REGULATIONS GOVERNING RISK MANAGEMENT

OF

KARACHI STOCK EXCHANGE LIMITED

(As amended on March 18, 2013 and sent for Gazette Notification)

REGULATIONS GOVERNING RISK MANAGEMENT OF KARACHI STOCK EXCHANGE

1. PRELIMINARY

1.1 Preamble

Whereas in order to implement a transparent and effective risk management system in respect of all market segments, it is deemed expedient to frame Regulations in this regard.

Now, therefore, the Karachi Stock Exchange Limited in the exercise of powers conferred by Section 34 of the Securities & Exchange Ordinance, 1969 (XVII of 1969) with the prior approval of the Securities and Exchange Commission of Pakistan hereby makes these Regulations.

1.2 Short Title

These Regulations may be called "Regulations Governing Risk Management of Karachi Stock Exchange Limited".

1.3 Commencement

These Regulations shall come into force on publication in the official gazette of Pakistan.

1.4 Overriding Effect

In case of any conflict or inconsistency between these Regulations and any other existing regulations of Karachi Stock Exchange, these regulations shall prevail to the extent of such conflict or inconsistency.

1.5 Definitions

In these Regulations the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

All Markets	means collectively Ready Market, Odd Lots Market, Leveraged Market, Deliverable Futures Contract Market, Cash-Settled Futures Market, Stock Index Futures Contract Market, Index Options Market and Futures Trading in Provisionally Listed Companies Market and individually referred to as a "Market."
Bank Guarantee	means a Guarantee issued by a bank as mentioned below and deposited by the Brokers of the Exchange in the form acceptable to the Exchange in order to fulfill their Collateral requirements against their Exposure Margins, Mark-to-Market losses and where applicable Special Margins, provided that such Guarantees are issued by such banks which meets the following criteria for this purpose. The Bank: (i) is duly licensed to carry on banking business in Pakistan under the Banking Companies Ordinance, 1962 (LVII of 1962), or, being a statutory corporation, it is otherwise entitled to carry on banking business under the law it is created; (ii) has been allocated minimum credit rating of 'A'. Provided that, where a bank has been allocated credit rating of 'A', the maximum amount of such Guarantee per Broker of the Exchange is limited up to Rs. 400 million, whereas in case of 'AA' or above credit rated bank, the maximum amount of such Guarantee per Broker of the Exchange is limited up to Rs. 1.0 billion; and

	The Exchange shall maintain a list of banks which satisfy the aforementioned eligibility criteria for issuing the Bank Guarantees acceptable to the Exchange for satisfying Collateral requirements.
Blocked Account	means a CDC account established by the Exchange in accordance with clause (c) of sub-section (1) of section 5 of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012.
Broker	means a TRE Certificate Holder of the Exchange registered with the Commission as Broker under the Brokers and Agents Registration Rules, 2001.
Call Option	shall have the same meaning as ascribed thereto in the Regulations Governing Index Option Contracts of the Exchange.
Cash Settled Futures Market	means a market as envisaged under the 'Regulations Governing Cash Settled Futures Contracts' of the Exchange.
Closing Price	"Closing Price" of a security in the respective market shall be determined based on the following methodology: 1. If the cumulative volume in a security is at least 500 shares or Rs. 25,000/-, whichever comes earlier (here in after referred to as the "threshold") then the Closing Price of that security shall be determined as volume weighted average price of trades of last 30 minutes before closing of the market. 2. If the cumulative volume in a security during last 30 minutes before closing is less than the threshold, then the Closing Price of that security shall be determined as volume weighted average of the most recent executed trades during the day which constitute the threshold. 3. If cumulative volume is less than the threshold or there is no volume in the security during the whole trading day, then Closing Price shall be the volume weighted average (VWA) of executed trades and either all bids or all offers entered in KATS during the whole trading day. Such VWA price must be better than the previous day's Closing Price, provided that: i. Cumulative volume of either all bids or all offers entered at order level and executed trades are equal to or greater than the threshold. ii. Such bids or offers are entered in KATS at least two hours before the market close and remained unchanged during such period. iii. Such bids or offers are available for trade at the time of closure of the market. Explanation: The term "better", for the purposes of this clause, means the following; i. if VWA price of all bids and executed trades is greater than the previous day's Closing Price, the VWA of all bids and executed trades; otherwise ii. if VWA price of all offers and executed trades is less than the previous day's Closing Price, the VWA of all offers and executed trades; otherwise iii. where both (i) and (ii) above do not apply, then the previous day's Closing Price shall be applicable.

	4. In case, bid or offer price does not meet the above criteria; the Closing Price of the scrip shall remain unchanged from the previous day's Closing Price." 5. Cross trades at Broker's level, and trades which are executed under the same UIN, if any, shall not be eligible for the determination of Closing Price of the respective scrip. Provided that in case no trade takes place during the whole trading day in the Deliverable Futures Contract Market or Cash-Settled Futures Contract Market in a particular security, the Closing Price of that security for respective future market will be updated on the basis of Theoretical Price, i.e., Closing Price of underlying security in the Ready Market x {1+(One Month KIBOR+4%) / 365 X DTM}, where DTM stands for Date to Maturity, which is equivalent to calendar days difference in the Settlement Dates of the Ready Market trades and Deliverable Futures Contract or Cash-Settled Futures Contract on any applied trade date. However, in case of ex-entitlement Contracts the Theoretical Price will be adjusted based on ex-price adjustment formulas determined by the Exchange.
Commission	means the Securities & Exchange Commission of Pakistan.
Deliverable Futures Contract Market	means a market as envisaged under the 'Regulations Governing Deliverable Futures Contracts' of the Exchange
Exchange	means the Karachi Stock Exchange Limited.
Exchange Trading System	means the Karachi Automated Trading System and includes its allied computer applications and software.
Exposure	means at any point in time, security-wise and client-wise cumulative net unsettled amount of purchases and sales, of a Broker (including proprietary trades) under each Markets determined in accordance with these regulations. **Explanation:** (i) The system will take into account the actual traded values of the trades executed on account of a UIN on KATS for the purpose of calculating Exposure of respective UIN. Further it will also take into account the impact of rectification of the erroneous trades on UIN basis carried out on the same trading day in the manner and procedure prescribed by the Exchange from time to time. (ii) All trades due for settlement on that day will be excluded for calculation of Exposures, once settled.
Financing Participation Ratio ("FPR")	shall have the same meaning as ascribed thereto in the regulations framed by the NCCPL in respect of MT Market and MF Market.
Futures Trading in Provisionally Listed Companies Market	means a market as envisaged under the 'Regulations Governing Futures Trading in Provisionally Listed Companies' of the Exchange.
Haircut	means the percentage rates on which the Margin Eligible Securities are discounted for valuation purpose based on their liquidity and volatility.

