exchange(s). However, Exposure margins shall be higher of 25% or VaR Estimate of that particular MT Eligible Security in the form of any of the Approved Collaterals.
 - 2a. After the settlement of MT Transactions, a Finanee shall pay to the Company the MT (R) Transaction margins in the form of approved Collaterals. However, 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 Finanee shall be required to cover such shortfall through deposit of approved Collaterals.
3. No netting such as across markets, across clients, across different MT Eligible Securities, across settlement dates or between exposure of Trading Financier and Finanee shall be allowed whatsoever, to any MT Participant.
4. Finanee shall deposit MT (R) Transaction Margins, to the Company, upon settlement of MT Transaction till the settlement of MT (R) Transaction in the form of approved Collaterals.

7C.6.6 Marked-to-Market Losses

1. Marked-to-Market 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.
2. Marked-to-Market Losses by each MT Participant shall be deposited with the Company at any point in time as demanded by the Company or at the end of each trading day but not later than prior to opening of trading on the next day.
3. Trading Financiers shall deposit their respective Marked-to-Market Losses, in the form of Approved Collateral, on the trading day on which such Trading Financier's Offer is accepted and MT Transaction is executed. The Marked-to-Market Losses will be collected till such time that MT Transaction is settled. Thereafter, Marked-to-Market Losses shall not be collected from Trading Financier on MT (R) Transaction. Such Marked-to-Market Losses shall be collected by the Company in respect of obligation of the Trading Financier

to settle the ready market trade in proportion to FPR.

4. Financees will however continue to pay Marked-to-Market Losses in proportion to FPR, in cash only, until MT (R) Transaction is settled in accordance with these Regulations. However, such Marked-to-Market Losses collected from Financee shall be paid to respective Trading Financiers. Upon payment of the Marked-to-Market Losses, the MT Contract Price shall be adjusted to maintain Financee's FPR.
5. While determining the Marked-to-Market 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.

7C.6.7. Concentration Margins

1. Concentration Margins shall be payable by a Financee in respect of a MT Eligible Security in MT Market determined in accordance with the annexed schedule. Concentration Margin shall be calculated at the end of each Business Day.
2. Till settlement of MT (R) Transaction, Concentration Margin shall be collected only in the form of cash.

7C.6.8 Valuation of Approved Collateral held by the Company as Margin

1. Margin Eligible Securities shall be valued as per applicable Hair Cuts.
2. Bank Guarantees shall be taken at the amount guaranteed in such Bank Guarantees.

7C.6.9 Position Limits

1. Position of Financee shall not exceed the following:

Market wide position limit :	20% of free-float for each MT Eligible Security subject to maximum of Rs. 10 billion.
Member wide position limit :	2% of free-float of the MT Eligible Security subject to maximum of Rs. 1 billion.
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.
Member Capital Adequacy :	5 times the net capital balance of Financee or Rs. 5 billion whichever is lower.

2. Each Financee's Position in a MT Eligible Security at any point in time shall comprise of all outstanding MT (R) Transactions.

7C.6.10 All applicable margins on MT Market shall be calculated on UIN wise in accordance with the client level margining regime applicable at the Stock Exchanges from time to time.

7C.6.11 Lien on Deposits

The monies, MT Eligible Securities and other securities and assets deposited by a MT Participant by way of Exposure Margins, Liquidity Margins, Concentration Margin and Marked-to-Market Losses under these Regulations shall be subject to a first and paramount lien and pledge, with a right of sale and set off in each case in accordance with these Regulations, for any sum due to the Company by such MT Participant and for the proper and punctual performance of such MT Participant's engagements, obligations and liabilities arising out of or incidental to any MT Contract and other contracts made subject to these Regulations or anything done in pursuance thereof.

7C.6.12 Obligation of MT Participants to collect margins and settlement obligation from their clients

1. It shall be obligatory upon the MT Participants trading/taking exposure in MT Market under these Regulations to take margins from their respective clients in accordance with the rates as prescribed by the Company based on VaR. Such prescribed margins shall be the minimum margins that must be taken by the MT Participants from their respective clients while trading/taking exposure on behalf of such client.
2. The collection of any type of margin by a MT Participant from its client/client(s) shall be the sole responsibility of such MT Participant; nevertheless any failure of the client to pay such margin shall not affect the obligation of the MT Participant to pay such margin to the Company.
3. The Financee shall collect money obligation for ready 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 should be allowed by the Financee

7C.6.13 Withdrawal or Release of Collateral

On submission by a MT Participant of written request, duly signed by an authorized person, the Company may release any Collateral held against the Collateral requirement of such MT Participant, provided that such release of Collateral shall not create any deficiency in the value of the Collateral required to be deposited by such MT Participant with the Company in terms of this Chapter.

7C.6.14 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 Finances, however, such Finances 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 Financee is unable to re-finance such ready market purchases from MT Market, such Financee 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 Financee 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 Financee 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 Financee including his proprietary UIN fails to deposit necessary Marked-to Market Losses and/or other margins following procedure will be applied:
 - (i) Financee 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 Financee 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 Financee 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 Financee 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 Financee 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 Financee 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	Penalty @ 4% of the defaulted amount of such UIN(s) and restriction on Broker Clearing Member to take further positions

client	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 Financee

In case where Financee fails to settle money obligation, including settlement obligation as determined in Regulation 7C.6.14-1 (iv) in the capacity of a Clearing Member on a particular Settlement Date, following procedure will be applied:

- (i) The Company shall suspend such Financee in all Markets in the capacity of Clearing Member;
- (ii) After determination of net shortfall by the Company of a suspended Financee, 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 Clearing Members 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 Financee, held by the Company and relevant Stock Exchange 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 Financee 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 Financiers; 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 alongwith MT (R) Transactions margins shall be proportionately allocated to all the Trading Financiers 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 Finanee 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 Finanee.

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 Finanees 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 Finanees and the number of Finanees 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 SCRIP		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

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**8.1 Obligation of Clearing Members to keep Security 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 Security Deposit Schedule, by way of security deposit which sums shall not be less than the Minimum Amount. Such security 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 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 for any purpose set out in these Regulations, the Procedures and any of the said agreements.

8.2 Application of Security Deposits and investment of Security Deposits

8.2.1 Any amount of the Security Deposits may be partially or wholly invested in Government Securities and/or term finance certificates (at least A rated by a recognized rating agency), and/or otherwise kept in deposit with nationalized commercial banks and other banks bearing minimum of A rating.

8.2.2 Any profits received from the investment and/or deposits under Regulation 8.2.1 of that part of the Security Deposit of a Clearing Member which is in excess of the Minimum Amount shall accrue to such Clearing Member.

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 in term finance certificates 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 Security Deposit Schedule, provided that the amount of the Security 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
- (f) for return to a NCC Participant pursuant to Regulation 8.4.1.

8.3 Elimination of deficiency by Clearing Member in his Security Deposit

8.3.1 If the Security 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 or his remaining Security Deposit becomes less than the Security Deposit required to be

maintained by him under the Fees, Charges and Security Deposit 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. If the NCC Participant shall fail to do so, 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). Any disciplinary action that the Company takes pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) 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 by the Company

8.4.1 A NCC Participant or his successor shall be entitled to the return of the actual amount of a NCC Participant's Security 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) 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 Clearing Member's Security Deposit;.

