

National Clearing Company of Pakistan Limited

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

NCCPL/CM/FEBRUARY-17/15

February 22, 2017

Proposed Changes in NCCPL Regulations

Dear Clearing Members,

The following draft of proposed amendments in the NCCPL Regulations, 2015 is 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).

- **To constitute the Panel / Tribunal in accordance with Hearing & Appeal procedures stipulated in NCCPL Regulations.**

In this regard, all concerned are hereby requested to submit their suggestions or comments at 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

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Proposed amendments in NCCPL Regulations, 2015 pertaining to constitute the Panel / Tribunal in accordance with Hearing & Appeal procedures stipulated in NCCPL Regulations

Existing NCCPL Regulations	Proposed amendments in NCCPL Regulations
<p>CHAPTER 14: POWER TO IMPOSE DISCIPLINARY CHARGES ETC</p> <p>14.1 Imposition of disciplinary charges and other actions</p> <p>14.1.1 If the Company receives information in respect of a NCC Participant which in the reasonable opinion of the Chief Executive Officer discloses any contravention of any provisions of these Regulations and/or the Procedures by the NCC Participant or errors, delays or other conduct of the NCC Participant embarrassing or adversely affecting the operations of NCC Systems, the Chief Executive Officer may by order in writing:</p> <p>(a) ensure the NCC Participant;</p> <p>(b) impose a disciplinary charge, not exceeding an amount as fixed by the Board, on the NCC Participant;</p> <p>(c) if because of the contravention, the Company has suffered loss or damage (other than any loss or damage specifically mentioned in any specific provisions of these Regulations and/or the Procedures and to be recovered in accordance with such provisions), to pay to the Company such loss or damage;</p> <p>(d) if because of the contravention, any other NCC Participant has suffered loss or damage (other than any loss or damage specifically mentioned in any specific provisions of these Regulations and/or the Procedures</p>	<p>CHAPTER 14: POWER TO IMPOSE DISCIPLINARY CHARGES ETC</p> <p>14.1 Imposition of disciplinary charges and other actions <u>for non-compliance reported in any Audit or Joint Inspection Report</u></p> <p>14.1.1 <u>Incuse any non-compliances reported in any Audit Report or Joint Inspection Report of a Clearing Member, the Chief Regulatory Officer “CRO” of the Company, may at his discretion issue a warning and/or impose a fine on the Clearing Member of not less than Rs. 15,000/- but not exceeding Rs. 200,000/- for each instance of non-compliance. Any fine imposed under this provision shall be in addition to and not in derogation of any other action to be taken under any relevant law, rules and regulations. Where the Clearing Member fails to pay the amount of penalty within the stipulated timeline the CRO may after providing an opportunity of hearing may proceed to temporarily suspended the provision of all or any services offered by the Company.</u></p> <p>14.1.2 <u>If a Clearing Member fails to co-operate with the Auditor, the CRO shall upon receiving a written complaint from the Auditor, call a hearing of the Clearing Member and the Auditor and may issue a warning letter or impose a fine not exceeding Rs.50,000/- on the said Clearing Member. If the Clearing Member, subsequent to the issuance of a warning or imposition of the fine fails to cooperate with the Auditor or fails to pay</u></p>

