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## National Clearing Company of Pakistan Limited

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

NCCPL/CM/JANUARY-17/18

January 25, 2017

### Proposed Changes in NCCPL Regulations

Dear Clearing Members,

The following drafts of proposed amendments in the NCCPL Regulations, 2015 are being placed on the NCCPL's website for the information of all concerned. The proposed amendments are subject to the approval of Securities and Exchange Commission of Pakistan (SECP).

- **Increase in VaR Margins and Haircuts for Ready and Deliverable Futures Contract Market**
- **In relation to improvement in the prevailing risk management regime implemented for Deliverable Future Contracts**

In this regard, all concerned are hereby requested to submit their suggestions or comments at [info@nccpl.com.pk](mailto:info@nccpl.com.pk). Please note that comments or suggestions received within 7 days of the date of notice publication will be considered.

For any further queries or concerns, please feel free to contact the Customer Support Services of your respective locations.

City	Telephone Number	UAN Number	Fax Number
Karachi	021-32460811-19 Ext. 209, 214, 217, 218 & 224 Dir. 021-32438531-32-33	021-111-111-622	021-32462825
Lahore	042-36280815-7		042-36280818
Islamabad	051-2895460-62		051-2895463

Regards,

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**Rehan Saif**  
Head of PD & CSS

**Proposed Changes in the NCCPL Regulations pertaining to  
Increase in VaR Margins and Haircuts for Ready and Deliverable Futures Contract Market**

Existing Regulations	Proposed Changes
<p>12.5.2 VAR BASED MARGINS:</p> <p>(d) The Exposure margins for each security in Ready Delivery Contract Market, SLB Market, MT Market and Deliverable Futures Contracts Market shall be calculated by the Company applying VaR Estimates calculated by the Risk Meter at the end of each Trade Date.</p> <p align="center"><b>Schedule-III</b></p> <p align="center"><b><u>MARGIN ELIGIBLE SECURITIES</u></b></p> <p><b>1.4 Admissibility</b></p> <p>All Margin Eligible Securities selected on the basis as per aforementioned criteria will be acceptable against margins for market segments provided under Schedule II of this Chapter.</p> <p><b>1. <u>Haircut percentage</u></b></p> <p>The following haircuts will be applicable on the Margin Eligible Securities selected</p>	<p>12.5.2 VAR BASED MARGINS:</p> <p>(d) The Exposure margins for each security in Ready Delivery Contract Market, SLB Market, MT Market and Deliverable Futures Contracts Market shall be calculated by the Company applying VaR Estimates calculated by the Risk Meter at the end of each Trade Date. <b><u>Provided that VaR Estimates shall be increased by a factor of 1.1 to determine the Exposure margins for each security in Ready Delivery Contract Market and Deliverable Futures Contracts Market. Such increased factor of VaR Estimates shall remain applicable until review of VaR margins by the Company and its implementation with the prior approval of the Commission.</u></b></p> <p align="center"><b>Schedule-III</b></p> <p align="center"><b><u>MARGIN ELIGIBLE SECURITIES</u></b></p> <p><b>1.4 Admissibility</b></p> <p>All Margin Eligible Securities selected on the basis as per aforementioned criteria will be acceptable against margins for market segments provided under Schedule II of this Chapter.</p> <p><b>1. <u>Haircut percentage</u></b></p> <p>The following haircuts will be applicable on the Margin Eligible Securities</p>

based on above criteria:

VaR based Margin Bucket	Haircut applicable on daily closing rate in the Ready Market
00.00% to < 12.50%	15.00%
12.50% to < 15.00%	17.50%
15.00% to < 20.00%	22.50%
20.00% to < 25.00%	27.50%
25.00% to < 30.00%	32.50%
30.00% to < 40.00%	42.50%
Greater than 40%	60.00%

\*The Haircuts specified in sub Regulation 1.1 (b) and (f) of Schedule III shall be applied in addition to the Haircut rates specified in the above table.

selected based on above criteria:

VaR based Margin Bucket	Haircut applicable on daily closing rate in the Ready Market
00.00% to < 12.50%	15.00%
12.50% to < 15.00%	17.50%
15.00% to < 20.00%	22.50%
20.00% to < 25.00%	27.50%
25.00% to < 30.00%	32.50%
30.00% to < 40.00%	42.50%
Greater than 40%	60.00%

\*The Haircuts specified in sub Regulation 1.1 (b) and (f) of Schedule III shall be applied in addition to the Haircut rates specified in the above table.

**\*\*Haircut rates specified in the above table shall be increased by a factor 1.1 on the Margin Eligible Securities acceptable against margins for Ready Delivery Contract Market and Deliverable Futures Contracts Market segments provided under Schedule II of this Chapter. Such increased factor of Haircut rates shall remain applicable until review of Haircuts by the Company and its implementation with the prior approval of the Commission.**

**Proposed Amendments in the National Clearing Company of Pakistan Limited “NCCPL” Regulations,  
2015 in relation to improvement in the prevailing risk management regime implemented for  
Deliverable Future Contracts**

**Current NCCPL Regulations:**

**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 bank guarantee and/ or Irrevocable Undertaking	100% in Cash	Not Applicable	Not Applicable	Not Applicable	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	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
4	Deliverable 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
5	Cash-Settled Futures Market	100% in Cash and/or Bank Guarantee	100% in Cash	100% in Cash and/or Bank Guarantee	Not Applicable	Not Applicable	Not Applicable
6	Stock Index Futures Contracts Market	100% in Cash and/or Bank Guarantee	100% in Cash	Not Applicable	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	100% in Cash	100% in Cash and/or Bank	Not applicable	Not applicable	Not applicable

		Margin Eligible Securities and/or Bank Guarantee and/ or Irrevocable Undertaking and/or Treasury Bills (“T-Bills”) provided by the respective SLB Participant		Guarantee and/or T-Bills provided by the respective SLB Participants			
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 Finanee only, except Marked-to-Market Losses.

## Proposed amendments in NCCPL Regulations:

### 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 bank guarantee and/ or Irrevocable Undertaking	100% in Cash	Not Applicable	Not Applicable	Not Applicable	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	<b>Minimum 50% in Cash and/or Bank Guarantee and/ or Irrevocable Undertaking and 50% in Margin Eligible Securities securities eligible for trading in Deliverable Future Market or Cash/ Bank Guarantee as per Procedures and these Regulations</b>	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 Bank Guarantee and/ or Irrevocable Undertaking and/or Treasury Bills ("T-Bills") provided by the respective SLB Participant	100% in Cash	100% in Cash and/or Bank Guarantee and/or T-Bills provided by the respective SLB Participants	Not applicable	Not applicable	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.

**\*\* Only Securities which are declared eligible for trading in the Deliverable Future Contracts Market (DFC) Eligible Securities, as notified by the Pakistan Stock Exchange from time to time, are acceptable as collateral to the Company for the purpose of Exposure Margins to be collected from Clearing Members against their exposure in Deliverable Future Contracts, except Marked-to-Market Losses-Margin. Provided that Margin Eligible Securities shall be excluded from Exposure Margin after giving at least 30 days prior notice to the Clearing Members.**

**\*\*\* Bank Guarantee against MTM losses in DFM shall only be acceptable from NBCM.**