PROVIDED that where the NCC Participant has ceased to be a NCC Participant as a consequence of his ceasing to be a member of any Stock Exchange(s), the amount of the NCC Participant's Security Deposit with the Company shall be paid by the Company to the respective Stock Exchange(s) where the respective Stock Exchange(s) has/have presented to the Company such indemnities or guarantees as the Company deems satisfactory. PROVIDED further that a NCC Participant's Security Deposit shall be paid to the NCC Participant, or his successor, where the NCC Participant ceases to be a NCC Participant voluntarily, and the NCC Participant, or his successor, has presented to the Company such indemnities or guarantees as the Company deems satisfactory or an other 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

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 in terms of the Fees, Charges and Security Deposit 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 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 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 in accordance with the Company's Notice under Clause 8.5.1, 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). Any disciplinary action that the Company takes pursuant to Chapter 18 (RESTRICTION, SUSPENSION OR TERMINATION OF ACCESS TO SERVICES OFFERED BY THE COMPANY) 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

- 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 is in excess of the NCC Participant's required Security Deposit in terms of the Fees, Charges and Security Deposit 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 a Stock Exchange to the Company, or (b) in the case of Non-Exchange transactions between Clearing Members who are members of any Stock Exchange recorded with the Company through its broker-to-broker delivery module, or (c) in the case of Non-Exchange transactions (i) between any Clearing Member who is a member of any Stock Exchange and any other Clearing Member who is also a member of any Stock Exchange, or (ii) between any Clearing Member who is a member of any Stock Exchange and a Clearing Member who is not a member of any 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 member of a Stock Exchange and a Clearing Member who is not a member of a 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 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 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 and/or sub-accounts, as the case may be, wherever required by the Company in the UIN Registration Details, will be accessible by the Stock Exchange(s) 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 for the purposes of mapping of Client Codes with the respective CDS house 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 a 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 the relevant regulations of the Stock Exchanges.

9.9 Daily Purchase and Sales Report

9.9.1 Exchange 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 such initiated IDS transactions are based on trades executed during SPOT period, such initiated IDS transactions shall be affirmed on same Trade Date 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, such IDS transaction can also be generated for partial quantity of the underlying Exchange trade.
 5. If such 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 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.
1. All affirmed IDS transactions shall be settled by the affirming Custodian Clearing Members in accordance with these Regulations and NCSS Procedures.

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 Stock Exchanges and Company’s Website

- a) Reported Transactions shall be disseminated to all the three Stock Exchanges, as per the mechanism agreed between the Company and the Stock Exchange, from time to time, for its onward display on their respective 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 an 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 Penalty on Non-Affirmation / Rejection of Auto-Initiated Broker-to-Broker Transactions

- 9.14.1 It shall be mandatory for all Broker Clearing Members to affirm their valid auto-initiated broker to broker transactions in accordance with the Procedures. However, in case of rejection and/or non-affirmation of such auto-initiated broker to broker transactions by the Broker Clearing Member, such Broker Clearing Member shall be required to provide to the Company valid reason(s) of such rejection and/or non-affirmation thereof, in accordance with the Procedures.
- 9.14.2 The Company may impose penalty, as per the Fee, Charges and Security Deposit Schedule, on the rejection and/or non-affirmation of broker to broker transaction(s) on the concerned Broker Clearing Member in accordance with the Procedures.
- 9.14.3 The Company shall inform the status of its NCC Participants to the Commission, Stock Exchanges and CDC on six monthly basis.

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 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 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 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 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 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 relevant Stock Exchange as per the mechanism agreed from time to time. Accordingly, the relevant 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 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 CDS main account 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 and/ or sub-account, the Company shall retrieve all the Securities delivered into such CDS main, house 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 of each CDS main, 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 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.
- 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.
- 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 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. In such case the Company shall initiate closed-out proceedings in accordance with the relevant provisions of the Chapter 12B of these Regulations. 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. However, concerned Clearing Members may settle such trades between themselves outside the NCSS.

- 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 along with the margins collected from the defaulting Clearing Member, if any, Accordingly, concerned Clearing Members may settle such trades between themselves outside the NCSS.

10A.1.2 (a) The Company shall generate a separate CDS, house and/or sub-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 and/or sub-account wise and main 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, 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

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), 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).

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)

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 the 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 such Stock Exchange in accordance with the regulations and procedures of the 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 and/ or sub-accounts, as the case may be, of the delivering Clearing Member with CDC to a CDS main, house 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 and/or sub-account wise. However, in case where CDS sub-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 of such Clearing Member. In such case Clearing Member shall be hold responsible for onward Securities settlement with the respective sub-account holders.
- 11.2.1b The settlement of Balance Order Contracts of affirmed Non-exchange Transactions shall be made on the basis of affirming Clearing Member wise, UIN wise and corresponding CDS main, house and sub-account wise. However, in case of un-affirmed/rejected Non-exchange 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.
- 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 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.

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.

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 shall be subject to the action by the Company pursuant to Chapter 12B (RISK MANAGEMENT AND DEFAULT HANDLING UNDER TRADE-FOR-TRADE SETTLEMENT SYSTEM)

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, house and/or sub-account wise. However, in case where CDS sub-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 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 main, house and sub-account wise. However, in case of un-affirmed/rejected Non-exchange 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.

CHAPTER 12: RISK MANAGEMENT BY STOCK EXCHANGES**12.1 Monitoring & Management of the Clearing Members Exposure**

12.1.1 The Stock Exchanges shall continue to monitor and manage the exposure of their respective members as are Clearing Members as well in respect of Exchange trades in Balance Order Securities and in respect of Non Deliverable Futures Contracts and/or Deliverable Future Contracts, in accordance with their respective relevant regulations and procedures upto the time that such trades are settled on NCSS.

CHAPTER 12A: RISK MANAGEMENT SYSTEM OF THE COMPANY FOR NON-BROKER CLEARING MEMBERS

12.A RISK MANAGEMENT SYSTEM OF THE COMPANY FOR NON-BROKER CLEARING MEMBERS

12.A.1 Definitions

For the specific purposes of the Regulations contained in this Chapter, the terms set out below shall, unless the context otherwise requires, have the meanings set out there against below in this Regulation 12 A.1:

12.A.1.i “Approved eligible securities” or “Securities” means the securities described in Regulation 12A.5.4.ii of this Chapter which shall be acceptable to the Company as Collateral.

12.A.1.ia “Eligible term finance certificates” means listed term finance certificates, having acceptable credit rating and maturity criteria as set out in the Procedures.

Provided that where a Non Broker Clearing Member is a Company whose listed term finance certificates fall under the eligibility criteria set out above, such Non Broker Clearing Member shall not be allowed to deposit its own issued term finance certificates as Collateral to secure its Exposure margins and Mark-To-Market Losses obligations.

(a) A list of term finance certificates which shall be eligible for deposit with the Company as Collateral shall be prepared by the Company and shall be reviewed by the Company on quarterly basis.

(b) The valuation of term finance certificates, eligible for deposit with the Company as Collateral, shall be determined by the Company from time to time as per the Procedures

12.A.1.ii “Collateral requirement” means the value of the Collateral required to be deposited by a Non Broker Clearing Member with the Company as security for the Exposure margins and Mark-To-Market losses of such Clearing Member.

12.A.1.iii Concentration Margins

Concentration Margin shall be applicable in accordance with regulations of the Stock Exchanges governing deliverable futures contract and risk management, as amended from time to time.