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<p>and to be recovered in accordance with such provisions), to pay to such other NCC Participant an amount not exceeding the amount of that loss or damage.</p> <p>14.2 Imposition of disciplinary charges by Chief Executive Officer</p> <p>14.2.1 Notwithstanding Regulation 14.1.1, the Chief Executive Officer shall be authorised, by order in writing, to impose any disciplinary charges on any NCC Participant which the Company is authorised to impose under any other provisions of these Regulations and/or the Procedures.</p>	<p><u>the fine, the CRO shall refer the matter to the Board for initiation of disciplinary actions under NCCPL Regulations.</u></p> <p><u>14.1.3 If any Clearing Member fails to pay the audit fees and charges within the specified time, the CRO may impose a fine on such Clearing Member not exceeding the amount of the audit fee.</u></p> <p>14.2 Imposition of the disciplinary charges <u>or other actions – Risk Management</u></p> <p><u>The CRO shall be authorized to do the following acts and deeds:</u></p> <p>a) <u>To review and, where considered appropriate, verify the net capital “NCB” balance certificates submitted by the Broker Clearing Members(s) “BCM” on a bi-annual basis in accordance with the provisions stipulated under Regulation 12.3.1 of these Regulations. In case where any discrepancy or a matter requiring clarification is highlighted in the submitted NCB Certificate, the CRO shall have the powers to call for explanation from the relevant BCM. In case where satisfactory response is not received within the stipulated time period, the CRO can temporarily reduce the amount of NCB, issue warning, impose fine not exceeding PKR 50,000 or take such other action as considered appropriate under the prevailing circumstances.</u></p> <p>b) <u>With reference to Regulation 12.9.3(a) of these Regulations, to</u></p>
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	<p><u>call for any information in relation to margins deposited by the Clearing Member for and on behalf of its clients and to ascertain the process employed for recovering these margins from the respective clients. Where any non-compliance of the provisions stipulated under Regulation 12.9.3 are observed, the CRO can issue warning , impose penalties not exceeding PKR 50,000 or take such actions as considered appropriate under the prevailing circumstances.</u></p> <p>c) <u>With respect to Regulation 9.7, 9.15 and 14.1, where any failure in verification/confirmation of the details provided for UIN Registration is reported or observed, the CRO shall direct the relevant Clearing Member to provide the verification/confirmation. In case of failure to verify/confirm the UIN registration related details, the CRO may issue warning, impose penalty not exceeding PKR 5,000 per UIN, restrict the UIN for further purchase in any/all segments of the Securities Exchange including leverage markets or close the UIN. All such actions shall be taken keeping in view the severity of the matter reported.</u></p> <p>d) <u>With reference to 9.15.1 where any complaint is lodged by any investor claiming that trade alerts</u></p>
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<p>14.3 Notice to NCC Participant before taking action</p> <p>14.3.1 Before passing an order under Regulation 14.1 or 14.2 of this Chapter, the Chief Executive Officer shall:</p> <p>(a) give Notice to such NCC Participant of the charges against the NCC Participant and calling upon the NCC Participant to show cause on or before a date specified therein as to why any action under Regulation 14.1.1 or Regulation 14.2.1 shall not be taken by the Chief Executive Officer; and</p> <p>(b) give the NCC Participant an opportunity of being heard and of placing before the Chief Executive Officer facts and material in support of his contention.</p>	<p style="text-align: center;"><u>are being received incorrectly or erroneously, the matter shall be put forward to the CRO, the CRO shall review the matter and will obtain such explanation and clarification from the relevant BCM, as may be required for ascertaining the facts of the matter.</u></p> <p>14.3 <u>Imposition of disciplinary charges and other actions – Other Non-Compliances</u></p> <p><u>Further, where the Company receives information which in the reasonable opinion of the Chief Regulatory Officer discloses any contravention of any provisions of these Regulations and/or the Procedures by the Clearing Member or errors, delays or other conduct of the Clearing Member adversely affecting the operations of NCC Systems, the Chief Regulatory Officer may by order in writing:</u></p> <p>(a) <u>impose a disciplinary charge, not exceeding an amount up to Rs. 50,000 per instance.;</u></p> <p>(b) <u>if on account of the contravention, the Company has suffered loss or damages, (other than any loss or damage specifically mentioned in any specific provisions of these Regulations and/or the Procedures and to be recovered in accordance with such provisions), direct the Clearing Member to pay to the Company such loss or damage;</u></p> <p>(c) <u>if on account of the contravention, any other Clearing</u></p>
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<p>14.4 Right of Hearing</p> <p>14.4.1 Any NCC Participant aggrieved by any order made by the Chief Executive Officer under Regulations 14.1.1 and 14.2.1 may request for a hearing under Chapter 23 (HEARING AND APPEAL PROCEDURES). A request for a hearing must be in writing and filed within seven (07) Business Days after receipt from the Company of the order of the Chief Executive Officer under Regulations 14.1.1 and 14.2.1.</p>	<p><u>Member has suffered loss or damage (other than any loss or damage specifically mentioned in any specific provisions of these Regulations and/or the Procedures and to be recovered in accordance with such provisions), direct the Clearing Member to pay to such other Clearing Member an amount not exceeding the amount of that loss or damage.</u></p> <p>14.4 <u>Imposition of disciplinary charges by Chief Regulatory Officer</u></p> <p><u>Notwithstanding Regulation 14.1.1, 14.2 and 14.3 the Chief Regulatory Officer shall by an order in writing impose any disciplinary charges on any Clearing Member which the Company is authorized to impose under any other provisions of these Regulations and/or the Procedures.</u></p> <p>14.5 <u>Notice to Clearing Member before taking action</u></p> <p><u>Before passing an order under Regulation 14.1, 14.2 and 14.3 of this Chapter, the Chief Regulatory Officer shall:</u></p> <p><u>(a) Give notice to such Clearing Member of the charges against the Clearing Member and calling upon the Clearing Member to show cause on or before a date specified therein as to why any action under this Chapter of the Regulations shall not be taken by the Chief Regulatory Officer; and</u></p> <p><u>(b) Give the Clearing Member an opportunity of being heard and of placing before the Chief</u></p>
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Regulatory Officer facts and material in support of his contention.