House Account	means the house account as defined and prescribed under the Central Depository Company of Pakistan Limited Regulations, as amended from time to time.
Impact Cost	Impact Cost (IC) represents the amount of adverse price movement in fulfilling an order size of Rs.500,000 or any other amount as prescribed by the Exchange with the prior approval of SECP, during last six months. The IC is calculated on a real time basis and is adjusted for every change in the order book due to an order size of Rs.500,000 or any other amount prescribed in the above manner.
Index Options Market	means a market as envisaged under the Regulations Governing Index Option Contracts of the Exchange.
Initial Shareholder	means the owners of the shares of the Exchange on the date of corporatisation, as defined under the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012
Leveraged Buy	means a buy trade executed in the Ready Market through a separate function key which will be available at NCCPL for financing through MT Market.
Leveraged Market	shall have the same meaning as ascribed thereto under the Securities (Leveraged Markets and Pledging) Rules, 2011.
Margin Eligible Security	means: (a) Such listed security that meets the quantitative and qualitative criteria laid down by the Exchange and approved by the Commission from time to time. Such criteria shall inter alia include selection of securities on the basis of highest daily turnover and lowest impact cost during the last 6 months; (b) Treasury Bills (T-Bills), Pakistan Investment Bonds (PIBs) and listed National Saving Bonds valued in accordance with the methodology prescribed by the Exchange from–time to time with prior approval of the Commission. (c) Any other highly liquid security allowed by the Board with prior approval of the Commission.
Mark-to-Market Loss or MtM Loss	means amount payable by a Broker at any point in time during a trading day on account of trades executed on behalf of its clients, as well as its proprietary unsettled position in any security, to the Clearing House or NCCPL due to difference between the Transaction Price, on trade to trade basis, of the unsettled position in each security and the Closing Price of that security. In the case of Index Options Market, means an amount payable by a Broker at any point in time during a trading day on account of unsettled short positions of its clients, as well as its proprietary unsettled short positions in Options Contracts as Option Writer and/or Option Seller, due to the difference between the Exercise Price of the Option Contract and the corresponding Daily Settlement Price determined in accordance with the Regulations Governing Index Options Contracts.
Mark-to-Market Profit or MtM Profit	means amount receivable by a Broker at the end of each day on account of contracts executed on behalf of its clients, as well as its proprietary unsettled position in any security, from Clearing House or NCCPL due to difference between Transaction Price, on trade to trade basis, of the unsettled position in each security and the Daily Settlement Price of that Security.

	In the case of Index Options Market, means an amount receivable by a Broker at any point in time during a trading day on account of Option Contract purchased on the behalf of its clients, as well as its proprietary buy positions in the Options Contract as an Option holder/ buyer, due to the difference between the Exercise Price of the Option Contract and the corresponding Daily Settlement Price determined in accordance with the Regulations Governing Index Options Contracts.
MF Market	means Margin Financing Market established and governed under the regulations framed by the NCCPL.
MT Market	means Margin Trading Market established and governed under the regulations framed by the NCCPL.
MT(R) Transaction	shall have the same meaning as ascribed thereto in the regulations framed by the NCCPL in respect of MT Market.
MT Transactions	shall have the same meaning as ascribed thereto in the regulations framed by the NCCPL in respect of MT Market.
NCCPL	means the National Clearing Company of Pakistan Limited and includes its successors.
NCSS	means the National Clearing and Settlement System of the NCCPL.
Non-Broker Clearing Member	shall have the same meaning as ascribed thereto in the regulations framed by NCCPL from time to time.
Option Contract	shall have the same meaning as ascribed thereto in the Regulations Governing Index Option Contracts of the Exchange.
Option Series	shall have the same meaning as ascribed thereto in the Regulations Governing Index Option Contracts of the Exchange.
Option Seller	shall have the same meaning as ascribed thereto in the Regulations Governing Index Option Contracts of the Exchange.
Option Writer	shall have the same meaning as ascribed thereto in the Regulations Governing Index Option Contracts of the Exchange.
Pre-Trade Margin	means the initial margin payable in advance by a Broker at order entry level in Exchange Trading System.
Put Option	shall have the same meaning as ascribed thereto in the Regulations Governing Index Option Contracts of the Exchange.
Ready Market	means the market where trades are settled on rolling settlement basis, based on actual delivery
RiskMeter	means a computer application developed for calculation of VaR margins.
SLB Market	shall have the same meaning as ascribed thereto in the regulations framed by the NCCPL in respect of SLB Market.
Stock Index Futures Contract (SIFC) Market	means a market as envisaged under the Regulations Governing Stock Index Futures Contract of the Exchange.
Sub-Account	shall have the same meaning as ascribed thereto in the Regulations Governing Index Option Contracts of the Exchange.
Transaction Price	means the price at which the trade is executed on the Exchange Trading System
TRE Certificate	means a Trading Right Entitlement (TRE) certificate issued by the Exchange evidencing right of a TRE Certificate Holder to apply for registration as a Broker in accordance with the Brokers and Agents Registration Rules, 2001 as amended from time to time.
TRE Certificate	means a person who is issued a TRE Certificate by the Exchange

Holder	under section 5 of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012, or purchases or acquires such TRE Certificate under section 16 of the said Act or is issued a fresh TRE Certificate in accordance with the provisions of the said Act.
Type of Option	shall have the same meaning as ascribed thereto in the Regulations Governing Index Option Contracts of the Exchange.
UIN (Unique Identification Number)	has the same meaning as described under NCCPL Regulations.
VaR Estimates	means a sum of VaR, scaled up by a factor of $\sqrt{n}$ to cover "n" days risk based on underlying stock liquidity, and Worst Case Margin
VaR or Raw VaR	means the maximum amount of money that can be lost on a portfolio over a given period of time, with a given level of confidence as determined by the RiskMeter.
Worst Case Margin (WCM)	means a margin that covers stock/index movement in extreme events in a day in situations that lie outside the coverage of the Raw VaR calculations.

All other words and expressions used but not defined in these regulations shall, unless there is anything repugnant in the subject or context, have the same meanings as assigned to them under the Securities and Exchange Ordinance, 1969, the rules and regulations made thereunder and NCCPL Regulations.

2. BASE MINIMUM CAPITAL AND CAPITAL ADEQUACY

2.1 *Base Minimum Capital*

Every Broker desiring to trade in any Market shall be required to maintain a Base Minimum Capital of the amount and in the form as calculated/prescribed in Schedule-1 annexed to these Regulations.

2.2 Capital Adequacy Procedures and Exposure Limit based thereon:

The Net Capital Balance ('NCB') for the purpose of these Regulations shall be calculated in accordance with the Third Schedule to the Securities & Exchange Rules, 1971 and its certificates will be submitted to Exchange in the following manner:

(a) Maximum Exposure in each and/or All Markets of a Broker shall not exceed the number of times of his NCB attributed to the Exchange for the purpose, as provided in Schedule-2 to these Regulations;

(b) The Brokers of the Exchange shall submit bi-annually a certificate from an Auditor selected from the panel of auditors prescribed by the Exchange under relevant Chapter of these Regulations Governing System Audit of the Brokers of the Exchanges confirming their NCB on the format prescribed by the Exchange on the dates and within such time as may be notified by the Exchange for this purpose;

(c) The certificate shall specify that the Net Capital Balance calculated have been duly verified/audited by the auditor referred in 2(b) above;

(d) NCB certificate shall be submitted by the Brokers within the time as may be prescribed by the Exchange, failing which Penalty shall be imposed as provided in the Schedule 6 attached to these Regulations.

