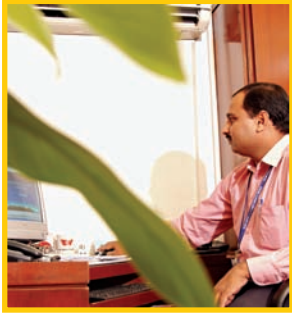




Since incorporation on July 03, 2001, the Company is focused on providing continuous support in the development of capital market and developing effective projects plans by applying maximum available

NCCPL's

resources in a most efficient manner. It is evident that the Company in a very short span of time has achieved various milestones and provides significant relief to the market participants in performing their business activities.



The operations of the NCCPL are governed by the following legislations:

NCCPL Regulations

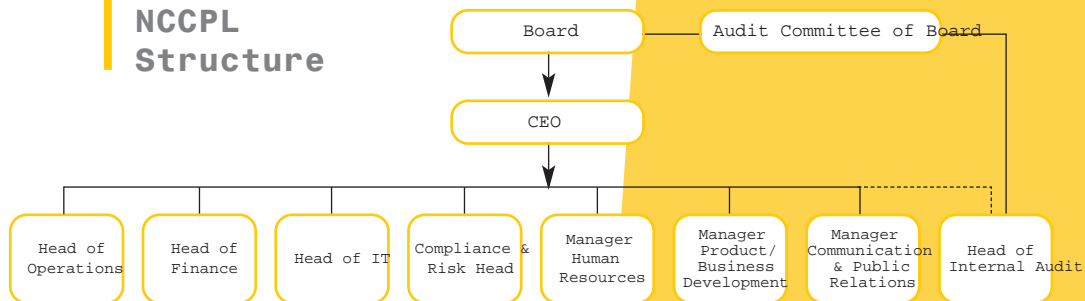
NCCPL Procedures

Clearing House (Registration and Regulations) Rules, 2005

Companies Ordinance, 1984

Operations

NCCPL Structure





NT

NATIONAL CLEARING AND SETTLEMENT SYSTEM (NCSS)

National Clearing and Settlement System provides centralized clearing and settlement services to all three stock exchanges in the country i.e. Karachi Stock Exchange (KSE), Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE). There are two types of participants in NCSS i.e.

Settlem

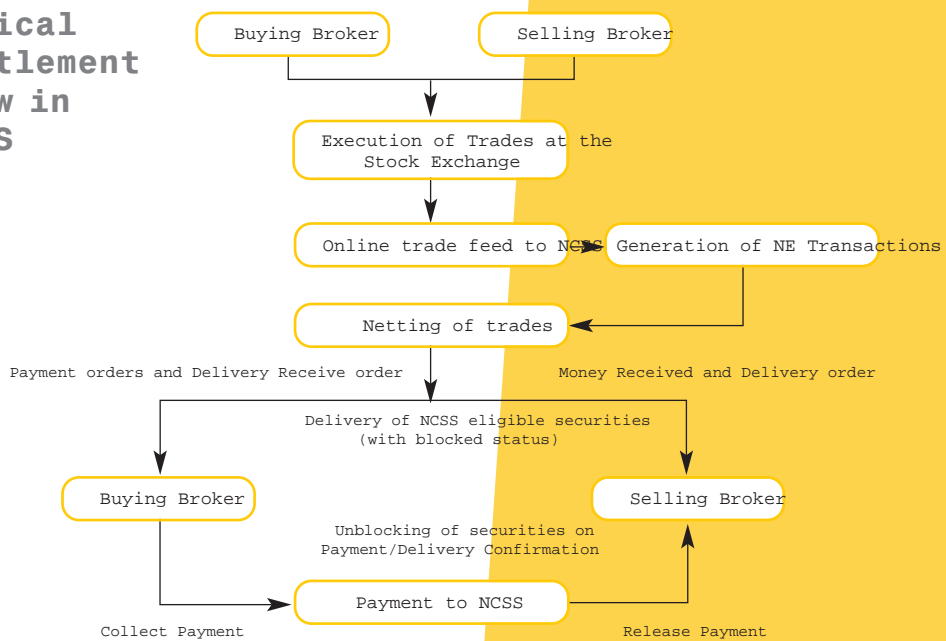
Broker Clearing Members (BCM) and Non-Broker Clearing Members (NBCM).

Trades in the ready & future market and other non-exchange transactions such as Broker to Broker (BTB), Institutional Delivery System (IDS), Margin Financing (MF) and CFS Mk-II Transactions are settled by NCSS under Balance Order Multilateral Netting mechanism on T+2 and T+1 basis followed by Delivery vs Payment (DVP) mechanism.



ent Systems

Typical settlement flow in NCSS



No. of Listed Securities as of June-08

The operations of the Company observed significant growth during the year 2007-08, and NCSS remained stable throughout the year despite various leaps and bounds in the indices of stock exchanges. The highest number of Balance Orders

No. of Broker CM as of June -08

465

NCSS Operatio

settled on a particular settlement day during the year was 13,600.