12.A.1.iv “Exposure Margin” means the amount of cash, approved securities, eligible term finance certificates, bank guarantee and / or irrevocable undertaking deposited by the Non Broker Clearing Member as security (which ever is applicable) against the Exposure as defined in these Regulations.

- 12.A.1.v Gross Volume means;
- (a) in ready market means the aggregate of total volume of security(ies) traded on a particular trade day;
 - (b) in Future market means aggregate of total volume of security(ies) traded in a contract including trading carried out in new contract during overlapping period; and

12.A.1vi “Non-Broker Clearing Member” means a person who is admitted as a Clearing Member to NCSS under Regulation 5.1.1 and is not a member of a Stock Exchange.

12.A.2 Risk Management for Non-Broker Clearing Member

The Non-Broker Clearing Members shall be required to affirm their auto-initiated IDS transaction(s) which are executed by the Broker Clearing Member as per their instructions in terms of these Regulations and Procedures. 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.

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.

12.A.3 Determination of the Exposure

The Company shall determine the Exposure of the Non-Broker Clearing Members by applying a netting mechanism by which netting of open positions shall not be allowed across the affirmed IDS transactions based on Exchange trades in the ready market and deliverable futures contract market. In case of off-setting positions in two consecutive contracts of a particular scrip during the over-lapping period of Deliverable Futures Contract Market, the exposure in such scrip will be calculated based on the higher of off-setting positions of contract period-wise net buys and net sales based on netting mechanism as described in 12.A.3.iii. However, in the absence of off-setting positions all contracts period-wise net buys or net sales will be added together for determining total exposure in a particular security. The Exposure margins shall be calculated by Value at Risk (VaR) based method in accordance with the following netting mechanism. However, the Exposure margins for provisionally listed companies shall be determined in accordance with the relevant regulations of the Stock Exchanges.

12. A.3.i Within Ready Market:
- (a) Netting shall be allowed between buy and sell positions in the same scrip on the same day;
 - (b) Netting shall not be allowed across all the three Stock Exchanges;

- (c) Netting shall not be allowed between buy and sell positions of different scrip on the same day; and
- (d) Netting shall not be allowed across settlement periods. However, exposure 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 in the same security at any point in time, subject to the applicable netting rules as prescribed in this Chapter of these Regulations.

12.A.3.ii Within Deliverable Futures Contract Market

- a) Netting shall be allowed between buy and sell positions in the same scrip on the same contract period;
- (b) Netting shall not be allowed across all the three Stock Exchanges.

The scrip-wise outstanding positions of the Non Broker Clearing Members will be revalued at relevant daily settlement price as prescribed in the Stock Exchanges regulations governing deliverable future contract and shall be transferred to the next trading day. The system shall consider such revalued amounts as the traded values, based on which exposures will be calculated.

12.A.3.iii Within Provisionally Listed Companies Market

- a) Netting shall be allowed between buy and sell positions in the same scrip on the same contract period;
- (b) Netting shall not be allowed across all the three Stock Exchanges

12.A.4 Determination of Mark-To-Market Losses

The Company shall calculate the Mark-To-Market Losses of its Non-Broker Clearing Members on the basis of the Closing Price without netting of profits and losses across affirmed IDS transactions which are based on the Exchange trades in the ready market and deliverable future contracts market. The Mark-To-Market Losses on such affirmed IDS transactions shall be paid by the Non-Broker Clearing Members to the Company as under:

12.A.4.i Within Ready Market:

The Mark-To-Market Losses and profits shall be netted across Securities but not across settlement periods. Such Mark-To-Market Losses shall be deposited by a Non-Broker Clearing Member with the Company on a daily basis till the satisfaction of his settlement obligation on the relevant Settlement Date.

12.A.4.ii Within Deliverable Future Contracts Market:

The Mark-To-Market Losses and profits shall be netted for same Securities and in the same contract period. Such Mark-To-Market Losses shall be deposited by a Non-Broker Clearing Member with the Company on a daily basis till the satisfaction of his settlement obligation on the relevant Settlement Date.

The Company shall withhold mark-to-market profits, if any, of a Non Broker Clearing Member in 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 Non Broker Clearing Member.

12.A.4.iii Within Provisionally Listed Companies Market:

The Mark-To-Market Losses and profits shall be netted for same Securities and in the same contract period. Such Mark-To-Market Losses shall be deposited by a Non-Broker Clearing Member with the Company on a daily basis till the satisfaction of his settlement obligation on the relevant Settlement Date.

The Company shall withhold mark-to-market profits, if any, of a Non Broker Clearing Member in 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 Non Broker Clearing Member.

12.A.5 Collateral Requirements against Exposure Margins and Mark-To-Market Losses

12.A.5.1 Payment of Exposure margins and Mark-To-Market Losses by the Non-Broker Clearing Members shall be secured by such Clearing Members by deposit of the Collateral described below with the Company:

12.A.5.2 Collateral requirements against Exposure margins, Concentration Margin and Mark-To-Market Losses shall be calculated by the Company in accordance with the Procedures and shall be deposited by the Non Broker Clearing Members in the following manner:

- (a) Collateral requirements against Exposure margins and Mark-To-Market Losses calculated by the Company across affirmed IDS transactions which are based on the Exchange trades in the ready market and shall be deposited by the Non Broker Clearing Members in the form of cash, approved eligible securities, eligible term finance certificates, bank guarantees and/or irrevocable undertakings, whichever is applicable under the Procedures and this Chapter.
- (b)(i)-a Collateral requirements against Exposure margins, Mark-To-Market Losses and Concentration Margins shall be deposited by the Non Broker Clearing Members in the following manner:
 - I. Collateral requirements against Exposure margins calculated by the Company across affirmed IDS transactions, based on the deliverable future contracts market trades, shall be deposited by the Non Broker Clearing Members in the following combination:
 - a. up to 50% in the form of margin eligible securities; and
 - b. remaining in the form of cash, bank guarantees and/or irrevocable undertakings, whichever is applicable under the Procedure and this Chapter.
 - II. Collateral requirements against Concentration Margins calculated by the Company across affirmed IDS transactions, based on the deliverable future

contracts market trades, shall be deposited by the Non Broker Clearing Members in the form of cash, bank guarantees and/or irrevocable undertakings, whichever is applicable under the Procedure and this Chapter.

III. Mark-To-Market Losses on affirmed IDS transactions shall be deposited by the Non Broker Clearing Members in the form of cash only.

(b)(i)-b Collateral requirements against Exposure margins calculated by the Company across affirmed IDS transactions based on the provisionally listed companies market trades shall be deposited by the Non Broker Clearing Members in the form of cash, bank guarantees and/or irrevocable undertakings, whichever is applicable under the Procedure and this Chapter. Whereas, Mark-To-Market Losses on such affirmed IDS transactions shall be deposited by the Non Broker Clearing Members in the form of cash only.

(b)(ii) In case where a Non Broker Clearing Member is a net-seller in a security under deliverable futures contract market and/or under Ready Market, may deposit the net-sold securities with the Company. Consequently, Exposure Margin, Concentration Margin, Liquidity Margins and Mark-To-Market Losses to the extent of such pre-settlement tendered securities shall not be taken into account by the Company, while calculating such margins requirements. However, in case where exposure is due to sale of a particular security, such security can be deposited up to the extent of net sale against demand of cash and/or bank guarantees deposit as Exposure margin.

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

b(iii) the total margins requirements (including Exposure margins, Concentration margins) and/or Mark-to Market losses added together, for particular scrip under a UIN should not exceed its Exposure amount in any case.

