

Proposed Changes in the NCCPL Regulations pertaining to SLB

Existing Regulations	Proposed Changes	Rational
<p>5.1 Application for admission to the NCSS as Clearing Member New Provision f1</p>	<p><u>An insurance company licensed by the Commission and it has been allocated minimum insurer financial strength rating of A+. Provided that such entity shall only be admitted as a Clearing Member in a capacity to act as Lender as per the provision of Chapter 7A of these Regulations;</u></p>	<p>Insurance Companies can perform functions as Clearing Member in a capacity of Lender in the SLB Market only.</p>
<p>7.A.1 Definition</p> <p>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.</p> <p>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.</p> <p>SLB Contract Price means the product of applicable Premium specified in the Bid, the SLB Transaction Value and SLB</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>SLB Contract Price means the product of applicable Premium specified in the Bid, the SLB Transaction Value and SLB</p>	<p>As per the revised mechanism, SLB Rate will be determined by the Participants without any maximum limit. Therefore, provision of KIBOR will no longer be required</p> <p>Each SLB Contract shall be released of its Maturity Date as defined in the SLB Contract Period.</p> <p>In case of an early release of SLB Contract, full day premium will be charged.</p>

<p>Contract Period</p> <p>SLB Contract Period means the period lapsed from (and including) the SLB Transaction Date until and including the SLB (R) Transaction Date.</p> <p><i>Explanation:</i> if the SLB (R) Transaction Date is same as the SLB Transaction Date, the SLB Contract Period shall be one day.</p>	<p>Contract Period. <u>Provided that, in case where SLB (R) Transaction is executed on Accelerated Maturity Date, the actual duration of SLB Contract Period shall be used instead of using SLB (R) Transaction Date.</u></p> <p>SLB Contract Period means the period lapsed from (and including) the SLB Transaction Date until and including the SLB (R) Transaction Date. <u>Separate SLB Contract of each SLB Eligible Security, from one Business Day to 14 Business Day shall be made available in SLB Market except for the situation where book-closures are implemented within 14 Business Days.</u></p> <p><i>Explanation:</i> if the SLB (R) Transaction Date is same as the SLB Transaction Date, the SLB Contract Period shall be one day.</p>	<p>Contracts ranging from One to fourteen days will be made available instead of fixed maturity of 22 working days</p>
<p>7.A.2.1Eligibility Criteria for SLB Participant</p> <p>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:</p> <p>(i) a Broker Clearing Member, fulfills the capital adequacy</p>	<p>7.A.2.1Eligibility Criteria for SLB Participant</p> <p>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:</p> <p>(i) a Broker Clearing Member, fulfills the capital adequacy</p>	<p>Insurance Companies can perform functions as Clearing Member in a capacity of Lender in the SLB Market only</p>

<p>requirements specified in Chapter 12's Sschedule I;</p> <p>(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;</p> <p>(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;</p> <p>(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;</p>	<p>requirements specified in Chapter 12's Sschedule I;</p> <p>(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;</p> <p>(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;</p> <p>(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;</p>	
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<p>(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;</p>	<p><u>v an insurance company licensed by the Commission and it has been allocated minimum insurer financial strength rating of A+;</u></p> <p>(vi) any other corporate entity about which the Board (subject to final approval by the Commission) is satisfied that it has a good financial standing, has the capability to satisfy the requirements of these Regulations and is otherwise a fit and proper person to be admitted as a SLB Participant;</p>	
<p>7.A.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.</p>	<p>7.A.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.</p>	<p>Contracts falling on the book-closure date will not be executed in the SLB Market</p>

<p>7.A.4.13 Cost of Lending</p> <p>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.</p>	<p>7.A.4.13 Cost of Lending</p> <p>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.</p>	<p>Rate of SLB Contract shall be determined by the SLB Participants</p>
<p>12.4 EXPOSURE AND NETTING</p> <p>Special Margin also be payable by Borrowers 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 Delivery Contract Market. 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 Delivery Contract 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</p>	<p>12.4 EXPOSURE AND NETTING</p> <p>Special Margin also be payable by Borrowers 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 Delivery Contract Market. 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 Delivery Contract 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</p>	<p>Special Margin will be replaced with Concentration Margin</p>

<p>in the Ready Delivery Contract Market.</p>	<p>in the Ready Delivery Contract Market.</p>	
<p>12.7.1 CONCENTRATION MARGINS:</p> <p>Concentration margins shall be payable by:</p> <p>(a) a Clearing Member in respect of a Security in Deliverable Future Contracts and Cash-Settled Futures Contracts Markets determined in accordance with Schedule-VI. Concentration Margin shall be calculated at the end of each Trade Date; and</p> <p>(b) a Finnee till settlement of MT (R) Transaction in respect of a MT Eligible Security in MT Market determined in accordance with Schedule-VI and shall be calculated at the end of each Business Day.</p>	<p>12.7.2 CONCENTRATION MARGINS:</p> <p>Concentration margins shall be payable by:</p> <p>(a) a Clearing Member in respect of a Security in Deliverable Future Contracts and Cash-Settled Futures Contracts Markets determined in accordance with Schedule-VI. Concentration Margin shall be calculated at the end of each Trade Date; and</p> <p>(b) a Finnee till settlement of MT (R) Transaction in respect of a MT Eligible Security in MT Market determined in accordance with Schedule-VI and shall be calculated at the end of each Business Day.</p> <p>(c) <u>SLB Participants till settlement of SLB (R) Transaction in respect of a SLB Eligible in SLB Market determined in accordance with Schedule-VI and shall be calculated at the end of each</u></p>	<p>Instead of Special Margins, concentration margins will be applied on SLB Participants</p>

