

**Proposed Changes in the NCCPL Regulations Pertaining to discontinuation of Spot Period at PSX**

<b>Existing Regulations</b>	<b>Proposed Regulations</b>	<b>Rational</b>
<p><b>CHAPTER 7A SECURITIES LENDING AND BORROWING</b></p> <p><b>7A.1. Definitions</b></p> <p><b>Spot Period</b> means the trading periods prior to the commencement of book closure date, as notified by Pakistan Stock Exchange from time to time.</p>	<p><b>CHAPTER 7A SECURITIES LENDING AND BORROWING</b></p> <p><b>7A.1. Definitions</b></p> <p><del><b>Spot Period</b> means the trading periods prior to the commencement of book closure date, as notified by Pakistan Stock Exchange from time to time.</del></p>	<p>Spot trading (T+1 Settlement) no longer prevails in PSX due to change in their PSX Rule Book</p>
<p><b>7.B1 Definitions inception</b></p> <p><b>7.B1.1 Definitions</b></p> <p><b>Spot Period</b> means the trading periods prior to the commencement of book closure date, as notified by Pakistan Stock Exchange from time to time.</p>	<p><b>7.B1 Definitions inception</b></p> <p><b>7.B1.1 Definitions</b></p> <p><del><b>Spot Period</b> means the trading periods prior to the commencement of book closure date, as notified by Pakistan Stock Exchange from time to time.</del></p>	
<p><b>7C.1. Definitions</b></p> <p><b>7C.1.1 Definitions</b></p> <p><b>Spot Period</b> means the trading periods prior to the commencement of book closure date, as notified by the stock exchange(s) from time to time.</p>	<p><b>7C.1. Definitions</b></p> <p><b>7C.1.1 Definitions</b></p> <p><del><b>Spot Period</b> means the trading periods prior to the commencement of book closure date, as notified by the stock exchange(s) from time to time.</del></p>	

**Proposed Changes in the NCSS Procedures**

<b>Existing Procedures</b>	<b>Proposed Procedures</b>	<b>Rational</b>
<p>2.1.3 Settlement Options                      2.1.3.1 NCSS shall be a clearing and settlement system for NCSS live securities with the following settlement options:</p> <p>1 Balance Order T+2 rolling settlement cycle based on Clearing Member wise, UIN wise and corresponding CDS main, house/sub-account wise to be used for settlement of Exchange trades and Non-Exchange transactions.</p> <p>2 Balance Order T+1 rolling settlement cycle based on Clearing Member wise, UIN wise and corresponding CDS main house/sub-account wise.. This settlement cycle shall be used for settlement of Exchange trades and Non-Exchange transactions in a security of which book closure has been announced by the Issuer for ascertaining of the names of the holders who are entitled to dividend or any other benefits, including rights or bonus shares and for ascertaining of the names of the holders in connection with merger, de-merger, split and consolidation.</p>	<p>2.1.3 Settlement Options                      2.1.3.1 NCSS shall be a clearing and settlement system for NCSS live securities with the following settlement options:</p> <p>1 Balance Order T+2 rolling settlement cycle based on Clearing Member wise, UIN wise and corresponding CDS main, house/sub-account wise to be used for settlement of Exchange trades and Non-Exchange transactions.</p> <p><del>2 Balance Order T+1 rolling settlement cycle based on Clearing Member wise, UIN wise and corresponding CDS main house/sub-account wise.. This settlement cycle shall be used for settlement of Exchange trades and Non-Exchange transactions in a security of which book closure has been announced by the Issuer for ascertaining of the names of the holders who are entitled to dividend or any other benefits, including rights or bonus shares and for ascertaining of the names of the holders in connection with merger, de-merger, split and consolidation.</del></p>	<p>Same as above in the Regulations</p>