2.3 *Monitoring*

The Exchange will monitor compliance with the Exposure limits and availability of margins as prescribed by or pursuant to these Regulations. Such monitoring, however, will not in any manner diminish the responsibility of the Brokers to ensure compliance with these Regulations.

3. **EXPOSURE AND NETTING**

3.1 *Determination of Exposure*

(a) Security-wise, UIN-wise and Market-wise Exposure of each Broker will be calculated by the Risk Management System of the Exchange at any point of time subject to applicable netting rules, as prescribed by these Regulations.

Provided that in case of Ready Market, exposure of each Broker shall be calculated at the higher of the values determined either by summing-up all settlement day wise net outstanding buy positions or all settlement day wise net outstanding sale positions of the same client in the same security in the Ready Market at any point in time, subject to the applicable netting rules as prescribed by these Regulations.

(b) The Exposure of a Broker in respect of the trades executed on behalf of their institutional clients which are Non-Broker Clearing Members of NCCPL and affirmed by the respective Non-Broker Clearing Member shall be reduced to the extent of such trades after receiving confirmation from the NCCPL that the Exposure margins and M*t*M Losses computed in accordance with their Regulations have been duly deposited by such Non-Broker Clearing Member with the NCCPL. In case of default by a Non-Broker Clearing Member on affirmed trades, to fulfill its securities or money obligations towards NCCPL on the settlement date, default proceedings shall be carried out in accordance with regulations of the NCCPL. Un-affirmed trades shall be the proprietary trades of the Broker in the same market and included while calculating Exposure and relevant margins of the Broker.

(c) No netting whatsoever, in any Market, shall be allowed for the purpose of calculation of Exposure and relevant margins in lieu of Margin Financing transactions.

(d) Exposure during Calendar Spreads in DFC and CSF markets: During the Overlapping Period of Deliverable Futures Contracts (DFC) or Cash-Settled Futures Contract (CSF), the Exposure in a particular scrip will be calculated based on the higher of Contract Period-wise Net-Buys and Net Sales based on netting mechanism explained in clause 3.4 (Netting within Deliverable Futures Market and 3.5 (Netting within CSF (Cash-Settled Futures) Markets. However, all Contract Period-wise Net Buys or Net-Sales will be added together for determining total Exposure under one UIN in a security.

(e) Exposure of a Broker in Index Options Market shall be calculated by summing up all the contract values of his proprietary and clients' short positions as an Option Writer and/or Option Seller subject to the netting rules prescribed below. Provided that in the case of short positions in Call and Put Options in same option series, exposure shall be calculated at the higher of contract values of such Put or Call options. The exposure of a Broker in Index Options Market shall also include sum of all his proprietary and clients' outstanding obligations in respect of option premium of all Option Contracts purchased during a trading day.

3.2 *Netting – general rule*

Except as expressly provided otherwise in these Regulations, no netting of open positions shall be allowed across Markets.

3.3 *Netting within Ready Market*

Netting shall be allowed between Buy and Sell positions in the same Security for the same Settlement Day for the same UIN (client). Likewise Buy and Sell positions of a Broker's proprietary UIN in same Security for the same Settlement Day shall be netted against each other.

3.4 *Netting within Deliverable Futures Market (including Provisionally Listed Securities)*
Netting shall be allowed between buy and sell positions in the same security for the same client in the same contract period. Likewise buy and sell positions in same security in the same contract period for the proprietary trades of a Broker can be netted against each other.

3.5 *Netting within CSF (Cash-Settled Futures) Market*
CSF Market shall be considered a separate market for the purposes of calculating exposure of a Broker and netting shall not be allowed with Ready or Deliverable Futures Contract Market.

Netting shall only be allowed between buy and sell positions in the same security for the same client in the same Contract Period. Likewise buy and sell positions in same security in the same contract period for the proprietary trades of a Broker can be netted against each other.

3.6 *Netting within Stock Index Futures Contract Market*
Regulations Governing Stock Index Futures Contract Market shall govern the Netting within the Stock Index Futures Contract Market and shall govern the netting of open positions of a Broker for determining such Brokers Exposure for the purposes of these Regulations.

3.7 *Netting within MT Transaction*
Only MT (R) Transaction communicated to the Exchange will be netted off with a sale by a Broker on account of respective UIN in the respective security, otherwise no netting whatsoever shall be allowed with the Ready Market.

3.8 *Netting within Index Options Market*
Index Options Market shall be considered a separate market for the purposes of calculating exposure of a Broker and netting shall not be allowed with any other Market.

Netting shall be allowed between the short positions of a client as an Option Writer and/or Option Seller and his buy positions in an Option Contract of equal Contract Value, having same Option Type and same Option Series. Likewise, proprietary position as an Option Writer and/or Option Seller and buy position in an option contract of equal Contract Value, having same option type and same Option Series can be netted against each other.

No other netting shall be permitted inter alia including netting across different markets, across different clients, across Option Contracts having different expiry dates or different Underlying Index.

3.9 *Restriction/Prohibition*
Save as specifically provided above or in the relevant regulations in case of 3.6 and 3.7 above, no other netting such as across clients, across markets, across contract period, across settlement period, across different securities or contracts shall be allowed whatsoever.

4. EXPOSURE MARGINS

4.1 *Margin Requirements*

(a) All trades in any security or securities shall be subject to the margin requirements prescribed in these Regulations or such other additional margins in this regard as the Exchange may, with the prior permission of the Commission, from time to time prescribe in addition hereto.

However, the total margins requirements (including initial margins, Concentration margins and/or Special Margins) added together, for particular scrip under a UIN should not exceed its Exposure amount in any case. In case, where total margin requirements exceed the Exposure amount, Special Margins requirements shall be reduced to the extent of the exceeding amount.

(b) Pre-Settlement Delivery: In case where a UIN-wise net-seller in a security under Ready Market or Deliverable Futures Contract Market deposits the net-sold deliveries with the Exchange or NCCPL, his all margin requirements and MtM Losses/Profits to the extent of such pre-settlement tendered deliveries shall not be taken into account by the Exchange, while calculating Broker wise margin requirements for respective market.

4.2 <u>*VaR Based Margins*</u>

(a) <u>Categorization of securities:</u>

The securities shall be classified into four categories on the basis of following:

<table>
<tr><th>Category</th><th>Scale up Factor</th><th>No. of Days Count (Based on availability of Rs.500,000 trade data)</th><th>Impact Cost</th></tr>
<tr><td>A</td><td>1</td><td>$\geq$ 80% of traded days</td><td>$\leq$ 1%</td></tr>
<tr><td>B</td><td>$\sqrt{3}$</td><td>$\geq$ 80% of traded days</td><td>$>$ 1% $\leq$ 2%</td></tr>
<tr><td rowspan="2">C</td><td rowspan="2">$\sqrt{5}$</td><td>$\geq$ 80% of traded days</td><td>$>$ 2%</td></tr>
<tr><td colspan="2">$<$ 80% of traded days</td></tr>
<tr><td>Illiquid - D</td><td colspan="3">If the tradable days even with one (1) lot in a scrip is less than 33%</td></tr>
</table>

(b) <u>Monthly review:</u>

The trading frequency and the impact cost shall be calculated on the 15^{th} of each month on rolling basis considering the data of previous six months. On the basis of the trading frequency and impact cost so calculated, the securities shall move from one group to another from the next trading day.