	<u>Business Day.</u>	
<p>12.7.14 Where a SLB Participant fails to deposit any margin, MtM 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 MtM 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.</p>	<p>12.7.15 Where a SLB Participant fails to deposit any margin, MtM Losses or <u>Concentration</u> 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 MtM Losses and where applicable, <u>Concentration</u> 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.</p>	

Schedule-II

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

SR NO.	MARKET	EXPOSURE MARGINS	MTM LOSSES	SPECIAL MARGIN	CONCENTRATION MARGINS	LIQUIDITY MARGINS	ADDITIONAL MARGINS
1	Ready Delivery Contract Market	100% in Cash and/or Margin Eligible Securities and/or Bank Guarantee and/ or Irrevocable Undertaking and/or T-Bills provided by the respective Clearing Member	100% in Cash and/or Margin Eligible Security and/or bank guarantee and/ or Irrevocable Undertaking	Not Applicable	Not Applicable	100% in Cash and /or Margin Eligible Securities and/or Bank Guarantee	Not Applicable
2	Leveraged Buys financed through MT Market						100% in Cash and /or Margin Eligible Securities and/or Bank Guarantee and/ or Irrevocable Undertaking and/or T-Bills provided by the respective Clearing Member
3	Futures Trading in Provisionally Listed Companies Market	100% in Cash and/or bank guarantee and/ or Irrevocable Undertaking	100% in Cash	Not Applicable	Not Applicable	Not Applicable	Not Applicable
4	Deliverable Futures Market	50% in Cash and/or Bank Guarantee and/ or Irrevocable Undertaking and 50% in Margin Eligible Securities as per Procedures and these Regulations	100% in Cash/ Bank Guarantee	Not Applicable	100% in Cash and/or bank guarantee and/ or Irrevocable Undertaking	Not Applicable	Not Applicable
5	Cash-Settled Futures Market	100% in Cash and/or Bank Guarantee	100% in Cash	Not Applicable	100% in cash and/or Bank Guarantee	Not Applicable	Not Applicable
6	Stock Index Futures Contracts Market	100% in Cash and/or Bank Guarantee	100% in Cash	100% in Cash and/or Bank Guarantee	Not Applicable	Not Applicable	Not Applicable
7	Index Option Market	100% in Cash and/or Bank Guarantee	100% in Cash	Not Applicable	Not Applicable	Not Applicable	Not Applicable
8	SLB Market	100% in Cash and/or Margin Eligible Securities and/or	100% in Cash	Not Applicable 100% in Cash and/or Bank Guarantee	<u>100% in Cash and/or Margin Eligible Securities and/or</u>	Not applicable	Not applicable

		Bank Guarantee and/ or Irrevocable Undertaking and/or Treasury Bills (“T-Bills”) provided by the respective SLB Participant		and/or T Bills provided by the respective SLB Participants	<u>Bank Guarantee and/or Treasury Bills (“T-Bills”) provided by the respective SLB Participant</u> not applicable		
9	Debt Market	100% in Cash and/or Bank Guarantee and/ or Irrevocable Undertaking by the respective Clearing Member	100% in Cash and/or Bank Guarantee and/ or Irrevocable Undertaking provided by the respective Clearing Member	Not applicable	Not applicable	Not applicable	Not applicable

Note: 1. In Deliverable Futures Market, in case where Exposure is due to sale of a particular security by a UIN, 50% net-sold position of such security can be deposited by the same UIN to meet full Exposure Margin requirements.

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

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

Schedule VI (continued)

CONCENTRATION MARGIN SLABS in MTS <u>AND</u> SLB MARKET					
%AGE OF MTS/ <u>SLB</u>		AND	%AGE OF MTS/ <u>SLB</u> POSITION TO FREEFLOAT OF SCRIP		CONCENTRATION MARGINS
MARKET WIDE SECURITY CONCENTRATION MARGIN SLABS AND RATES					
Greater than	2	“	Greater than	2.9	1.61
Greater than	6	“	Greater than	4.3	3.23
Greater than	8	“	Greater than	5.7	4.84
Greater than	10	“	Greater than	8.6	6.45
Greater than	12	“	Greater than	14.3	8.06
Greater than	14	“	Greater than	20	9.68
CLEARING MEMBER WIDE SECURITY CONCENTRATION MARGIN SLABS AND RATES					
Greater than	5	“	Greater than	0.6	1.61
Greater than	10	“	Greater than	0.9	3.23
Greater than	20	“	Greater than	1.1	4.84
Greater than	30	“	Greater than	1.4	6.45
Greater than	40	“	Greater than	1.7	8.06
Greater than	60	“	Greater than	2.0	9.68
UIN WIDE SECURITY CONCENTRATION MARGIN SLABS AND RATES					
Greater than	1	“	Greater than	0.17	0.81
Greater than	2	“	Greater than	0.25	1.61
Greater than	4	“	Greater than	0.33	2.42
Greater than	8	“	Greater than	0.42	4.03
Greater than	16	“	Greater than	0.50	5.65

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