

TO BE PUBLISHED IN THE GAZETTE OF PAKISTAN
KARACHI STOCK EXCHANGE LIMITED
NOTIFICATION

Date: December 22, 2015

In exercise of its powers conferred under Section 7 of the Securities Act, 2015, Karachi Stock Exchange Limited, with the prior approval of the Securities and Exchange Commission of Pakistan (SECP), hereby makes the following amendment to its Regulations which shall take effect from the effective date of integration of stock exchanges of Pakistan as per the Order issued by SECP in this regard.

Chapter 19: RISK MANAGEMENT REGULATIONS:

Schedule-I to Chapter 19 of KSE Regulations shall be substituted to read as under:

Schedule-I

[SEE REGULATION 19.3.1.]

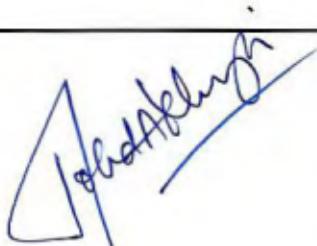
BASE MINIMUM CAPITAL TO BE MAINTAINED BY A BROKER

Required value of Base Minimum Capital:

Every Broker shall maintain Base Minimum Capital ('BMC') as per the following slabs with the Exchange which shall be determined based on the Assets Under Custody (AUC) which is same as the Custody Position held under its Participant Account with CDC:

AUC (in PKR)		Required Amount of BMC (in PKR)
From	To	
0	50,000,000	16,000,000
50,000,001	250,000,000	17,000,000
250,000,001	500,000,000	19,000,000
500,000,001	1000,000,000	21,000,000
1000,000,001	2,500,000,000	23,000,000
2,500,000,001	5,000,000,000	26,000,000
5,000,000,001	10,000,000,000	28,000,000
Over 10,000,000,000		31,000,000

Provided that the above AUC slabs shall not exceed the Maximum Custody Limits authorized by the CDC to a Broker being its Participant in terms of the Capital Adequacy Level of such Broker as provided by the CDC in its Regulations and Procedures made thereunder. The terms, 'Custody Position', 'Maximum Custody Limit' and 'Capital Adequacy Level' shall have the same meanings as ascribed thereto under the CDC Regulations.



Forms of BMC:

The Broker may maintain the BMC in any of the following forms of collaterals:

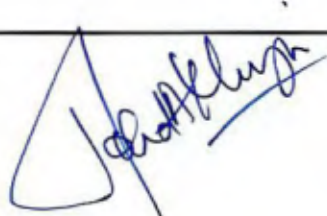
S.#	Form
1	Cash
2	Bank Guarantee
3	Margin Eligible Securities
4	Transferable TRE Certificate Lien Marked with Irrevocable Authority in favor of the Exchange in the manner prescribed
5	Transferable 40% shares of the Exchange allotted to an Initial Shareholder of the Exchange without haircut, pledged in 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
6	Assignment of 60% blocked shares of the Exchange, in case and subject to the condition mentioned in Note 2 appearing below
7	Shares of surviving entities of Lahore Stock Exchange (LSE) and/or Islamabad Stock Exchange (ISE) pursuant to the Scheme of Integration approved by the Commission, maximum up to 100% of shares allotted to an initial shareholder of respective entity, after applying 30% haircut on their breakup values.

Notes:

1. The Notional Value of transferable TRE Certificate shall be taken at Rs 5 million for the purpose of BMC Requirement.
2. In case the BMC is maintained in the forms 4 and 5 mentioned above or in the form of equivalent value of Cash/ Bank Guarantee/ Margin Eligible Securities by a Broker and the combined value of these two forms of collateral is insufficient to meet the required value of BMC, the concerned Broker may assign proceeds of 60% blocked shares in favour of the Exchange in accordance with the procedures without any haircut to fulfill the shortfall.
3. In case the BMC is maintained in the forms 4 and 7 mentioned above, or in the form of equivalent value of Cash/ Bank Guarantee/ Margin Eligible Securities, by a TRE Certificate Holder inducted by the Exchange pursuant to the Scheme of Integration approved by the Commission and the combined value of these two (2) form of collaterals is insufficient to meet the required value of BMC, respective TRE Certificate Holder shall provide/arrange additional Cash and /or Bank Guarantee or Margin Eligible Securities to meet the shortfall, including bank guarantee from the trust funds as provided in the Stock Exchanges (Corporatization, Demutualization and Integration) Regulations, 2012.

Review and Updation of BMC

1. The Exchange shall determine the required Value of BMC for each Broker on the first working day of every month on the basis of AUC of such Broker as of the last working day of the preceding month.
2. The Broker shall be required to fulfill any shortfall in the BMC within next five (5) working days of the issue of notice by the Exchange.



Valuation of collateral forming part of BMC (Interim Review)

1. Mark-to-Market value of the Margin Eligible Securities shall be conducted on daily basis.
2. Value of the shares of the Exchange and surviving entities of LSE and ISE shall be valued semi-annually based on break-up value per share determined as per half yearly reviewed and annual audited financial statements of the Exchange/surviving entities;
3. Notional Value of transferable TRE Certificate of the Exchange shall be reviewed on six-monthly basis subject to approval of the Commission; and
4. A Broker shall not be allowed to lien mark more than one TRE certificate to meet the applicable BMC requirements.

The Exchange shall also disseminate the information pertaining to point 2 to 3 above to the market participants.

Provided that in case value of collateral deposited by a Broker to meet its BMC requirement falls below its required value at day end, the Exchange shall require such Broker to deposit the shortfall in any of the forms as mentioned above within one working day, failing which the Exchange shall be authorized to allocate the excess margins available in the House Account of that Broker to the extent of shortfall in BMC. Where, the excess margins are not adequate to meet the BMC requirement, the Exchange shall restrict/suspend trading rights of such Broker till the time the Broker fulfills its BMC requirement.

Utilization of BMC in the event of default by a Broker or cancellation/forfeiture of its TRE Certificate:

In case of declaration of a Broker as defaulter or cancellation/forfeiture of its TRE Certificate under the applicable regulations of the Exchange, the Exchange shall utilize the proceeds of collaterals deposited to meet BMC requirement in accordance with the applicable regulations of the Exchange and in terms of the letter of pledge/undertaking, where applicable.



(ABBAS MIRZA)
GM & Chief Compliance Officer
(Officiating Chief Regulatory Officer)
Karachi Stock Exchange Limited