(c) <u>Calculation of VaR Margin</u>

VaR margin will be based on Risk Meter calculation using the following three methods:

1. Variance/ Covariance,
2. Historical/Filtered Historical Simulations and
3. Exponentially Weighted Moving Averages (EWMA).

(i) The highest VaR margin calculated under the above three methods is taken as the VaR or Raw VaR.

(ii) The Raw VaR is then scaled up by a factor of $\sqrt{n}$ to cover an 'n' day risk based on the underlying scrip's liquidity as demonstrated by its categorization on the basis of trading frequency and impact cost in (a) above. Based on the respective categorization, the Raw VaR numbers for each scrip are then scaled up by a factor of $\sqrt{1}$, $\sqrt{3}$ and $\sqrt{5}$ respectively. For securities falling in the D category, maximum VaR i.e., 60% shall be applied. The number so arrived shall be called as Scaled up VaR.

(iii) A Worst Case Margin is added to the Scaled up VaR to cover 1% of the days (extreme events) that go beyond the those envisaged on the 99% value at risk estimates used in the calculation of Raw VaR. The margin so arrived shall be known as the VaR Estimate.

The Worst Case Margin is the *higher* of:

- 5%
- 1.5 times the standard deviation of daily returns of the stock price in the last six months or one year (whichever is higher) and
- Maximum breach in the security's VaR back tested over one year trading days (peaks over threshold)

(d) The Exposure margins for each security in Ready and Deliverable Futures Contracts markets shall be calculated by the Exchange applying VaR Estimates calculated by the RiskMeter at the end of each trading day.

(e) The Exposure margins for each Security in Cash-Settled Futures Contract Market shall be calculated by the Exchange applying Scaled-up VaR calculated by the RiskMeter at the end of each trading day.

(f) The Exposure margins in Index Options Market shall be calculated by the Exchange applying VaR of the underlying index calculated by the Risk Meter at the end of each trading day and adding Worst Case Margin.

(g) The Exposure margins so determined shall be posted on website of the Exchange and shall be applicable for determining margin requirement at the end of each trading day.

4.3. <u>*Fixed margins*</u>

Exposure margins during the first six months of listing of a security on the Exchange shall be 25% of the Exposure.

4.4. <u>*Deposit of Exposure margins*</u>

(a) The Exposure margins shall be deposited by a Broker within such time as may be determined by the Exchange from time to time but in no case later than the opening of the market on the next trading day.

(b) Bank slips duly posted in Exchange's bank account and Pay Order(s) shall be delivered to the Exchange within the prescribed time against the demands in relation to exposure margin/Mark-to-Market losses. However, payments up to Rs. 2,500,000/- for the purpose of payment against exposure margins and losses may be accepted by cheque.

(c) Exposure margins deposited by a Broker under these Regulations, pertaining to different markets must be kept separately by the Exchange. Where in case of any practical difficulty, margins in respect of different markets, deposited by a Broker, may be kept on a combined basis; however in case of default of the Broker in a particular market, such combined margins will be allocated in each market based on exposure of the Broker in that market.

4.5. <u>*Form of margin deposits*</u>

Margins payable by a Broker under these Regulations will be accepted by the Exchange in the form as specified in Schedule 3.

4.6. *Conditions applicable to all margin deposits*

All margins deposited by the Brokers with the Exchange pursuant to these Regulations shall be subject to the following conditions:

(a) The Exchange may from time to time prescribe, with the prior approval of the Commission, Haircuts applicable to each Margin Eligible Security;

(b) The Exchange shall not accept any Margin Eligible Security for the purpose of margin requirements if acceptance of Margin Eligible Security taken together with the margins already held will exceed Broker wide and/or market wide limits of deposit of such Margin Eligible Security as prescribed in Schedule-4 hereto;

(c) The security is in book entry form,

(d) The issuer of security is not placed on the defaulter's counter of the Exchange

(e) The Corporate Brokerage Houses listed on the Exchange will not be allowed to deposit against exposure their own company's shares.

(f) The Exchange may from time to time prescribe, with the prior approval of the Commission, the maximum number of acceptable Margin Eligible Securities.

(g) Any other criterion prescribed by the Exchange and approved by the Commission from time to time.

(h) The Exchange shall give at least 30 days prior notice to the market participants before including or excluding any security from the list of Margin Eligible Securities.

(i) Exchange shall carry out in each June and December a review of Margin Eligible Securities on the basis of data available for last six months. Any resulting change in the securities shall be notified one month in advance.

4.7. *Value of margin deposit to be maintained*

The Broker depositing margin in the form of Margin Eligible Securities shall always maintain the value thereof, after application of the relevant Haircuts, at not less than the margin amount for the time being required to be covered by them by providing further Margin Eligible Securities or depositing cash to the satisfaction of the Exchange which shall always determine the said value and whose valuation shall conclusively fix the amount of any deficiency to be made up from time to time. If at any time during a trading day, the required margins against Exposure of a Broker and its clients exceed the already deposited margins, such Broker shall deposit with the Exchange the margin computed by the Exchange Trading System within the time specified by the Exchange, but not later than opening of the market on the next trading day.

4.8 *Pre-Trade Margin*

All trades shall be subject to availability of Margins by Brokers at the pre-trade level (Order entry level) in the manner as prescribed by the Exchange from time to time from any of the sources mentioned below:

(a) House Account of respective Broker;

(b) Sub-Account of respective client;

(c) Bank Guarantee(s) provided by the respective Broker;

(d) Investor Portfolio Securities Account of the respective Broker/client;

(e) Sub-Accounts of the individuals as authorized under regulation 7(v) below; and

(f) Bank Guarantee provided by the trustees of the Clearing House Protection Fund (CHPF) Trust as per Schedule 3 to these Regulations.

4.9 *Post-Trade Margin*

All trades/transactions shall be subject to collection of Margins at the close of trading day in the relevant market as provided in Clause 7 below. Provided in case of Ready and Odd Lots markets, such Margin shall be collected if the Margin requirements exceed the bank guarantee provided by the trustees of the CHPF Trust as per Schedule 3 to these Regulations for such Broker for his Ready and Odd Lots markets trades. If a Broker has insufficient Margins against exposure and MtM Losses against his position on UIN basis at the close of trading day in the relevant market, such Broker shall not take further exposure for such UINs in the relevant market on next trading day, however, the Broker may reduce the position of such UINs by squaring-up open position.

4.10 *Basic Deposits as Exposure Margins*
The basic deposits payable for the Ready Market, Cash-Settled Futures Market, Stock Index Futures Contract (SIFC) Market, Index Options Market and Futures Trading in Provisionally Listed Companies Market, deposited by a Broker with the Exchange may be utilized against exposure margin of such Broker for the respective market during the trading hours. However, the Broker shall replenish the basic deposit at the end of the relevant day.