- (c) The notice period shall be 7 Business Days, however, considering the nature of the matter, a maximum notice period of the 15 Business Days shall be given. Where the explanation or response is not received within the time period determined under the notice, or the response received is considered unsatisfactory, the CRO shall again issue a notice of 3 Business Days to respond to the notice. The CRO on the request of the Clearing Member can extend the time allowed for providing the response to the notice however, no such extension shall be allowed beyond a period of 15 Business Days.

14.6 General

- a. Where a Clearing Member is found guilty of non-compliance with any provision of NCCPL Regulations, and no specific penalty for such non-compliance has been prescribed in the NCCPL Regulations, the CRO may impose a maximum penalty of PKR 500,000;
- b. Notwithstanding any disciplinary proceedings being instituted against the Clearing Member or any conditions being imposed upon it and/or any of its rights being suspended, a Clearing Member shall continue to remain bound by these Regulations and the disciplinary procedures of the Company.

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<p>Various Provisions of the NCCPL Regulations, 2015 where amendments may be required on account of inclusion of the role of the Chief Regulatory Officer as stipulated under the Clearing House (Licensing and Operations) Regulations, 2016</p> <p>2.7 Defect, irregularities and deficiencies</p> <p>2.7.1 A decision, resolution, proceedings or act of the Company, the Board or the Chief</p>	<p style="text-align: right;">c. <u>All the enforcement actions including the penalties imposed by the CRO under any provision of this Chapter of Regulations shall be reported to the Board on a quarterly basis.</u></p> <p style="text-align: right;">d. <u>In case, where any warning, decision, notification, penal action has been taken by the CRO in good faith and in accordance with the provisions contained in these Regulations, the CRO shall not be liable whatsoever for any losses, damages, claims, legal costs or other expenses that a CM may directly or indirectly suffer or incur, (including any loss of profit or any damage to reputation) arising by virtue of such decision taken by CRO.</u></p> <p><u>14.7 Right of Hearing</u></p> <p style="text-align: center;"><u>Any Clearing Member aggrieved by any order made by the CRO under Regulations 14.1.1 and 14.2 may request for a hearing under Chapter 23 (HEARING AND APPEAL PROCEDURES). A request for a hearing must be in writing and filed within seven (07) Business Days after receipt from the Company of the order of the CRO under Regulations 14.1.1 and 14.2.</u></p> <p>Various Provisions of the NCCPL Regulations, 2015 where amendments may be required on account of inclusion of the role of the Chief Regulatory Officer as stipulated under the Clearing House (Licensing and Operations) Regulations, 2016</p> <p>2.7 Defect, irregularities and deficiencies</p>
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<p>Executive Officer under these Regulations is not invalidated by any:</p> <p>(a) defect;</p> <p>(b) irregularity; or</p> <p>(c) deficiency,</p> <p>of Notice or time unless:</p> <p>(i) a Clearing Member concerned by the defect, irregularity or deficiency requests the Board to resolve that the decision, resolution, proceedings or act is invalid;</p> <p>(ii) the Board reasonably believes that the defect, irregularity or deficiency has caused or may cause substantial injustice which cannot reasonably be avoided; and</p> <p>(iii) the Board accordingly resolves that the decision, resolution, proceedings or act is invalid.</p> <p>3.3 Exercise and delegation of functions and powers</p> <p>3.3.1 Unless the contrary intention appears, the Board shall exercise all the powers and functions of the Company under these Regulations and the Procedures.</p> <p>3.3.2 Unless the contrary intention appears, the Board may delegate any of the Boards or the Company's powers and functions under these Regulations and/or the Procedures to:</p> <p>(a) the Chief Executive Officer; or</p> <p>(b) any one or more other officers of the Company or any other person or persons.</p>	<p>2.7.1 A decision, resolution, proceedings or act of the Company, the Board, the Chief Executive Officer or the Chief Regulatory Officer under these Regulations is not invalidated by any:</p> <p>(a) defect;</p> <p>(b) irregularity; or</p> <p><u>(c) deficiency, of Notice or time unless:</u></p> <p>(i) a Clearing Member concerned by the defect, irregularity or deficiency requests the Board to resolve that the decision, resolution, proceedings or act is invalid;</p> <p>(ii) the Board reasonably believes that the defect, irregularity or deficiency has caused or may cause substantial injustice which cannot reasonably be avoided; and</p> <p>(iii) the Board accordingly resolves that the decision, resolution, proceedings or act is invalid.</p> <p>3.3 Exercise and delegation of functions and powers</p> <p>3.3.1 Unless the contrary intention appears, the Board shall exercise all the powers and functions of the Company under these Regulations and the Procedures.</p> <p>3.3.2 Unless the contrary intention appears, the Board may delegate any of the Boards or the Company's powers and functions under these Regulations and/or the Procedures to:</p> <p>(a) the Chief Executive Officer;</p> <p><u>(b) Chief Regulatory Officer; or</u></p> <p>(c) any one or more other officers of the</p>