12.A.5.3 It shall be the responsibility of every Non Broker Clearing Member to deposit with the Company the Collateral of such value as is calculated by the Company as above-stated against its Exposure margins and Mark-To-Market Losses on every Business (same) Day by the End of Day.

12.A.5.4 Following conditions shall be applicable where Collateral is deposited in the form of cash, securities, eligible term finance certificates, bank guarantees and/or irrevocable undertakings:

12.A.5.4.i Cash:

The Non Broker Clearing Members may deposit cash as Collateral in order to satisfy their Collateral requirements against their Exposure margins and Mark-To-Market Losses.

12.A.5.4.ii Securities:

(a) Securities declared by the Stock Exchanges as margin eligible securities from time to time, shall be acceptable as Collateral by the Company. However, the Board may also approve additional securities as margin eligible securities, whenever it is necessary or expedient as per the eligibility criteria prescribed by the Company with the prior approval of the Commission.

Provided that where a Non Broker Clearing Member is a listed company and its issued securities fall under the eligibility criteria set out above, such Non Broker Clearing Member shall not be allowed to deposit its own issued securities as Collateral to secure its Exposure margins and Mark-To-Market Losses obligations.

(b) The process of valuation of securities eligible for deposit with the Company as Collateral shall be determined by the Company from time to time as per the Procedures.

12.A.5.4.iii Bank Guarantees:

a) The Non Broker Clearing Members may also deposit bank guarantees in the form prescribed by the Company in order to fulfill their Collateral requirements against their Exposure margins and Mark-To-Market Losses, provided that such bank guarantees are issued by such banks as are approved by the Company from time to time for the purpose of Collateral requirements.

b) Subject to clause (a) of this Regulation, the Company may accept bank guarantees issued by a bank if:

(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 credit rating of A. Provided that, where bank has been allocated minimum credit rating of A the amount of such Bank Guarantee per NCC Participant is limited upto Rs. 400 million, whereas, in case of AA and above credit rated bank the amount of such Bank Guarantee per NCC Participant is limited upto Rs. 1 billion;

(iii) it has a bank branch located in Karachi which is acceptable to the Company as such bank's main contact branch;

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 the Collateral requirements of Non Broker Clearing Members.

12.A.5.4.iv Irrevocable Undertakings:

Irrevocable Undertakings in the form prescribed by the Company may be deposited by Non Broker Clearing Members with the Company to satisfy their Collateral requirements against Exposure Margins and Mark-To-Market Losses, provided that such irrevocable undertakings shall be accepted only from the following Non Broker Clearing Members:

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

12.A.6 Withdrawal or Release of Collateral

- 12.A.6.1 On submission by a Non Broker Clearing Member of written request, duly signed by an Authorized Person, the Company shall release any Collateral held against the Collateral requirement of such Clearing Member, 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 with the Company in terms of this Chapter.

12.A.7 Failure of a Non Broker Clearing Member to Deposit Collateral with the Company

- 12.A.7.1 On the occurrence of a failure by a Non Broker Clearing Member to fulfill his Collateral requirements against his Exposure margins and Mark-To-Market 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 Non 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, provided that the Company may in its entire discretions elect not to suspend and/or restrict such Non Broker Clearing Member’s access to any or all of the services offered by the Company in case of those affirmed IDS transactions which may result in reducing the Exposure margin of such Non Broker Clearing Member.
- 12.A.7.2 Where the Company suspends and/or and restricts the access of a defaulting Non Broker Clearing Member to the services offered by the Company, the Company shall commence taking actions under the Money Default Management provisions of Chapter 13 of these Regulations.
- 12.A.7.3 Where the Company commences taking actions under the Money Default Management provisions of Chapter 13 of these Regulations, the Company shall, in the first place, apply the Collateral provided by the defaulting Non Broker Clearing Member towards satisfying the net money obligations of such defaulting Non Broker Clearing Members determined under Regulation 13.2.

12.A.8 Other Risk Management Measures

12.A.8.1 Exposure Drop-out Process

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

12.A.8.2 Transmission of Affirmed IDS Transactions to the Exchanges

The Company shall Transmit, in accordance with the Procedures, to the respective Stock Exchanges information about the IDS transactions affirmed by any Non Broker Clearing Members in respect of which the required Collaterals securing the Exposure margins and Mark-To-Market Losses have been duly deposited by such Non Broker Clearing Members

with the Company. Upon receipt of such information, the respective Stock Exchanges will be free to release the exposure margins and the mark-to-market losses deposited by those members of such Stock Exchanges as had entered into the Exchange trades in respect of which the said IDS transactions were affirmed.

12.A.8.3 Stand alone clause for the collection of additional margin from non-complaint Non-Broker Clearing Members

(a) The Company shall collect additional 30% margin, over and above VaR based margins, on the exposure as determined by the Company in accordance with Regulation 12.A.3, from all Non-Broker Clearing Members who have been admitted by the Company as per the clause 5.1.1 (g) of these Regulations; and

(b) The Company shall collect additional 30% margin, over and above Var based margins, on the exposure as determined by the Company in accordance with Regulation 12.A.3, 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.

12A.8.4 Power of imposing any additional margin in future

All affirmed institutional delivery system transactions 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.

CHAPTER 12B: RISK MANAGEMENT SYSTEM OF THE COMPANY FOR DEBT MARKET CLEARING MEMBERS

12.B RISK MANAGEMENT SYSTEM OF THE COMPANY FOR DEBT MARKET CLEARING MEMBERS

12.B.1 Definitions

For the specific purposes of the Regulations contained in this Chapter, the terms set out below shall, unless the context otherwise requires, have the meanings set out there against below in this Regulation 12 B.1:

- 12.B.1.i “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.
- 12.B.1.ii “Collateral Requirement” means the value of the collateral required to be deposited by a Debt Market Clearing Member with the Company as security for the Exposure Margins and Mark-To-Market Losses of such Debt Market Clearing Member.
- 12.B.1.iii “Debt Market” means an automated platform provided by the Stock Exchanges for the purpose of trading in eligible Debt Market Securities as specified in the relevant regulations in the Stock Exchanges.
- 12.B.1.iv “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 this Chapter of these Regulations.
- 12.B.1.v “Debt Market Protection Fund” means a fund established under this Chapter of these Regulations.
- 12.B.1.vi “Debt Market Securities” shall have the same meaning as assigned to it in the relevant regulations of the Stock Exchanges.
- 12.B.1.vii “Exposure” means at any point in time security-wise and client-wise cumulative net unsettled amount of purchases and sales added together of a Debt Market Clearing Member (including proprietary trades) under Debt Market as per applicable netting regime prescribed in these Regulations.
- 12.B.1.viii “Exposure Margin” means the amount of cash, bank guarantee and / or irrevocable undertaking deposited by the Debt Market Clearing Member as security against the Exposure as defined in these Regulations.
- 12.B.1.ix “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.

12.B.2 Risk Management for Debt Market Clearing Member

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.

12.B.3 Determination of the Exposure – Debt Market Securities

The Company shall determine the Exposure of the Debt Market Clearing Members by applying a netting mechanism by which 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 executed by Non-broker Clearing Member based on Debt Market trades.

Since trades executed in Debt Market shall be settled on Trade-for-Trade basis, following netting mechanism shall be applied while calculating Exposure of Clearing Member:

- 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 across all the three Stock Exchanges;
- c) Netting shall not be allowed between buy and sell positions of different Securities on the same day.
- d) Netting shall not be allowed across settlement periods.
- e) Only netting will 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; and
- f) The Exposure Margins shall be calculated on the basis of rule based margining slabs as described in Regulations 12.B.3.i in accordance with the netting mechanism as explained in (a) to (e) above.