<p><b>3.1.1</b> Overview of Clearing &amp; Settlement in NCSS</p> <p><b>3.1.2</b> Securities Settlement</p> <p>3.1.1.1 In case where trades and/or transactions of more than one day are settled on a particular single Settlement Date due to declaration of spot, bank holiday, or postponement of settlement for any other reason, securities obligations shall be revised and shall be settled on net basis in accordance with the Balance Orders generated based on CM wise, UIN wise and corresponding CDS main, house/sub-account wise by NCSS</p> <p>3.1.2.3 In case where trades and/or transactions of more than one day are settled on a particular single Settlement Date due to declaration of spot (applicable only in case of declaration of entitlements, such as, dividend, rights/bonus shares, splitting of securities or any other similar benefit), bank holiday or postponement of settlement for any other reason, money settlement shall be carried out on net basis.</p>	<p><b>3.1.1</b> Overview of Clearing &amp; Settlement in NCSS</p> <p><b>3.1.2</b> Securities Settlement</p> <p>3.1.1.1 In case where trades and/or transactions of more than one day are settled on a particular single Settlement Date due to <del>declaration of spot</del>, bank holiday, or postponement of settlement for any other reason, securities obligations shall be revised and shall be settled on net basis in accordance with the Balance Orders generated based on CM wise, UIN wise and corresponding CDS main, house/sub-account wise by NCSS</p> <p><del>3.1.2.3 In case where trades and/or transactions of more than one day are settled on a particular single Settlement Date due to declaration of spot (applicable only in case of declaration of entitlements, such as, dividend, rights/bonus shares, splitting of securities or any other similar benefit), bank holiday or postponement of settlement for any other reason, money settlement shall be carried out on net basis.</del></p>	
<p><b>3.2.1.2 Details of Exchange Trades:</b></p> <p>(l) Settlement Type (Normal, Spot)</p>	<p><b>3.2.1.2 Details of Exchange Trades:</b></p> <p>(m) Settlement Type (Normal, <del>Spot</del>)</p>	
<p><b>3.10.1 Pre-Settlement Delivery Transactions Mechanism in NCSS</b></p> <p>e) During the spot period, PSD facility shall not be available for 2 working</p>	<p><b>3.10.1 Pre-Settlement Delivery Transactions Mechanism in NCSS</b></p> <p>e) During the <u>trading in shares of a Security on ex-entitlement basis</u> two days</p>	

<p>days prior to the start of the book Closure date.</p>	<p><u>prior to the commencement of book closure announced by the company</u> <del>spot period</del>, PSD facility shall not be available for <u>such two days</u> <del>working days</del> prior to <del>the start of the book Closure date</del>.</p>	
<p><b>7.1 Handling of Corporate Actions for Margin Trading (“MT”) Financed Securities</b>  <b>7.1.1 Purpose and Scope</b>  Under the Margin Trading System (“MTS”) transactions the Trading Financier is not the beneficial owner of the MT Financed Securities although such securities are held as Collateral against the financing provided to the beneficial owner of the securities (Finanee).</p> <p>Any entitlements on such securities arising due to corporate action should accrue to the beneficial owner (Finanee) of the securities and not to the Trading Financier.</p> <p>As per the current CDS mechanism and CDC procedures, the account holder of the securities is treated as the beneficial owner of the securities due to which the resultant entitlements, as and when announced, are also calculated and transferred in favor of the account holders where securities are appearing</p>	<p><b>7.1 Handling of Corporate Actions for Margin Trading (“MT”) Financed Securities</b>  <b>7.1.1 Purpose and Scope</b>  Under the Margin Trading System (“MTS”) transactions the Trading Financier is not the beneficial owner of the MT Financed Securities although such securities are held as Collateral against the financing provided to the beneficial owner of the securities (Finanee).</p> <p>Any entitlements on such securities arising due to corporate action should accrue to the beneficial owner (Finanee) of the securities and not to the Trading Financier.</p> <p>As per the current CDS mechanism and CDC procedures, the account holder of the securities is treated as the beneficial owner of the securities due to which the resultant entitlements, as and when announced, are also calculated and transferred in favor of the account holders where securities are appearing</p>	

<p>in the CDS account at the end of the day before the start of the Book Closure Date.</p> <p>Under the MT Transaction settlement mechanism, all the MT Financed Securities are delivered to the CDS Accounts of the Trading Financier. Such MT Financed Securities are held under blocked status in the respective CDS Accounts of the Trading Financier until the settlement of MT (R) Transaction. Further, in accordance with the NCCPL's Regulations, MT Participant shall not be allowed to enter into MT Contract during the Spot Period due to which respective MT Financed Securities shall remain in the respective CDS Accounts of the Trading Financier in blocked status. However, the ultimate beneficial owners of such MT Financed Securities are the Finanee who has executed such MT Transaction.</p> <p>Accordingly, in order to provide benefit of such corporate entitlements to the Finanee, being the ultimate beneficial owner, following mechanism for automated transfer of corporate entitlements shall be applied:</p>	<p>in the CDS account at the end of the day before the start of the Book Closure Date.</p> <p>Under the MT Transaction settlement mechanism, all the MT Financed Securities are delivered to the CDS Accounts of the Trading Financier. Such MT Financed Securities are held under blocked status in the respective CDS Accounts of the Trading Financier until the settlement of MT (R) Transaction. <del>Further, in accordance with the NCCPL's Regulations, MT Participant shall not be allowed to enter into MT Contract during the Spot Period due to which respective MT Financed Securities shall remain in the respective CDS Accounts of the Trading Financier in blocked status.</del> However, the ultimate beneficial owners of such MT Financed Securities are the Finanee who has executed such MT Transaction.</p> <p>Accordingly, in order to provide benefit of such corporate entitlements to the Finanee, being the ultimate beneficial owner, following mechanism for automated transfer of corporate entitlements shall be applied:</p>	
<p><b>7.2 Application of the</b></p>	<p><b>7.2 Application of the</b></p>	

