



National Clearing Company of Pakistan Limited

8th Floor, Karachi Stock Exchange Building, Stock Exchange Road, Karachi

NCCPL/MTS/JAN-12/02

January 31, 2012

Modifications in Margin Trading System

Dear Clearing Members,

❖ This is with reference to the amendments made in the Securities (Leveraged Markets and Pledging) Rules, 2011 as notified by the Securities and Exchange Commission of Pakistan (“SECP”), whereby following changes have been incorporated in the **Margin Trading System (“MTS”)**:

- 1) **Broker Trading Financiers** have been allowed to provide financing in MTS through their **Individual Clients** as well subject to fulfillment of **Eligibility Criteria** enclosed as Annexure.
- 2) **Minimum Financing Participation Ratio (“FPR”)** has been revised from **25% to 15%** i.e. minimum equity participation of the Finanee is 15% of Margin Trading (“MT”) Transaction Value.
- 3) **The Financees shall be required to deposit margins on their open position of MTS** i.e. on the value of MT (R) Transactions.

❖ Accordingly, National Clearing Company of Pakistan Limited (“NCCPL”) has planned to implement the aforementioned changes in MTS as follows:

A. Effective from Monday, February 06, 2012

1. Provision of Financing by Broker Trading Financiers through their Individual Clients

- a) Broker Trading Financiers will be allowed to provide financing in MTS through their Individual and Corporate Clients. **However, existing requirement of minimum FPR of 25% will remain applicable till February 17, 2012.**



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- b) Broker Trading Financiers are required to submit an undertaking to NCCPL to confirm that their Individual Clients fulfill the eligibility criteria enclosed as Annexure.

B. Effective from Monday, February 20, 2012

2. Minimum FPR Requirements would stand reduced to **15% in Cash only**.

3. Collection of MT (R) Transaction Margins from Finances:

- a) Finances would be required to deposit **MT (R) Transaction Margins till settlement of MT Contract in the form of Cash, MT Eligible Securities and/or Bank Guarantee**.
- b) MT (R) Transaction Margins shall be the differential of FPR and VaR Estimate of the MT Financed Security. However, the aggregate value of FPR and MT (R) Transaction Margins shall always be higher of 25% or VaR Estimate of that MT Financed Security.
- c) **NCCPL will collect MT (R) Transaction Margins from Finances** upon the settlement of MT Transactions.

- ❖ **Please note that the aforementioned changes of FPR and MT (R) Transaction Margins shall only be applied on MT Contracts entered from Monday, February 20, 2012, onwards.**
- ❖ **Existing terms and conditions of MTS shall remain applicable on MT Contracts outstanding as on Friday, February 17, 2012.**
- ❖ **NCCPL has also arranged MOCK SESSIONS in coordination with the Karachi Stock Exchange for all MT Participants from February 13, 2012 to February 17, 2012. All MT Participants are hereby requested to familiarize them with the aforementioned changes in MTS and update their Back Office System accordingly.**



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For any further queries or concerns, please feel free to contact the **Customer Support Department** of your respective locations:

City	Telephone Number	Fax Number	Email
Karachi	021-32460811-19	021-32460827	helpdesk@nccpl.pk
Lahore	042-36280815-7	042-36280818	helpdesk@nccpl.pk
Islamabad	051-2895460-2	051-2895463	helpdesk@nccpl.pk

Regards,

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Badiuddin Akber
Head of Operations

Cc:

1. Director (PRDD) Securities and Exchange Commission of Pakistan - Islamabad
2. Managing Director - The Karachi Stock Exchange (Guarantee) Limited
3. Managing Director - The Lahore Stock Exchange (Guarantee) Limited
4. Managing Director - The Islamabad Stock Exchange (Guarantee) Limited
5. Chief Executive Officer - Central Depository Company of Pakistan Limited
6. Chief Executive Officer - Mutual Fund Association of Pakistan
7. Chairman - Pakistan Banking Association



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Annexure

ELIGIBILITY CRITERIA FOR INDIVIDUAL CLIENT OF BROKER WHO MAY PROVIDE FUNDS TO BROKER FOR PROVIDING FUNDS UNDER MARGIN TRADING SYSTEM *(As Notified by the Securities and Exchange Commission of Pakistan)*

An individual may provide funds to brokers for providing funds under Margin Trading System (MTS), if such individual:

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