12.B.3.i Margin requirements for Debt Market Securities 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%

12.B.4 Determination of Mark-To-Market Losses

- (a) While determining the Mark-To-Market 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
- (b) 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
- (c) The Company shall calculate the Mark-To-Market 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.B.4A Pre-Settlement Delivery

In case where a UIN-wise seller in a Security under Debt Market deposits the sold deliveries with the Company, his all Exposure Margin and Marked-to-Market Losses, to the extent of such pre-settlement tendered deliveries, shall not be taken into account by the Company while calculating Exposure Margin and Marked-to-Market Losses.

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

12.B.5 Collateral Requirements against Exposure Margins and Mark-To-Market Losses

- 12.B.5.1 Payment of Exposure Margins and Mark-To-Market Losses by the Debt Market Clearing Members shall be secured by such Debt Market Clearing Members by deposit of the Collateral described below with the Company.
- 12.B.5.2 Collateral Requirements against Exposure Margins and Mark-To-Market Losses shall be calculated by the Company in accordance with the Procedures and shall be deposited by the Debt Market Clearing Members in the form of cash, bank guarantees and/or irrevocable undertakings, whichever is applicable under the Procedures and this Chapter.
- 12.B.5.3 It shall be the responsibility of every Debt Market Clearing Member to deposit with the Company the collateral of such value as is calculated by the Company as above-stated against its Exposure Margins and Mark-To-Market Losses on every Business (same) Day by the End of Day in accordance with the Procedures.
- 12.B.5.4 Following conditions shall be applicable where collateral is deposited in the form of cash, bank guarantees and/or irrevocable undertakings:
 - 12.B.5.4.i Cash:

The Debt Market Clearing Members may deposit cash as collateral in order to satisfy their Collateral Requirements against their Exposure Margins and Mark-To-Market Losses.

12.B.5.4.ii Bank Guarantees:

- a) The Debt Market Clearing Members may also deposit bank guarantees in the form prescribed by the Company in order to fulfill their Collateral Requirements against their Exposure Margins and Mark-To-Market Losses, provided that such bank guarantees are issued by such banks as are approved by the Company from time to time for the purpose of Collateral Requirements.
- b) Subject to clause (a) of 12.B.5.4.ii, the Company may accept bank guarantees issued by a bank if:
 - (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 credit rating of A and/or above. Provided that, where bank has been allocated minimum credit rating of A and/or above, the amounts of such Bank Guarantees per Debt Market Clearing Member are extended upto the limited as notified by the Company from time to time; and
 - (iii) it has a bank branch located in Karachi which is acceptable to the Company as such bank's main contact branch.
- 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 the Collateral Requirements of Debt Market Clearing Members.

12.B.5.4.iii Irrevocable Undertakings:

Irrevocable Undertakings in the form prescribed by the Company may be deposited by Non Broker Clearing Members admitted as Debt Market Clearing Members with the Company to satisfy their Collateral Requirements against Exposure Margins and Mark-To-Market Losses, provided that such irrevocable undertakings shall be accepted only from such:

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

12.B.6 Withdrawal or Release of Collateral

- 12.B.6.1 On submission of written request by a Debt Market Clearing Member, duly signed by its Authorized Person, the Company shall release any collateral held against the Collateral Requirement of such Debt Market Clearing Member, provided that such release of collateral shall not create any deficiency in the value of the collateral required to be deposited by such Debt Market Clearing Member with the Company in terms of this Chapter.

12.B.7 Failure of a Debt Market Clearing Member to Deposit Collateral with the Company

12.B.7.1 On the occurrence of a failure by a Debt Market Clearing Member to fulfill his Collateral requirements against his Exposure Margins and Mark-To-Market Losses 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 relevant Stock Exchange, Upon receipt of such Notice, such broker Debt Market Clearing Member shall be required to deposit required Collateral within the time as specified in the said Notice. In case where such broker Debt Market Clearing Member fails to deposit required Collateral within the time as 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 to take 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 Collateral within the time as specified in the said Notice. In case where such non-broker Debt Market Clearing Member fails to deposit required Collateral within the time as specified in the said Notice, , the Company shall restrict UIN of such non-broker Debt Market Clearing Member's access to take further position in the Debt Market.

Such restriction as mentioned in (a) and (b) above shall remain till the settlement of relevant trade on its Settlement Date. In case of default occurred in fulfillment of settlement obligation on such Settlement Date, the Company shall take action as per the Regulations 12B.7.A.2 of this Chapter 12B

12.B.7A.1 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 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 payment, 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; 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.B.7A.2 The above mentioned closed-out proceedings shall be managed 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.B.7A.3 Following penalties shall be imposed by the Company in case of default of a Debt Market Clearing Member

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 to take new position in Debt Market for a period of six months.

Whereas, 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 to take new position in Debt Market for a period of six months.

12.B.8 Other Risk Management Measures

12.B.8.1 Exposure Drop-out Process

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

12.B.8.2 Collection of Exposure Margins and Mark-To-Market Losses

The Exposure Margins and Mark-To-Market Losses shall be deposited by a Debt Market Clearing Member within such time as may be determined by the Company from time to time but in no case later than the End of Day.

Such Exposure Margins and Mark-To-Market Losses deposited by a Debt Market Clearing Member under these Regulations must be kept separately by the Company and shall be segregated from the margins of the Ready market and or any other Market. Such Debt market related margins will be utilized first for the benefit of Debt Market Clearing Members in the event of default.

12.B.8.3 Capital Adequacy

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. 25 million for listed Debt Market Securities only. The aggregate Exposure of such Broker Clearing Members shall not exceed 10 times of its net capital balance. However, the Debt Market Clearing Members acting as Non-Broker Clearing Members shall be exempted from such net capital balance requirement. Accordingly, the Debt Market Clearing Members acting as Broker Clearing Members shall submit the certificate of net capital balance to the Company from a practicing Chartered Accountant along-with 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.

The Company shall monitor the net capital balance 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.B.8.4 Power of imposing any additional margin in future

All Debt market trades 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.

12.B.8.5 Circuit Breaker

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.B.9 Imposition of disciplinary charges

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 to such Debt Market Clearing Member.

CHAPTER 12C: RISK MANAGEMENT SYSTEM OF CUSTODIAN CLEARING MEMBER

12.C Risk Management of Custodian Clearing Member

12.C.1 The Stock Exchanges shall continue to monitor and manage the exposure of their respective members as 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 relevant regulations and procedures of Stock Exchanges up to the time that such trades are settled by respective Custodian Clearing Members through NCSS.

12.C.2 Failure of a Custodian Clearing Member to meet Settlement Obligation

12.C.2.1 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 defaulted client along with the concerned Broker Clearing Members to the Company within designated time in accordance with the procedures. Accordingly, after due verification, the Company shall revert 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.

12.C.2.2 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.

12.C.2.3 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 taking actions under the Money Default Management provisions of Chapter 13 of these Regulations.

CHAPTER 13: MONEY DEFAULT MANAGEMENT (OTHER THAN TRADE-FOR-TRADE SETTLEMENT)

13.1 Failure of Settlement of Money Obligation by Clearing Member

13.1.1 A Clearing Member shall be considered to have “failed to settle his money obligations” upon receipt of confirmation by the Company by the Designated Time from the Designated Branch of his 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. The above referred money obligations will include the pro rata losses allocated to a Clearing Member under Regulation 13.3 below.