5. MARK-TO-MARKET LOSSES

5.1 *Determination of MtM Losses*
MtM Loss (or profit) shall be calculated on trade to trade basis, separately for each scrip, for each client and for proprietary open positions of a Broker on the basis of the last executed prices during trading hours on a trading day. The final determination and collection of MtM Losses at the end of trading day shall be at the Closing Prices as determined by the Exchange. Provided that the basic exemption permissible to a Broker under the regulations applicable to a particular Market will be deductible while calculating such MtM Losses of the Broker.

In the case of Index Options Market, MtM Loss shall be calculated for each contract separately as the difference between the Exercise Price of the Option Contract and the corresponding Daily Settlement Price determined in accordance with the Regulations governing Index Options Market. All short positions in Call and Put Option Contracts of an Option Writer and/or Option Seller shall attract Mark-to-Market Loss calculations.

5.2 *Netting*
While determining the MtM Losses (or profit) payable by a Broker, netting shall be permissible across trades in different securities for the same client or across trades in different securities for proprietary trades of a Broker, in the same settlement date or contract period.

In the case of Index Options Market, when determining the MTM Losses payable by a Broker, netting shall be permitted between MTM profits and losses of buy and sell positions of an Option Writer and/or Option Seller in the same type of Option Contract with same Expiration Day and same underlying index for the same client or between Proprietary buy and sell positions in the same type of Option Contract with same Expiration Day for the same underlying index. No other netting of profits and losses arising on positions in the Index Options Market shall be permitted inter alia including netting of profits and losses across different markets, across different clients or across Option Contracts/Option Series based on different Underlying Indices.

Netting for the Deliverable Futures Contract Market and Stock Index Futures Contract Market shall be permissible as provided for in their respective Regulations.

5.3 *MtM Losses deposit*

(a) Each Broker will pay its MtM Losses to the Exchange at any point in time (as demanded by the Exchange) or at the end of each trading day but not later than prior to opening of trading on the next day.

(b) MtM losses of Brokers (client as well as proprietary positions) having total Exposures in the Deliverable Futures Contract Market or Index Options Market of more than Rs. 200 million will be collected twice a day, including at the end of each trading day.

5.4 *Form of MtM Losses deposit*
Deposit against *MtM* Losses will be accepted by the Exchange in the form as specified in Schedule-3.

6. OTHER MARGINS

6.1 *Concentration Margins*
Concentration Margins shall be payable by a Broker in respect of a security in Deliverable Future Contracts and Cash-Settled Futures Contracts markets determined in accordance with Schedule-7. Concentration Margin shall be calculated at the end of each trading day.

6.2 *Special Margins*
Special Margin with respect to Stock Index Futures Contract shall be determined and payable in accordance with the Regulations Governing Stock Index Futures Contracts of the Exchange.

6.3 *Liquidity Margins*
The Liquidity Margins shall be payable by a Broker once his Exposure limit in the Ready Market reaches at a certain level at the rate as prescribed in the Schedule 7-A. Such margins shall be payable by the Broker from his Proprietary Account.

6.4 *Additional Margins on Leveraged Buys financed through MT Market*
A Broker shall be required to pay Additional Margins after the close of MT Market to maintain his Margins equivalent to higher of FPR or VaR Estimate on Leveraged Buy of respective security on that trading day, provided relevant MT Transaction executed on MT Market based on such Leveraged Buy is communicated to the Exchange by NCCPL.

6.5 *Concentration, Special, Liquidity and Additional Margins*
The applicable Concentration, Special, Liquidity Margins and Additional Margins shall be paid by a Broker at the end of each trading day.

6.6 *Obligation in addition to Other Margins*
The obligation to pay Concentration, Special, Liquidity and Additional Margins is in addition to the obligations to pay Exposure Margin and MtM Losses.

6.7 *Form of Deposit against Concentration, Special, Liquidity Margins and Additional Margins*
Deposit against Concentration, Special, Liquidity and Additional Margins will be accepted by the Exchange in the form as specified in Schedule-3.

7. SOURCE AND UTILIZATION OF MARGINS AND *MTM* LOSSES

(i) The required margins and *MtM* Losses as specified in Schedule-3 hereto to be deposited by a Broker in the form of Margin Eligible Securities in the book entry form shall be acceptable from:

(a) Subject to Sub-Regulation 7 (iv) & (v) below, sub-account(s) of a client maintained under Participant Account of the Broker against trades/ transactions of such client on UIN basis.

Provided where a Broker of another Stock Exchange carries out trades/ transactions for its own proprietary account or on behalf of its clients through the Broker of the Exchange, complying with the process of NCCPL for registering UIN for Inter-Exchange trades, then the required margins/MtM losses shall be acceptable from the House Account or respective sub-accounts, as the case may be, of clients of the Broker of another Stock Exchange maintained under its Participant Account.

(b) Subject to Sub-Regulation 7(iv) below, House Account(s) of a Broker against trades/transactions of such Broker on UIN basis in proprietary account.

(ii) Cash deposited by the Broker with the Exchange and segregated towards respective client (UIN) under the designated system, shall be utilized towards margin requirements and *MtM* Losses against trades/transactions of that client.

(iii) Subject to Sub-Regulation 7(iv) below, Cash and Bank Guarantee(s) deposited by the Broker shall be utilized towards margin requirements and *MtM* Losses against Broker's proprietary UIN trades/transactions.

(iv) Broker may authorize in writing the Exchange to utilize excess Margin Eligible Securities available in his House Account, Cash and Bank Guarantee(s) deposited with the Exchange for meeting any shortfall in the margin and *MtM* Losses requirements of his clients. However, Brokers will be required to collect margins from their clients as provided under these Regulations and separately maintain cash deposited by his clients as margins in his back-office record.

(v) Any individual who holds at least 10% shares of the Corporate Brokerage House may authorize the Broker in writing through a specific authority as specified in Schedule-8, on each occasion, specifying the number of shares and time duration for utilizing excess Margin Eligible Securities available in his/her respective sub-account(s) for meeting any shortfall in the margin and *MtM* losses requirements of other UINs, including Proprietary UIN of such Corporate Brokerage House in favor of the Exchange.

Provided that time duration for utilizing excess Margin Eligible Securities shall not be more than 6 months from the date of the Authority. After the expiry of Authorization the concerned shareholder may renew the authority on his discretion. Each renewal of aforementioned authority shall be for a maximum period of six months.

(vi) Upon failure of a Broker to meet his obligations in accordance with Brokers' Default Management Regulations of the Exchange and/or NCCPL the collaterals deposited as margins shall be utilized as per those Regulations.

8. POSITION LIMITS

8.1 *Position limits*

No Broker shall have open positions in client /proprietary trades in any security/ contract in a Market of more than the limits, as specified in Schedule-5 hereto. Furthermore overall Broker-wide as well as Market-wide position limits are also applicable as specified in Schedule-5 hereto.

All position limits shall be monitored by the Exchange through a preventive automated mechanism, whereby trading activity beyond such prescribed limits shall not be allowed.