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<p>3.7.2 The Chief Executive Officer or any Officer of the Company designated by the Chief Executive Officer may relax the requirements of the Designated Time Schedule or grant extension in any Designated Time in an emergency or on a case to case basis.</p> <p>3.7.3 The Board, or the Chief Executive Officer, where authorized by the Board, shall have the right at any time to make such amendment, modification, revision in/or substitution of the Designated Time Schedule as the Board, or the Chief Executive Officer, as the case may be, may deem necessary, provided that the Company shall promptly notify the NCC Participants, and the Settling Banks of any changes to the Designated Time Schedule prior to implementing those changes.</p> <p>3.8.8 Subject to Regulations 3.8, Regulations 3.9 and 3.10, neither:</p> <p>(a) the Company;</p> <p>(b) an employee of the Company or any other person who is authorised to perform or exercise a function or power of, or on behalf of, the Company;</p> <p>(c) the members of the Board; nor</p> <p>(d) the Chief Executive Officer,</p> <p>is liable to an action or other Proceeding for damages for or in relation to an act done or omitted in good faith in performance or purported performance of any function, or in exercise or purported exercise of any power, conferred or expressed to be conferred by or under these Regulations, the Procedure and/or any applicable agreement.</p>	<p>Company or any other person or persons.</p> <p>3.7.2 The Chief Executive Officer or any Officer of the Company designated by the Chief Executive Officer may relax the requirements of the Designated Time Schedule or grant extension in any Designated Time in an emergency or on a case to case basis.</p> <p>3.7.3 The Board, or the Chief Executive Officer, where authorized by the Board, shall have the right at any time to make such amendment, modification, revision in/or substitution of the Designated Time Schedule as the Board, or the Chief Executive Officer, as the case may be, may deem necessary, provided that the Company shall promptly notify the NCC Participants, and the Settling Banks of any changes to the Designated Time Schedule prior to implementing those changes.</p> <p>3.8.8 Subject to Regulations 3.8, Regulations 3.9 and 3.10, neither:</p> <p>(a) the Company;</p> <p>(b) an employee of the Company or any other person who is authorized to perform or exercise a function or power of, or on behalf of, the Company;</p> <p>(c) the members of the Board;</p> <p>(d) the Chief Executive Officer, nor</p> <p>(e) <u>the Chief Regulatory Officer is liable to an action or other Proceeding for damages for or in relation to an act done or omitted in good faith in performance or purported performance of any function, or in exercise or purported exercise of any</u></p>
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<p>3.9.4 The Company is not liable to compensate any person for losses, damages, costs or expenses suffered or incurred by him in consequence of:</p> <ul style="list-style-type: none"> (a) suspension or revocation of the eligibility of any Security to be cleared and settled in NCSS; (b) suspension or revocation of the eligibility of any Security in MT Market, MF Market and SLB Market; (c) any Appeal whether in accordance with these Regulations or not; (d) any enforcement action taken by the Company in accordance with a determination of the Chief Executive Officer, the Disciplinary Tribunal or the Commission under Chapter 23 (HEARING AND APPEAL PROCEDURES); or (e) any action to suspend, prohibit or limit a NCC Participant with respect to access to services offered by the Company in terms of these Regulations. 	<p style="text-align: center;"><u>power, conferred or expressed to be conferred by or under these Regulations, the Procedure and/or any applicable agreement.</u></p> <p>3.9.4 The Company is not liable to compensate any person for losses, damages, costs or expenses suffered or incurred by him in consequence of:</p> <ul style="list-style-type: none"> a. suspension or revocation of the eligibility of any Security to be cleared and settled in NCSS; b. suspension or revocation of the eligibility of any Security in MT Market, MF Market and SLB Market; c. any Appeal whether in accordance with these Regulations or not; d. any enforcement action taken by the Company in accordance with a determination of the <u>Chief Regulatory Officer</u>, the Disciplinary Tribunal or the Commission under Chapter 23 (HEARING AND APPEAL PROCEDURES); or e. any action to suspend, prohibit or limit a NCC Participant with respect to access to services offered by the Company in terms of these Regulations.
<p>3.14 Complaints against the Company</p> <p>3.14.1 Subject to Regulations 3.8 to 3.10, if a NCC Participant has a complaint in relation to:</p> <ul style="list-style-type: none"> (a) any failure, complete or partial, or inefficiency in the performance of any function of the Company; or (b) any contravention by the Company of its obligations under these Regulations, such complaint 	<p>3.14 Complaints against the Company</p> <p>3.14.1 Subject to Regulations 3.8 to 3.10, if a NCC Participant has a complaint in relation to:</p> <ul style="list-style-type: none"> (a) any failure, complete or partial, or inefficiency in the performance of any function of the Company; or