<p><b>Mechanism</b></p> <p>The mechanism shall be applicable to the following entitlements:</p> <ul style="list-style-type: none"> <li>▪ General Meetings</li> <li>▪ Cash Dividend</li> <li>▪ Stock Dividend (including dividend in specie)</li> <li>▪ Rights</li> </ul> <p>The mechanism shall not be applicable for the following corporate actions:</p> <ul style="list-style-type: none"> <li>▪ Mergers</li> <li>▪ De-mergers</li> <li>▪ Split</li> <li>▪ Consolidation, etc.</li> </ul> <p>For such corporate actions, all open MT Contract shall be forced released before the start of Spot Period.</p>	<p><b>Mechanism</b></p> <p>The mechanism shall be applicable to the following entitlements:</p> <ul style="list-style-type: none"> <li>▪ General Meetings</li> <li>▪ Cash Dividend</li> <li>▪ Stock Dividend (including dividend in specie)</li> <li>▪ Rights</li> </ul> <p>The mechanism shall not be applicable for the following corporate actions:</p> <ul style="list-style-type: none"> <li>▪ Mergers</li> <li>▪ De-mergers</li> <li>▪ Split</li> <li>▪ Consolidation, etc.</li> </ul> <p><del>For such corporate actions, all open MT Contract shall be forced released before the start of Spot Period.</del></p>	
<p><b>7.3.1 National Clearing Company (NCC)</b></p> <p>During the Spot Period, MT and MT (R) Transaction shall not be allowed. The Company shall provide CDC with the following data comprising of the Trading Financier and Financee UIN related information along with the symbol and volume of the MT Financed Security, at least one business day prior to the commencement of Book Closure Date:</p>	<p><b>7.3.1 National Clearing Company (NCC)</b></p> <p><del>During the Spot Period, MT and MT (R) Transaction shall not be allowed.</del> The Company shall provide CDC with the following data comprising of the Trading Financier and Financee UIN related information along with the symbol and volume of the MT Financed Security, at least one business day prior to the commencement of Book Closure Date:</p>	

<ul style="list-style-type: none"> <li>▪ CM ID (Both for Trading Financier and Financee)</li> <li>▪ UIN (Both for Trading Financier and Financee)</li> <li>▪ Security Symbol</li> <li>▪ Stock Exchange Location (Only for Trading Financier)</li> <li>▪ Volume</li> </ul> <p>In case of automated handling of corporate action of all such MT Transactions, affirmed through NCSS BTB module by the initiating Clearing Member, the respective entitlements shall be processed based on the client's UIN of the initiating Clearing Member.</p> <p>Similarly, in case where MT Transactions are affirmed by the Custodian Clearing Member, the respective entitlements shall be processed based on the client's UIN of the affirming Custodian Clearing Member.</p>	<ul style="list-style-type: none"> <li>▪ CM ID (Both for Trading Financier and Financee)</li> <li>▪ UIN (Both for Trading Financier and Financee)</li> <li>▪ Security Symbol</li> <li>▪ Stock Exchange Location (Only for Trading Financier)</li> <li>▪ Volume</li> </ul> <p><del>In case of automated handling of corporate action of all such MT Transactions, affirmed through NCSS BTB module by the initiating Clearing Member, the respective entitlements shall be processed based on the client's UIN of the initiating Clearing Member.</del></p> <p>Similarly, <del>in</del> case where MT Transactions are affirmed by the Custodian Clearing Member, the respective entitlements shall be processed based on the client's UIN of the affirming Custodian Clearing Member.</p>	
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