9. GENERAL

9.1 *Circuit breaker*

(i) There shall be a security-wise circuit breaker for each Market separately (except Stock Index Futures Market, Index Option Market and Odd Lots Market) in case of price fluctuation of 5% or Re. 1/ -, whichever is higher from the Closing Price of the previous day or any other limit as prescribed by the Exchange, with the prior approval of the Commission, from time to time. Circuit Breakers on the first trading day of a security shall be applicable as follows:

(a) During the first trading day of a Right Allotment Letter of any security, circuit breakers of 5% or Re. 1/-, whichever is higher, will be applicable at the notional price determined based on previous day's Closing Price of the underlying security minus payable amount against such Right Shares. Provided that when the amount payable against such Right Shares is equal to or greater than the previous day's Closing Price of the underlying security, the notional price will be the tick size of underlying security.

(b) During the first trading day, on the Ready Market, of a security formally listed at the Exchange, circuit breakers of 5% or Re. 1/-, whichever is higher, will be applicable on the Closing Price determined on Futures Trading in Provisionally Listed Companies Market.

(c) Where a security is directly placed on Ready Market without going through Futures Trading in Provisionally Listed Companies Market or Book Building Process, then the Circuit Breaker of Rs.5 or 50% whichever is higher, shall be applicable on the offer price, during the first trading day in Ready Market.

(d) During the first trading day, on the Ready Market, of a security formally listed at the Exchange, circuit breakers of 5% or Re. 1/-, whichever is higher, will be applicable on the Strike Price of such security determined through Book Building Process and the Futures Trading in Provisionally Listed Companies Market of such security shall not be allowed.

(e) If the security is directly listed on Futures Trading in Provisionally Listed Companies Market then the Circuit Breakers of Rs. 5 or 50% whichever is higher, shall be applicable on the offer price during the first trading day in Futures Trading in Provisionally Listed Companies Market.

(ii) In case of Stock Index Futures market, the related Circuit Breakers shall be applicable in accordance with the Regulations Governing Stock Index Futures Contracts of the Exchange, whereas no Circuit Breakers shall be applicable on the Index Options Market.

(iii) In case of Odd Lots Market, the Circuit Breaker of Rs. 2 or 10% of Closing Price of the Ready Market shall be applicable.

(iv) Trading will be allowed up to the upper and lower limits as set by the circuit breakers.

(v) No trade in the respective security will be allowed beyond the above price fluctuation.

9.2 Deposits to be held by the Exchange

All deposits made pursuant to these Regulations and/or NCSS Regulations shall be held by the Exchange and/or NCCPL.

9.3 *Lien on deposits*

The monies, Margin Eligible Securities and other securities and assets deposited by a Broker by way of a margin or M*t*M Loss under these Regulations shall be subject to a first and paramount lien for any sum due to the Exchange or to NCCPL by such Broker and for the due fulfillment of such Broker's engagements, obligations and liabilities arising out of or incidental to any trades, dealings, transactions and contracts made subject to the Rules, Bye-laws and Regulations of the Exchange and NCCPL or anything done in pursuance thereof.

9.4 *Obligation of Brokers to collect margins from their clients*

It shall be obligatory upon the Brokers trading/taking exposure in any Market under these Regulations to take all margins and MtM losses from their respective clients in accordance with total Margin Requirements as prescribed by the Exchange and/or mentioned under the relevant regulations of the relevant market, if any. Such prescribed margins shall be the minimum margins that must be taken by the Broker from their respective clients while trading/taking exposure on behalf of such client. The Exchange shall ensure compliance of this requirement through appropriate procedures including auditing and inspection of records.

The collection of any type of margin by a Broker from its client/client(s) shall be the sole responsibility of such Broker; nevertheless any failure of the client to pay such margin shall not affect the obligation of the Broker to pay such margin to the Exchange/NCCPL.

9.5 *Disciplinary Actions on Non-Compliance to these Regulations*

Where a Broker fails to deposit margins or *MtM* Losses as provided in these Regulations or fails to comply with any other requirement of these Regulations or relevant NCCPL Regulations, the Exchange shall proceed against such Broker in accordance with the Brokers' Default Management Regulations of the Exchange and relevant NCCPL Regulations.

9.6 *Evasion of requirements prohibited*

A Broker shall not directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the requirements prescribed under these Regulations.

9.7 *Restriction/Prohibition*

The provisions of these Regulations, inter alia including schedules, policies procedures, practices and systems based on thereof, shall be binding on all the Brokers and shall not be amended, altered or modified by the Exchange without prior written approval of the Commission.

9.8 *Force Majeure*

KSE Board may in its reasonable opinion determine that an emergency or exceptional market condition exists in a market (a "Force Majeure Event"), including but not limited to:

a) where the Exchange / Clearing Company is, in its opinion, unable to maintain an orderly and as a result of the occurrence of any act or event (including but not limited to any circumstance beyond the Exchange/ Clearing Company's control such as strike, riot, civil unrest or failure of power supply, communications or other infrastructure);
b) the suspension, closure, liquidation or abandonment of any relevant market or underlying indices;
c) the excessive movement, volatility or loss of liquidity in the relevant markets or underlying indices; or
d) where the Exchange reasonably anticipates that any of the circumstances set out in this clause (a) to (c) are about to occur or has occurred.

If KSE Board determines that a Force Majeure event exists then it may (without prejudice to any other rights under these Regulations and in consultation with NCCPL and CDC) take any one or more of the following steps:

a) Alter normal trading times;
b) Alter the Margin Percentage;

c) Amend or vary any transactions contemplated by these Regulations, including any Contract, insofar as it is impractical or impossible for the Exchange / Clearing Company to comply with its obligations to the Customer;

d) Close any or all open Contracts, cancel instructions and orders as the Exchange deems to be appropriate in the circumstances; or

e) Take or omit to take all such other actions as KSE Board deems to be reasonably appropriate in the circumstances having regard to the positions of the Exchange, Clearing Company, the Brokers and other customers.

Provided that in order to determine that a Force Majeure Event exists and take action(s) in accordance with clause (a) to (e) above, a resolution to that effect shall be passed by a majority of three-fourth of the directors present at a meeting of the KSE Board, especially called for the purpose, at which not less than one-half of all the directors of the KSE Board shall be present.

If the Exchange determines that a Force Majeure Event exists, the Exchange will not be liable to the Brokers for any failure, hindrance or delay in performing its obligations under these Regulations or for taking or omitting to take any action in accordance with these Regulations.

10. <u>REPEAL</u>

The existing Regulations Governing Members' Exposure are hereby repealed.

SCHEDULE-1

[SEE REGULATION 2.1]

BASE MINIMUM CAPITAL TO BE MAINTAINED BY A BROKER
Each broker shall maintain a Base Minimum Capital with the Exchange as required under Regulation 2.1 in the following form and subject to following conditions

1	2
Transferable TRE Certificate Lien Marked with Irrevocable Authority in favor of the Exchange in the manner prescribed; AND/OR Cash and/or Bank Guarantee to be provided/deposited with the Exchange.	Shares of the Exchange pledged in favor of the Exchange in accordance with the rights, obligations and terms and conditions specified in the letter of pledge as may be prescribed by the Exchange from time to time, with the prior approval of the Commission. AND/OR Cash and/or Bank Guarantee to be provided/deposited with the Exchange.