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<p>may be referred to the Chief Executive Officer for determination in accordance with Regulation 3.14.3.</p>	<p>(b) any contravention by the Company of its obligations under these Regulations, such complaint may be referred to the Chief Executive Officer <u>/Chief Regulatory Officer</u> for determination in accordance with Regulation 3.14.3.</p>
<p>3.14.2 The reference made to the Chief Executive Officer under Regulation 3.14.1 shall be made in writing together with the statement that the complaint is made pursuant to this Regulation 3.14.1.</p>	<p>3.14.2 The reference made to the Chief Executive Officer <u>/Chief Regulatory Officer</u> under Regulation 3.14.1 shall be made in writing together with the statement that the complaint is made pursuant to this Regulation 3.14.1.</p>
<p>3.14.3 Upon referral of a complaint, the Chief Executive Officer may inquire or may authorise any person to inquire into all facts, matters and circumstances relevant to the complaint and take such action for the resolution of the complaint as he thinks appropriate in the circumstances.</p>	<p>3.14.3 Upon referral of a complaint, the Chief Executive Officer <u>/ Chief Regulatory Officer</u> may inquire or may authorize any person to inquire into all facts, matters and circumstances relevant to the complaint and take such action for the resolution of the complaint as he thinks appropriate in the circumstances.</p>
<p>3.14.4 Any NCC Participant aggrieved by the determination of the Chief Executive Officer under Regulation 3.14.3 may refer his complaint to the Board for determination. A request to the Board for determination must be in writing and filed by the NCC Participant with the Company Secretary of the Company within Seven (07) Business Days after receipt from the Company of the determination of the Chief Executive Officer under Regulation 3.14.3.</p>	<p>3.14.4 Any NCC Participant aggrieved by the determination of the Chief Executive Officer <u>/ Chief Regulatory Officer</u> under Regulation 3.14.3 may refer his complaint to the Board for determination. A request to the Board for determination must be in writing and filed by the NCC Participant with the Company Secretary of the Company within Seven (07) Business Days after receipt from the Company of the determination of the Chief Executive Officer / Chief Regulatory Officer under Regulation 3.14.3.</p>
<p>3.14.5 Upon referral of a complaint by a NCC Participant to the Board for determination under Regulation 3.14.4, the Board may authorise a committee of the Board to inquire into all facts, matters and circumstances relevant to the complaint in the light of the Chief Executive Officer's determination under Regulation 3.14.3, and the Board may take such action for the</p>	<p>3.14.5 Upon referral of a complaint by a NCC Participant to the Board for determination under Regulation 3.14.4, the Board may authorize a committee of the Board to inquire into all facts, matters and circumstances relevant to the complaint in the light of the Chief Executive Officer <u>/ Chief Regulatory</u></p>

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<p>resolution of the complaint as it thinks fit.</p> <p>3.14.6 A NCC Participant may file an Appeal against the decision of the Board under Regulation 3.14.5. The provisions of Regulations 23.4, 23.5 and 23.6 shall mutatis mutandis apply to such Appeal.</p>	<p>Officer's determination under Regulation 3.14.3, and the Board may take such action for the resolution of the complaint as it thinks fit.</p> <p>3.14.6 A NCC Participant may file an Appeal against the decision of the Board under Regulation 3.14.5. The provisions of Regulations 23.4, 23.5 and 23.6 shall mutatis mutandis apply to such Appeal.</p>
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