Furthermore, a Clearing Member shall also be considered to have “failed to settle his money obligations” on the occurrence of a failure by such Clearing Member to fulfill his Collateral requirements against his Exposure margins and Mark-To-Market Losses within the period stipulated for this purpose 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 and to all Stock Exchanges. This notice shall contain the details of the unpaid amount and shall require the Clearing Member to pay such amount within thirty (30) minutes of the receipt of the notice. However, on the occurrence of a failure by a Custodian Clearing Member to meet the money obligation, within 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 such 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 as 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 an 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) all Stock Exchanges, (iii) all Clearing Members and (iv) CDC.

Upon receipt of such notice, the relevant Stock Exchange 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 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 as soon as practicably possible from the following sources:

- (a) Funds constituting 50% of the total amount of the Security Deposits of the Clearing Members with the Company. Provided that the amount of the Security Deposit to the extent stated above shall be applied on the security of the Securities retrieved or received from or on account of the Suspended Clearing Member and shall not exceed 85% percent of the value of the Securities so retrieved or received. Where the Security Deposits have been invested in any securities in terms of these Regulations, the said funds may be arranged from any bank or financial institution on the security of such Securities.
- (b) Funds constituting upto 25% of the total amount of the NCC Clearing and Settlement Fund. However, the mode of replenishment of such utilization shall be determined by the Board from time to time.
- (c) In respect of a Suspended Clearing Member who is a member of one or more Stock Exchanges, funds, out of the clearing house protection funds shall be made available by the respective Stock Exchange to cover shortfall which occurred due to the Suspended Clearing Member who is a member of that Stock Exchange, provided that if the Suspended Clearing Member is an affirming Clearing Member, then the Stock Exchange of the initiating Broker Clearing Member shall be requested by the Company to arrange funds against his obligations for underlying Exchange trades from the clearing house protection funds. This contribution by the each stock exchange shall not be less than Rs 50 million per default.
- (d) In respect of a Suspended Clearing Member, funds realized by using cash deposited by such Clearing Member as Collateral to the Company and /or to the respective Stock Exchange.

13.2.2 Notwithstanding Regulation 13.2.1, the Company may 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 those Clearing Members to whom credits shall be due 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.

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 holding back by the Company of proportionate amounts or delay in release of payments (credits) to such Clearing Members.
- 13.2.4 Notwithstanding the above provisions of Regulation 13.2.2, the right of the Company to hold back proportionate amounts or delay in release of payments (credits) to any Clearing Members shall not affect the right of the Company to make actual loss allocation to such Clearing Members in terms of this Chapter.
- 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 Collaterals (such as Securities, Bank Guarantee, Eligible Term Finance Certificates and /or Irrevocable Undertaking) held by the Company and/or by the respective Stock Exchanges as the case may be and any other outstanding positions communicated by the Stock Exchanges. The squaring-up/closing-out shall be undertaken by the Default Management Committee in accordance with these Regulations and Procedures. The amount realized shall be applied towards (i) the repayment to the Company of the outstanding amount of the Security Deposit utilized under Regulation 13.2.1(a) and (ii) the NCC Clearing and Settlement Fund in repayment of the outstanding amount of that Fund utilized under the said Regulation. 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 encharging 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 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.6.14-2 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 of these Regulations.

The relevant provisions of the Procedures dealing with squaring-up / closing-out process are contained in Chapter 4 of the Procedures.

- 13.2.6 Upon determination of the final loss of a Suspended Clearing Member, the Company shall serve a loss notice on the Suspended Clearing Member in accordance with these Regulations demanding payment within the banking hours by the next Business Day and shall send copies of such notice to all Stock Exchanges. 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. A notice of the declaration by the Company of a Clearing Member as a defaulter shall be sent

by the Company to the Defaulter Clearing Member, the Stock Exchange, all Clearing Members, CDC and the Commission.

13.2.7 Upon receiving of a notice from the Company under the last sentence of Regulation 13.2.6 the relevant Stock Exchange shall also declare such Clearing Member in case of a member of that Stock Exchange, as a defaulter under its relevant regulation in all markets and CDC shall also suspend and/or restrict such defaulter Clearing Member's access to its accounts in the CDS. However, where in case the 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 and 7C respectively, of these Regulations.

13.2.8 After the declaration by the Company of a Broker Clearing Member as a defaulter and by the relevant Stock Exchange, all the assets, including but not limited to any cash deposits held, margins (exposure margins, MTM losses, concentration margins, special margins and any other margins) membership card of the Stock Exchange and premises occupied at the Stock Exchange of such defaulting Broker Clearing Member under the control of such Stock Exchange and / or the Company shall be liquidated by that Stock Exchange and / or the Company and the proceeds shall be proportionately allocated to the net losses of such Broker Clearing Member in all the markets.

However, before allocation, as stated above, the Company shall:

a. Contribute upto 25% of the NCC Clearing and Settlement Fund provided that the funds received from the stock exchanges under 13.2.1(c) shall also be utilized before allocation of final loss.

13.2.9 After the declaration by the Company 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 proportionately allocated to the net losses of such Non-Broker Clearing Members in all the Markets.

13.3 Allocation of net losses by the Company upon terminating a Clearing Member's access to the Services offered by the Company

13.3.1 On termination of a Defaulter Clearing Member's access to the services offered by the Company, the Company shall allocate and recover net losses, if any, of the Defaulter Clearing Member as follows:-

(a) Where the Defaulter Clearing Member is a Broker Clearing Member:

(1) The Company shall ascertain such Defaulter Clearing Member's Stock Exchange-wise, respective market-wise and Security-wise net losses, Provided that:

(i) the net profit, if any, of the Defaulter Clearing Member ascertained in any Security in any market at any Stock Exchange shall be applied on pro-rata basis against the net losses, if any, of the Defaulter Clearing Member in that market of that Stock Exchange in any other Securities on a particular Settlement Date;

(ii) the net profit, if any, of the Defaulter Clearing Member in one market in a Stock Exchange shall be applied on pro-rata basis against the net losses, if any, of the Defaulter Clearing

Member ascertained in other market(s) in that Stock Exchange on a particular Settlement Date;

- (iii) where the Defaulter Clearing Member is a member of more than one Stock Exchange, the net profit, if any, of the Defaulter Clearing Member ascertained at any Stock Exchange shall be applied on pro-rata basis against the net losses, if any, of the Defaulter Clearing Member ascertained at other Stock Exchange(s) on a particular Settlement Date, and
- (2) In order to ascertain the basis of allocation, the Company shall prepare a statement of Clearing Members' gross volumes of the Exchange trades and Non Exchange Transactions (excluding transactions pertaining to MT Contract and MF Transactions and MF(R) Transactions as losses arises due to such Non Exchange Transactions shall be dealt in accordance with the Chapter 7B and 7C of these Regulations) in the Security which caused losses to the Defaulter Clearing Member to:
 - (a) all the Broker Clearing Members any one or more of whom had initiated any IDS transactions in such Security from that particular Stock Exchange on that Settlement Date and were involved in Exchange trades in that particular Stock Exchange in the Security which caused losses to the Defaulter Clearing Member; and
 - (b) all Non-Broker Clearing Members who had entered into any Non Exchange Transactions in such Security on that Settlement Date provided that all Custodian Clearing Members who had entered in to any IDS transactions in such security on that Settlement Date shall be excluded from such statement and no loss shall be allocated to such Custodian Clearing Members.