No. of Non-Broker CM as of June -08

Tabulated below are the statistical details of operational performance of the Company during the year:

Average per day Trade feed Volume

447603093

Average per day Trade feed Value

46,801,937,144

Average per day BTB Volume

nal Highlights

Average per day BTB Value

100,407,411

Average per day IDS Volume

Average per day IDS Value

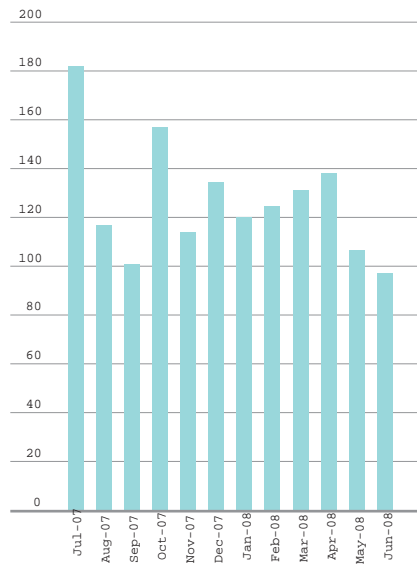
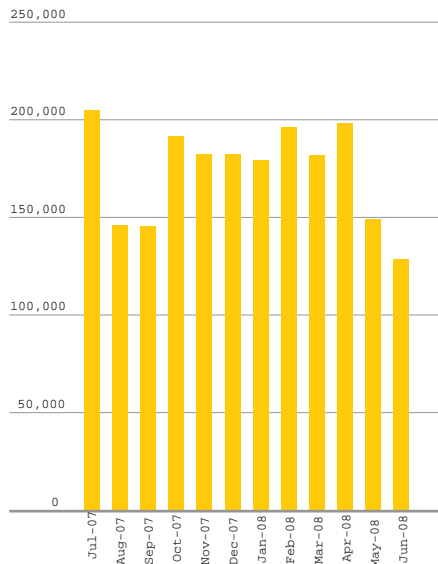
14,326,134.89

Average per day Settlement Volume

Average per day Settlement Value

10,824,423.4

Monthly per Day Average No. of Trade Settled on NCSS and Monthly per Day Average Transactions Settlement Volume (Shares in million)



No. of Settling Banks as of June

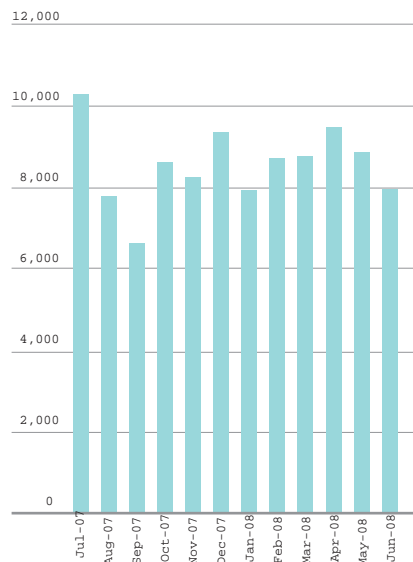
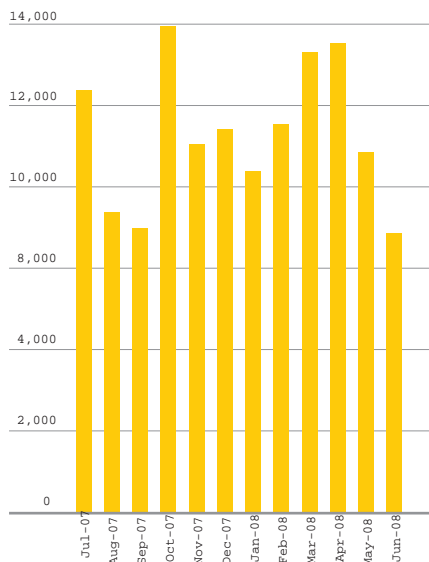
14

No. of Settling Branches as of June-08

No. of UIN Opened during the year

96113

Monthly per Day Average of Settlement Volume (Rs. in million) Monthly per Day Average of No. of BO s



A As far as System Development aspect is concerned the Significant Developments during the year are:

1 Enhancement in Unique Identification Number (UIN) functionality

In order to maintain the traceable link for each trade transaction executed in the stock market, use of a Unique Identification Number is mandatory since year 2006 whereby BCMS can register their clients in the UIN Database and accordingly, stock exchanges have been linked up with such registration details with their respective trading systems.

The UINs data, maintained by the NCCPL is also being used for the verification of UIN for:

- Account creation in Central Depository System (CDS); and
- Account creation by the members of National Commodity Exchange Limited (NCEL).

To create a traceable link for the execution of Inter Exchange Trades by the Broker Member of the Exchange for their proprietary and / or on behalf of their clients, a mechanism for registering UIN of Inter Exchange eligible client has been devised in the existing functionality of UIN in NCSS whereby CMs can implicitly record trades on behalf of CM belonging to other Exchange directly on the trading systems.

2 Settlement of Odd-lot Market Trades Through NCSS

The settlement spectrum of the NCSS has been enhanced to facilitate the settlement of trades executed in the odd-lot market of respective stock exchanges. These trades are being settled under Balance Order T+2 settlement cycle.