Notes:

1. Every Broker shall maintain the required value of Base Minimum Capital in the forms described in Columns 1 and 2 above, at all times, in order to be able to conduct business through the Exchange Trading Systems. The required value of Base Minimum Capital shall be determined as the sum of the notional value of TRE Certificate and the Breakup Value of 40% shares of the Exchange out of the total shares of the Exchange allotted to an initial shareholder. Provided that;

   (a) In case the Base Minimum Capital is maintained in form of shares of the Exchange or transferable TRE Certificate by a Broker and value of such shares or notional value of TRE Certificate decreases below the required value of Base Minimum Capital, such Broker must immediately deposit additional cash and/or bank guarantee to maintain the required value thereof.

   (b) In case the Base Minimum Capital is maintained in form of Cash and/or Bank Guarantee by a Broker and the required value of Base Minimum Capital increases due to an increase in the Break-up Value of 40% shares of the Exchange and/or notional value of TRE Certificate, the Exchange shall announce the revised required value of Base Minimum Capital and such Broker must immediately deposit additional cash and/or bank guarantee to maintain the required value thereof.

2. The Exchange shall determine the Notional Value of TRE Certificate for the purpose of calculation of Base Minimum Capital, which will be reviewed once in six months and disseminated to the market participants.

3. The Exchange shall determine the Breakup Value per share of the Exchange, which will be reviewed every six months based on audited or reviewed accounts of the Exchange and disseminated to the market participants.

4. In case of declaration of a broker as defaulter or cancellation/forfeiture of its TRE Certificate under the applicable regulations of the Exchange, the Base Minimum Capital shall be utilized by the Exchange in accordance with the applicable regulations of the Exchange and in terms of the letter of pledge, where applicable.

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SCHEDULE-2

[SEE REGULATION 2.2]

BROKERS' NET CAPITAL BALANCE (NCB) LIMIT & LEVERAGE POSITION

<table>
<tr><th rowspan="3">`Brokers' Net Capital Balance Limit & leverage Position</th><th>SLB Market</th><th>MF Market</th><th>MT Market (As Financee)</th><th>Deliverable Futures Market</th><th>Cash Settled Future (CSF) Contracts</th><th>Index Options Market</th><th>Stock Index Futures Contracts (SIFC)</th><th>Ready Market</th></tr>
<tr><td rowspan="2">As prescribed by NCCPL under its Regulations</td><td rowspan="2">As prescribed by NCCPL under its Regulations</td><td>As prescribed by NCCPL under its Regulations</td><td colspan="4">7.5 times of the NCB of a Broker excluding the Capital Adequacy (Exposure) utilized by such Broker in the MT Market.</td><td rowspan="2">25 times the NCB of Broker</td></tr>
<tr><td colspan="5">Maximum Exposure of 7.5 times of the NCB of a Broker for Cash Settled Futures Market, Stock Index Futures Contracts Market, Index Options Market, Deliverable Futures Contract Market, and MT Market.</td></tr>
<tr><td></td><td colspan="7">Maximum Exposure of 25 times of the NCB of Brokers for All Markets.</td><td></td></tr>
</table>

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SCHEDULE-3

[SEE REGULATIONS 4.5,5.4 & 6.7]

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

<table>
<tr><th>Sr. No.</th><th>Market</th><th>Exposure Margins</th><th>MtM Losses</th><th>Special Margin</th><th>Concentra-tion Margins</th><th>Liquidity Margins</th><th>Additional Margins</th></tr>
<tr><td>1</td><td>Ready Market</td><td rowspan="2">100% in Cash and/or Margin Eligible Securities and/or Bank Guarantee provided by the respective Broker and/or Bank Guarantee provided by the Trustees of CHPF Trust on behalf of such Broker</td><td rowspan="2">100% in Cash and /or Margin Eligible Securities and/or Bank Guarantee</td><td rowspan="2">Not applicable</td><td rowspan="2">Not applicable</td><td rowspan="2">100% in Cash and /or Margin Eligible Securities and/or Bank Guarantee</td><td>Not applicable</td></tr>
<tr><td>*2</td><td>Leveraged Buys financed through MT Market</td><td>100% in Cash and /or Margin Eligible Securities and/or Bank Guarantee provided by the respective Broker and/or Bank Guarantee provided by the Trustees of CHPF Trust on behalf of such Broker</td></tr>
<tr><td>3</td><td>Futures Trading in Provisionally Listed Companies Market</td><td>100% in Cash and/or Bank Guarantee</td><td>100% in Cash</td><td>Not applicable</td><td>Not applicable</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>4</td><td>Deliverable Futures Market</td><td>50% in Cash and/or Bank Guarantee and 50% in Margin Eligible Securities</td><td>100% in Cash</td><td>Not applicable</td><td>100% in Cash and/or Bank Guarantee</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>5</td><td>Cash-Settled Futures Market</td><td>100% in Cash and/or Bank Guarantee</td><td>100% in Cash</td><td>Not applicable</td><td>100% in cash and/or Bank Guarantee</td><td>Not applicable</td><td>Not applicable</td></tr>
</table>

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

Note: 1. In Deliverable Futures Market, in case where Exposure is due to sale of a particular security, such security can be deposited up to the extent of net sale against demand of cash deposit as Margin.

2. The Exchange shall allow return to Brokers on the cash amount deposited with the Exchange as Exposure Margin, MtM losses and other margins, if applicable, at the rate paid by the respective banks opted by the Brokers after retaining 1% as service charges by the Exchange.

3. On the request of Brokers, the Trustees of CHPF Trust may provide to NCCPL Bank Guarantee on behalf of Brokers for an aggregate amount against their Ready and Odd Lots Market trades in respect of Pre-trade and Post-Trade Exposure Margins, provided NCCPL shall be entitled to invoke guarantee, within agreed period, for an amount of upto Rs. 10 million per Broker upon his default.

   Provided further the above referred Bank Guarantee to be provided by the Trustees of CHPF Trust will be used by NCCPL only to fulfill the settlement failure of such Broker on settlement day. Such Bank Guarantee shall not absolve the concerned Broker to fulfill his money and delivery obligations to the NCCPL/Exchange.

* All Margins and MtM Losses for Leveraged Buys executed through special function key by the Brokers and committed to be financed through MT Market will be collected by the Exchange as applicable in ready market till settlement on T+2. Subsequent to that FPR, MtM Losses and any other margins on relevant MT Transactions shall be collected by NCCPL only in cash in accordance with the NCCPL Regulations.

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SCHEDULE-4

[SEE REGULATION 4.6]

MARGIN ELIGIBLE SECURITIES

The following limits shall be applied for the maximum number of shares in any eligible scrip that may be deposited by a Broker for collateral purposes:

VaR based margin percentages	Maximum number of shares in a symbol that may be deposited by a Broker as Collateral
VaR ≤ 20%	2% of Free–Float
VaR > 20%	0.5% of Free–Float

A maximum limit per scrip, as a percentage of Free-Float, shall apply to all scrips deposited as security i.e. margin held by the exchanges cannot exceed 50% of Free-Float of such scrip.

Exchange will notify the market when 70%, 80% and 90% limits in a scrip are reached.