Provided that IDS transactions shall be excluded from the Gross Volumes of the Exchange trades.

- (3) The Company shall recover the allocated losses of the Defaulter Clearing Member from all those Clearing Members who were involved in Exchange trades and Non Exchange Transactions(excluding transactions pertaining to MT Contract and MF Transactions and MF(R) Transactions as losses arises due to such Non Exchange Transactions shall be dealt in accordance with the Chapter 7B and 7C of these Regulations) in the Security which caused losses to the Defaulter Clearing Member in proportion to their gross trading volume in such Security as per the statement referred to in the preceding paragraph (2) above. The amounts of the allocated losses shall be collected through the Settling Banks in accordance with the Procedures.
- (b) Where the Defaulter Clearing Member is a Non-Broker Clearing Member and had affirmed any Non Exchange Transactions (excluding transactions pertaining to MT Contract and MF Transactions and MF(R) Transactions) on NCSS:
 - 1. The Company shall determine the amount of the loss of the Defaulter Clearing Member attributable to his executed Non Exchange Transactions for a particular Settlement Date, provided that:
 - (i) the net profit, if any, of the Defaulter Clearing Member ascertained in any Security in any market shall be applied on pro-rata basis against the net losses of the Defaulter Clearing Member in that market in any other Securities on a particular Settlement Date;

- (ii) the net profit, if any, of the Defaulter Clearing Member in one market shall be applied on pro-rata basis against the net losses of the Defaulter Clearing Member ascertained in other market(s) in that Stock Exchange on a particular Settlement Date;
2. In order to ascertain the basis of allocation of the loss attributable to the Non Exchange Transactions (excluding transactions pertaining to MT Contract and MF Transactions and MF(R) Transactions as losses arises due to such Non Exchange Transactions shall be dealt in accordance with the Chapter 7B and 7C of these Regulations) affirmed by a Defaulter Clearing Member, the Company shall prepare a statement of the gross volumes of the Exchange trades and the Non Exchange Transactions(excluding transactions pertaining to MT Contract and MF Transactions and MF(R) Transactions in the Security which caused losses to the Defaulter Clearing Member :to
 - (a) all the Clearing Members as are members of a Stock Exchange any one or more of whom had initiated any IDS transactions in such Security on that Settlement Date and were involved in Exchange trades in the Security which caused losses to the Defaulter Clearing Member; and
 - (b) all Non-Broker Clearing Members who had entered into any Non Exchange Transactions (excluding transactions pertaining to MT Contract and MF Transactions and MF(R) Transactions) in such Security on that Settlement Date. However, all Custodian Clearing Members who had entered into any IDS transactions in such Security on that Settlement Date shall be excluded from such statement and no loss shall be allocated to such Custodian Clearing Members

Provided that in preparing a statement of the gross volumes as above stated IDS transactions along with its underline Exchange trades shall be excluded from the gross volumes of the Exchange trades.

3. The Company shall recover the allocated losses of the Defaulter Clearing Member from those Clearing Members, including Non-Broker Clearing Members, as are referred to in preceding paragraph (2) in proportion to their gross volumes in the Security which caused losses to the Defaulter Clearing Member as per the statement referred to in the said paragraph. The amounts of the allocated losses shall be collected through the Settling Bank in accordance with the Procedures.

13.3.2 Payments by Clearing Members to whom a Defaulter Clearing Member's losses have been allocated by the Company shall be treated as their "claims" (hereinafter referred to as the "Claims") against such Defaulting Clearing Member and, if the default was caused on account of a default by any client(s) of such Defaulting Clearing Member, against such client(s). The Company will have no liability in respect of the Claims. Provided that where the Defaulter Clearing Member is a Non-Broker Clearing Member and any funds or assets of such Non-Broker Clearing Member come into the possession of the Company (for the recovery of which the Company shall have no liability), the Company shall apply such funds or assets in settlement of the Claims on pro rata basis (after deducting the Company's costs and expenses) and such Non-Broker Clearing Members shall be deemed to have authorised the Company for this purpose.

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 member has defaulted;
 - (b) Managing Director of the stock exchange(s), whose member 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 a general Notice to all NCC Participants, the Stock Exchanges, 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.

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 the relevant Stock Exchange in appropriate manner deemed necessary by such 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 the relevant 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 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 same Stock Exchange for execution of trades;
- (b) being a member of one Stock Exchange, he is suspended or ceases to be a member of that 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 Stock Exchange, or its failure to apply to 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 same Stock Exchange for execution of trades;

provided that where he is a member of more than one Stock Exchange and is suspended by or ceases to be a member of one Stock Exchange whilst remaining an active member of any other Stock Exchange, 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 ;
- (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 member of a 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 the same Stock Exchange for execution of trades; or
- (k) being a member of a Stock Exchange, his trading terminals are restricted for closing-out the open outstanding positions by the relevant 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 concerned 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 Stock Exchange subject to clearance from such 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. Any such amendment, addition or substitution shall take effect as of the date of approval thereof by the Commission and shall be binding on all NCC Participant and others to whom these Regulations are applicable. Such date shall be notified in the Gazette of Pakistan.

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 stock exchanges;
- (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 a 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 Stock Exchange(s) or Commission on the request of Managing Director(s) of the Stock Exchange(s) or the authorized officer(s) of the Commission, as the case may be, to effectively enhance the market monitoring and surveillance capacity of Stock Exchange(s) and Commission. The Company shall provide

the Clearing Data having the Client UIN Registration Detail of a Broker Clearing Member which the Stock Exchange(s), or the Commission, as the case may be has requested. Such Clearing Data will be provided on the condition that the 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, the relevant 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 authorisations 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 all Stock Exchanges 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 Stock Exchanges, 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 any thing 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.

NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED
AMENDMENT IN FEE, CHARGES AND SECURITY DEPOSIT SCHEDULE

NOTIFICATION
Karachi the 05, January, 2012

In exercise of the powers conferred by Regulation No. 3.6 of NCC 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 Security Deposits Schedule which shall come into force on approval by the Commission.

The following changes shall be made in the Fee, Charges and Security Deposit Schedule, Accordingly, the amendments shall be Incorporated in the Fee, Charges and Security Deposit Schedule.