3 Automated handling of corporate actions of CFS Financed Securities

In order to ensure efficient and smooth transfer benefits arising out of corporate entitlements on CFS financed securities an automatic mechanism has been devised in NCSS whereby such benefits are timely credited to the rightful beneficiary.

4 Information about Foreign Investment Portfolio (“FIPI”) on website

In order to facilitate and bring transparency, the provision of information related to foreign investment in capital market has now been provided by NCCPL through its website on daily basis. These trading informations are collected on the basis of Unique Identification Number (UIN) for the execution of trades by brokers on behalf of foreigner investor.

5 Financial Institutions (FI) Margining System

In order to provide relief to the market participants and strengthen the risk management in the capital market, the NCCPL has implemented Financial Institutions Risk Management System whereby Institutions, being the Non-broker Clearing Member (NBCM), post collaterals against their trades executed in stock market, directly with NCCPL. Once collaterals are deposited by such institutions, the related transactions of the brokers and adjustment of their exposure, are provided to the relevant exchanges.

For the collection of exposure margins, the NCCPL applies at-Risk (VaR) based margining system stipulated for each scrip.

For the collection of MTM losses, the NCCPL computes the difference between the transaction price and closing price of unsettled position of NBCMs in each scrip till the settlement. The Collaterals are collected in the following forms:

- Cash
- Eligible Securities
- Eligible Term Finance Certificate (TFC)
- Bank Guarantee
- Irrevocable Undertaking

6 Continuous Funding System – CFS Mk-II

In order to facilitate transparent and efficient financing for the capital market, NCCPL, in technical collaboration with the Karachi Stock Exchange, has implemented the centralized Continuous Funding System (CFS) Mk-II. Through this system, besides stock brokers, banks, asset management companies, DFIs and NBFCs can also directly participate in the most attractive financing segment of the Pakistani capital market by placing their offers and bids through NCCPL's portal.





Eligible Participants are of two types:

Authorized Financiers (AF) can be the banks, mutual funds, Non-Banking Finance Companies (NBFCs) development financial institutions (DFIs) Brokers (Corporate & Individual) and any other corporate entity (as may be approved by NCCPL Board with the consent of SECP).

Financiers are Brokers of the Stock Exchanges and will have access to finance for their own account and on behalf of their clients.

Contract Period in CFS Mk-II market is locked in for 22 working days. However, Financier may release/roll-over their position at any time at its sole discretion during the contract period. On expiry of 22 working days CFS Mk-II contract will be forced released and available for settlement/roll-over.

Rate of markup applicable to each CFS Mk-II Eligible Security, at which the CFS funds are lent/borrowed, will be determined by each AF and Financier based on their own assessment of risk inherent in the security.

Risk Management System

For the collection of exposure margin the NCCPL applies Value-at-Risk (VaR) based margining system stipulated for each scrip. Exposure margins may be deposited in the form of Cash, Securities, Eligible Term Finance Certificate (TFC), Bank Guarantee (treated as cash equivalent) and Irrevocable Undertaking.

For the collection of MTM loss the NCCPL computes the difference between the transaction price and closing price of the unsettled position of NBCMs in each scrip till the settlement date. However, MTM losses are collected in the form of cash and cash equivalent.

For the collection of Special margin the NCCPL collects such margins on daily basis where the average transaction price of financier's proprietary position or his client's position in a CFS Mk-II Eligible Security in CFS Mk-II market is different from 26 weeks moving average price of that CFS Mk-II Eligible Security in the market. Special margins are collected in the form of cash and cash equivalent.

Margins deposited by AF are retained by the NCCPL from the date of transaction till date of settlement to cover the settlement risk. Financier margins remain with the NCCPL during the entire period of CFS Mk-II Contract. In case of AF, the CFS financed shares are automatically transferred to a separate CDC blocked account in the name of the AF or its client upon settlement on T+2 and the Margin held against such AF, for the first 2 days, will be released and further Margin will be required.

7 Funds

The NCCPL maintains following two types of Funds for the management of losses and default:

NCC Clearing and Settlement Fund means the clearing and settlement fund established pursuant to Rule 12 of the Clearing Houses (Registration and Regulation) Rules, 2005; and

CFS Mk-II Protection Fund means a fund established under NCCPL Regulations in order to manage the losses that a CFS Mk-II Participant may incur in the Mk-II Market.

8 Affiliation with International Capital market organisation

In order to ensure that the systems and procedures are consistent with the international best practices, the NCCPL acquires the membership of renowned International Capital Market Bodies viz a viz Asia Pacific Group (ACG) and South Asian Federation of Exchanges (SAFE).

9 Future Products of the Upcoming Year

In order to achieve our core objective-being the backbone of the Pakistani Capital Market, we are continuously striving hard by improvisating the terms of reliability and efficiency, in the operations of the Company by introducing various products and will be even more aggressive in providing better services and solutions in the upcoming financial year. Besides many other enhancements in the existing functionalities, following are the major products and services planned for the coming financial year:

1. Implementation of Securities Lending and Borrowing
2. Settlement and Risk Management of Fixed Income Securities
3. Data Broadcasting Services