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SCHEDULE-5

[SEE REGULATION 8.1]

POSITION LIMITS

Position Limit	**Leveraged Markets**	**Deliverable Futures Contracts (Cumulative position limits based on the total open interest in a security across all derivatives contracts)**	**Cash Settled Futures Contract (Cumulative position limits based on the total open interest in a security across all derivatives contracts)**	**Stock Index Futures Contracts based on per product (KSE-30/Each sector Index)**	**Index Option Market based on Contracts per underlying Index**	**Ready Market Contracts (Position limit will be based on the volume in a security)**
Market wide	As prescribed by NCCPL Leveraged Market under its Regulations	40% of Free-Float for each security	40% of Free-Float for each security	Not Applicable	Not Applicable	100% of Free-Float
Broker wide (Broker's position includes its clients' positions)		10% of the above mentioned market wide position limit for each security.	10% of the above mentioned market wide position limit for each security.	10% of the total open interest or 10,000 contracts (whichever is higher)	10% of the total open interest or 10,000 contracts (whichever is higher)	No limit
Client wide (this limit is also applicable to the Broker's proprietary position)		5% of the above mentioned market wide position limit for each security for a Broker's individual clients. For financial institutions and mutual funds clients trading at the KSE, each such institution will have a limit of 5% of the market wide position limit mentioned above. (Client position will be universal and determined on UIN basis)	5% of the above mentioned market wide position limit for each security for a Broker's individual clients. For financial institutions and mutual funds clients trading at the KSE, each such institution will have a limit of 5% of the market wide position limit mentioned above. (Client position will be universal and determined on UIN basis)	1% of the total open interest or 1,000 contracts (whichever is higher)	1% of the total open interest or 1,000 contracts (whichever is higher)	No limit

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SCHEDULE-6

(SEE REGULATION 2.2)

PENALTY SCHEDULE OF NON-COMPLIANCE OF NET CAPITAL BALANCE SUBMISSION

No. of Calendar Days under Non-compliance	Penalty Imposed (Rs. Per Day)	Reduction in Net Capital Balance
From Day 1 to Day 15	2,000	10%
From Day 16 to Day 30	3,000	20%
From Day 31 to Day 45	4,000	40%
From Day 46 to Day 50	5,000	80%
From Day 51 onward	5,000	100%

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SCHEDULE- 7

(SEE REGULATION 6.1)

CONCENTRATION MARGINS DEPOSITS

CONCENTRATION MARGIN SLABS					
%AGE OF DFC/CSF POSITION TO TOTAL DFC/CSF POSITION		**AND**	**%AGE OF DFC/CSF POSITION TO FREE-FLOAT OF SCRIP**		**Concentration Margins**
MARKET-WIDE SECURITY CONCENTRATION SLABS AND RATES					
Greater than	2	"	Greater than	5.00	1.00
Greater than	6	"	Greater than	7.50	2.00
Greater than	8	"	Greater than	10.00	3.00
Greater than	10	"	Greater than	15.00	4.00
Greater than	12	"	Greater than	25.00	5.00
Greater than	14	"	Greater than	35.00	6.00
BROKER-WIDE SECURITY CONCENTRATION SLABS AND RATES					
Greater than	5	"	Greater than	1.00	1.00
Greater than	10	"	Greater than	1.50	2.00
Greater than	20	"	Greater than	2.00	3.00
Greater than	30	"	Greater than	2.50	4.00
Greater than	40	"	Greater than	3.00	5.00
Greater than	60	"	Greater than	3.50	6.00
UIN-WIDE SECURITY CONCENTRATION SLABS AND RATES					
Greater than	1	"	Greater than	0.50	0.50
Greater than	2	"	Greater than	0.75	1.00
Greater than	4	"	Greater than	1.00	1.50
Greater than	8	"	Greater than	1.25	2.50
Greater than	16	"	Greater than	1.50	3.50

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

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SCHEDULE 7-A

(SEE REGULATION 6.3)

MARKET LIQUIDITY MARGINS DEPOSITS

Exposure Value as per New Regime		Liquidity Margins %
From	**To**	
0	Rs. 50 million	No
Above Rs. 50 million	Rs. 100 million	0.50%
Above Rs. 100 million	Rs. 150 million	1.00%
Above Rs. 150 million	Rs. 200 million	1.50%
Above Rs. 200 million	Rs. 250 million	2.00%
Above Rs. 250 million	Rs. 300 million	2.75%
Above Rs. 300 million	Rs. 350 million	4.00%
Above Rs. 350 million	Rs. 400 million	5.50%
Above Rs. 400 million	Rs. 450 million	7.25%
Above Rs. 450 million		9.25%

Note: The Liquidity Margin Deposits as calculated above will be charged to proprietary account of the Broker concerned.

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SCHEDULE-8

[On non-judicial stamp paper as required under CDC Standardized Account Opening Form for individuals]

[For individual Sub-Account Holder]

SPECIFIC AUTHORIZATION PURSUANT TO CLAUSE (G) OF THE STANDARDIZED SUB-ACCOUNT OPENING FORM FOR PLEDGING OF BOOK-ENTRY SECURITIES

This Authorization is executed at Karachi, this ____ day of _______ , _________ and shall be valid up to _______.

Pursuant to Clause (G) of the Standardized Sub-Account Opening Form, I/we the undersigned, maintaining Sub-Account No. [insert Sub-Account No.] under CDS Participant Account of [insert name of the Participant] having ID No. [insert Participant ID] hereby give my/our specific authority to the Participant under Section 12 of the Central Depositories Act, 1997 to pledge my/our Securities represented by Book-entry Securities entered in my/our aforesaid Sub-Account as detailed below only in favour of the Karachi Stock Exchange Limited FOR THE SPECIFIC PURPOSE OF PROVIDING MARGINS AGAINST OTHER PERSON OR PERSONS' TRADING EXPOSURE AND MARK-TO-MARKET LOSSES THROUGH ABOVE SAID PARTICIPANT AS A BROKER through the Central Depository System to the extent of this transaction only. The Karachi Stock Exchange shall have the full authority to liquidate these Book-entry Securities kept as margin in any manner at its discretion in the event of non-fulfillment of financial obligations by that person(s) or his/their Broker in accordance with the Regulations of the Exchange:

Details of Book-entry Securities			
S. #	**Name of Securities**	**Volume**	**Time Duration**
1.			
2.			
3.			

IN WITNESS WHEREOF I/we have executed this Authorization on the date first above written in the presence of witnesses named below.

EXECUTED BY THE SUB-ACCOUNT HOLDER(S)

Name & Signature of Sub-Account Holder: _______________________________(CNIC Number)
Name & Signature of Joint Account Holder 1: _____________________________(CNIC Number)
Name & Signature of Joint Account Holder 2: _____________________________(CNIC Number)
Name & Signature of Joint Account Holder 3: _____________________________(CNIC Number)

In the presence of :

WITNESSES:

1. _____________________________
Name: ____________________________
Address: __________________________
CNIC #: ___________________________

2. ______________________________
Name: ____________________________
Address:__________________________
CNIC #:___________________________

Note:

1. Use of this Authorization in piecemeal is strictly prohibited.
2. This Authorization shall be signed as per the operating instruction of the Sub-Account in Participant's records.
3. This Authorization shall be duly verified by the Company Secretary of the Brokerage House.