SCHEDULE OF FEE						
S. No.	NAME	RATE	BASIS	LEVIED ON	COLLECTION	
					TIME	MODE
1.	Trade Fee	Re. 1.00	Per Rs. 100,000 value of regular trade	Clearing Member	Month end	Through NCSS Pay & Collect
1a.	Trade Fee – Odd Lot Market	Rs. 2.00	Per odd lot trade	Clearing Member	Month end	Through NCSS Pay & Collect
2.	Trade Fee – SECP	Re. 0.30	Per Rs. 100,000 value of regular trade	Clearing Member	Month end	Through NCSS Pay & Collect
3.	Non-Exchange Transaction fee for BTB	Rs.1.50	Per Rs. 100,000 value of Non-Exchange Transaction	Clearing Member	Month end	Through NCSS Pay & Collect
3a.	Non-Exchange Transaction fee for MF	Rs. 1.50	Per Rs. 100, 000 value of Non-Exchange (Margin Financing and Margin Financing (R)) Transactions	Clearing Member	Month end	Through NCSS Pay & Collect
3b.	Penalty on non-affirmed/rejected auto initiated transaction	Rs. 500	Non-affirmed/rejected auto initiated transaction between BCM & NBCM on the basis of per CM, per scrip and per day.	Clearing Members	Month end	Through NCSS Pay & Collect
3c.	Penalty on non-affirmed/rejected BTB Transaction	Rs. 5	Per Rs. 100, 000 of Value BTB Transaction subject to minimum of Rs. 100 on the basis of per CM, per scrip and per day for buy and sell order separately.	Broker Clearing Member	Month end	Through NCSS Pay & Collect
4.	Non-Exchange Transaction fee for IDS	Rs. 2.00	Per Rs. 100,000 value of Non-Exchange Transaction	Clearing Member	Month end	Through NCSS Pay & Collect

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4a.	Non-Exchange Transaction fee for RMS on IDS (Please refer Note B)	Rs. 1.00*	Per Rs. 100,000 value of Non-Exchange Transaction	Clearing Member	Month end	Through NCSS Pay & Collect
4b.	MF Annual Fee	Rs. 100,000	Annual Fee for MF	Non Broker Margin Financier	Annually	Through NCSS Pay & Collect
5	UIN Maintenance Fee for Individual	Rs. 115	Per UIN Record --- Client Code Wise	Clearing Member	Annually	Through NCSS Pay & Collect
5a.	UIN Maintenance Fee for Corporate (other than NBCMs)	Rs. 500	Per UIN Record --- Client Code Wise	Clearing Member	Annually	Through NCSS Pay & Collect
5b.	UIN Maintenance Fee for NBCMs	Rs. 5,000	Per UIN Record --- Client Code Wise	Non – Broker Clearing Member	Annually	Through NCSS Pay & Collect
6	Non- Deliverable Future Contract	Rs. 0.81	Per Rs. 100,000 value of Non-Deliverable Futures Contract	Clearing Member	Month End	Through NCSS Pay & Collect
7	Deliverable Future Contract/provisionally listed companies market	Rs. 0.81	Per Rs. 100,000 value of Deliverable Futures Contract/provisionally listed companies market	Clearing Member	Month End	Through NCSS Pay & Collect
8	SECP Levy	Rs. 0.19	Per Rs. 100,000 value of MF, MT and SLB multiplied by No. of days of respective Contract	Authorized Financier and Financee	Month end	Through NCSS Pay & Collect
9	Fixed Fee for IDS Facility (Please refer Note C)	Rs. 15,000	Monthly tariff on IDS facility for all NBCMs	Non-Broker Clearing Members	Month end	Through NCSS Pay & Collect
10	Transaction fee for SLB	Rs. 1.50	Per Rs. 100,000 value of SLB Transaction multiplied by No. days of SLB Contract	SLB Participants	Month end	Through NCSS Pay & Collect
11	Contribution for NCC Clearing and Settlement Fund in respect of SLB Transactions	Rs. 1.50	Per Rs. 100,000 value of SLB Transaction multiplied by No. days of SLB Contract	SLB Participants	Month end	Through NCSS Pay & Collect
12	Transaction fee for MT Transactions	Rs. 1.50	Per Rs. 100,000 value of MT Transaction multiplied by No. days of MT Contract	Trading Financier and Financee	Month end	Through NCSS Pay & Collect
13	RMS fee for MT Transactions	Rs. 0.75	Per Rs. 100,000 value of MT Transaction multiplied by No. days of MT Contract	Trading Financier	Month end	Through NCSS Pay & Collect
14	MT Annual Fee	Rs. 250,000	Annual Fee for MT	Non Broker Trading Financier	Annually	Through NCSS Pay & Collect

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15	SLB Annual Fee	Rs. 250,000	Annual Fee for MT	Non Broker Trading Financier	Annually	Through NCSS Pay & Collect
16	Trade For Trade Settlement Fee	Rs.2.00	Per Rs. 100,000 value of Trade For Trade transaction or Rs. 100 whichever is higher	Clearing Member	Month end	Through NCSS Pay & Collect
17	Transaction Fee for IBFT	Rs. 250	Upto Rs. 500,000 value of IBFT Transaction	Clearing Member	Month end	Through NCSS Pay & Collect
18	Transaction Fee for IBFT	Rs. 500	From Rs. 500, 001 to 10,000,000 value of IBFT Transaction	Clearing Member	Month end	Through NCSS Pay & Collect
19	Transaction Fee for IBFT	Rs1000	From Rs 10,000,001 or above value of IBFT Transaction	Clearing Member	Month end	Through NCSS Pay & Collect
20	Trade Fee for reporting of un-listed TFCs	Rs.1.00	Per Rs. 100,000 value of transaction of un-listed TFCs	Reporting Member	Month end	Through NCSS Pay & Collect

SCHEDULE OF CHARGES

S.No.	NAME	RATE	BASIS	LEVIED ON	COLLECTION	
					TIME	MODE
1.	Delivery Default Charges – First Default	Re. 0.50%	Delivery default value of each scrip, minimum Rs. 2,000	Clearing Member	Month end	Through NCSS Pay & Collect
1.b	Delivery Default Charges (debt Securities) – First Default	Re.1.00%	Delivery default value of each scrip, minimum Rs.10,000	Clearing Member	Month end	Through NCSS Pay & Collect
2.	Squared-up Delivery Default Charges	Re. 1.00%	Delivery default value of each scrip, minimum Rs. 4,000	Clearing Member	Month end	Through NCSS Pay & Collect
2.b	Squared-up Delivery Default Charges (debt Securities)	Re.2.00%	Delivery default value of each scrip, minimum Rs.20,000	Clearing Member	Month end	Through NCSS Pay & Collect
3.	Delayed Payment Charges	Re.0.50%	Delayed Payment amount, minimum of Rs. 2,500 and maximum of Rs. 200,000	Clearing Member	Month end	Through NCSS Pay & Collect

SCHEDULE OF SECURITY DEPOSIT

S. No.	NAME	RATE	BASIS	COLLECTION	
				TIME	MODE
1.	Security Deposit from Broker CM	Rs.200,000	One time fixed, per Exchange membership	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	P. O. /Draft/Cheque
3.	Security Deposit from Non-broker CM for allowing IDS functionality on Regular Market	Rs. 2,500,000	One time fixed	On signing of agreement	P.O. /Draft/Cheque

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	Trades				
4.	Security Deposit from Non-Broker Margin Financier for MF	Rs. 250,000	One time fixed	On signing of agreement	P.O. /Draft/Cheque
5.	Security Deposit from Non Broker Trading Financier	Rs. 250,000	One time fixed	On signing of agreement	P.O./Draft/Cheque

- Note A
- BTB= Broker to Broker Delivery System.
 - IDS = Institutional Delivery System.
 - Broker CM= Who is a member of Stock Exchange.
 - Non-Broker CM= Who is not a member of Stock Exchange.
 - RMS = Risk Management System
 - SLB = Securities Lending & Borrowing
 - MF= Margin Financing
 - MT= Margin Trading
 - IBFT=Interbank Fund Transfer facility

- Note B
- One half of Non Exchange Transaction Fee for RMS on IDS (as defined in S. No 4a) shall be transferred to NCC Clearing and Settlement Fund.

- Note C
- 30% of monthly fee on IDS (as defined in S. No 9) shall be transferred to NCC Clearing and Settlement Fund.
 - 20% of monthly fee on IDS (as defined in S. No 9) shall be charged as SECP Levy.