



# PAKISTAN STOCK BROKERS ASSOCIATION

(A company setup under section 42 of the Companies Act 2017)

Regd Office: Mezzanine Floor, Trading Hall, Stock Exchange Building, Stock Exchange Road,  
Off I.I Chundrigar Road, Karachi.

Tel: 021-32401278, E-mail: secretariat@psba.pk, Web: www.psba.pk, Fax: 021-32401279

PSBA/Notice-183

November 01, 2024

## NOTICE FOR MEMBERS

### **BRIEFING SESSION ON PROPOSED AMENDMENTS IN THE NCCPL REGULATIONS 2015 FOR PUBLIC COMMENTS**

**Respected Members,**

This is in continuation to our notice PSBA/Notice-181 dated October 28, 2024, inviting comments on proposed amendments to its Regulations by the (NCCPL).

We are pleased to invite you to a briefing session on the said amendments. In this session, officials from the NCCPL will be present to provide you with a comprehensive overview of the proposed amendments, including their rationale, implications, and anticipated benefits.

This briefing session aims to facilitate an open discussion and address any concerns or queries you may have regarding these proposed changes.

**Date: November 04, 2024**

**Time: 4:00 PM**

**Link: <https://us02web.zoom.us/j/86978622545?pwd=znBGkamVKsfjIUoby8aSstrBONvEuY.1>**

**Meeting ID: 869 7862 2545**

**Passcode: 229308**

We encourage all members to attend and actively participate in this session to gain a deeper understanding of the proposed changes and offer valuable feedback.

Looking forward to your maximum participation.

Thank you,

          sd            
**AKBER ALI**  
Officer - Secretariat

**Encl:** Above discussed amendments

**Copy to:** PSBA Website



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PSBA/Notice-181

October 28, 2024

### NOTICE FOR MEMBERS

#### **PROPOSED AMENDMENTS IN THE NCCPL REGULATIONS, 2015 FOR PUBLIC COMMENTS**

This is in reference to the notification NCCPL/CM/OCTBER-24/11 dated October 25, 2024 (attached), whereby the comments have been invited by the NCCPL:

In this regard, the members are hereby requested to kindly submit your comments, if any, at psamail024@gmail.com latest by **October 30, 2024**, so that a consolidated response is submitted to the authorities for their consideration.

\_\_\_\_\_  
Sd  
**Akber Ali**  
Officer - Secretariat

#### **Copy to:**

1. PSBA Website



## National Clearing Company of Pakistan Limited

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

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**NCCPL/CM/OCTOBER-24/11**

**October 25, 2024**

### **Proposed Amendment in the NCCPL Regulations, 2015 for Public Comments**

**Dear Clearing Members,**

Please find enclosed herewith the following drafts of Proposed Amendments in the NCCPL Regulations, 2015, which are self-explanatory, for Public Comments:

- Alignment of Securities accepted as Collateral for Different Market Segments
- Defaulters' Segment
- Position Limits Defined for the Deliverable Futures Contract Market
- Government Debt Securities

In this regard, all concerned are hereby requested to submit their Comments as per Annexure A at [info@nccpl.com.pk](mailto:info@nccpl.com.pk), if any.

For any further queries or concerns, please feel free to contact the Customer Support Department at UAN 021-111-111-622 or visit our website [www.nccpl.com.pk](http://www.nccpl.com.pk)

You can approach our Customer Support Services through WhatsApp vide 021-111-111-622 or Click [here](#)

**Regards,**

\_\_\_\_\_sd  
**Adnan Akhtar**  
**Senior Manager - CSS**

PROPOSED  
AMENDMENTS IN  
NCCPL  
REGULATIONS, 2015

- Securities accepted as Collateral for different Markets
- Defaulter Segment
- Position Limits for Deliverable Futures Contract Market
- Government Debt Securities

**GUIDELINES AND TIME PERIOD FOR SUBMISSION OF PUBLIC COMMENTS:**

NCCPL invites all stakeholders to provide their comments on the proposed amendments in NCCPL Regulations 2015. The proposed amendments have been approved by the Board and are placed on NCCPL’s website for seeking public comments in pursuance of provisions stipulated in Section (5) of the Securities Act, 2015 for a period of 7 Days ending on **November 01, 2024**.

Respondent of the comments is required to fill the form given below as **Annexure A** along with the comments submitted to NCCPL. Comments with no or incomplete form will be disregarded. Further anonymous comments are discouraged by NCCPL, however the respondent may request confidentiality for its identity on all or any part of comments by filling the relevant section of the form.

NCCPL will publish the comments of respondents and its management’s response thereon in the form of a response paper, within a reasonable timeframe, after close of mentioned period, unless the respondent has made a confidentiality request. However, NCCPL shall share all responses with the SECP.

By submitting comments, respondents are deemed to have consented to the collection, use and disclosure of data that is provided to NCCPL, unless respondents wish to keep their identity or comments confidential.

**Annexure A**

**Form for submission of Public Comments to NCCPL**

**Regulation title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

<b>Name of respondent:</b>	
<b>Company name:</b>	
<b>Designation:</b>	
<b>Contact number:</b>	
<b>Email address:</b>	

Please check the box if you wish to keep your identity and comments confidential:

- I wish to have my identity remain confidential.
- I wish to keep all of my comments confidential.
- I wish to keep parts of my comments confidential.

In case of last checkbox please mention part of comments in below section.

**A. PROPOSED AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO ALIGNMENT OF SECURITIES ACCEPTED AS COLLATERAL FOR DIFFERENT MARKET SEGMENTS**

**BACKGROUND:**

The NCCPL after obtaining approval from its Board, proposed following amendments in the NCCPL Regulations, 2015 pertaining to Margin Eligible Securities “MES” and securities accepted as collateral in DFC Market.

**A. Margin Eligible Securities “MES”**

It was proposed that the impact cost utilized for computing VaR shall also be used for selection of the MES.

**B. Securities Accepted as Collateral for Deliverable Futures Contract “DFC” Market**

It was proposed that exposure margin in DFC market collected in the form of DFC eligible securities falling under category A & B shall be collected in the form of MES.

These proposed amendments were submitted for approval with SECP on May 23, 2024. Subsequently, the option to perform comprehensive review of the collateral requirements (especially MES) was considered with an objective to make an effort for adopting a uniform approach for all market segments including Ready, DFC, Cash Settled Futures Contracts “CSF”, Stock Index Futures Contract “SIFC”, Margin Trading “MT”, Margin Financing “MF”, Securities Lending and Borrowing “SLB” etc.

Accordingly, on the conclusion of this exercise, following changes have been proposed:

**PROPOSED CHANGES:**

- A. It has been proposed that all markets where securities are accepted as Collateral to meet margin requirement, the criteria should be made consistent and across all markets MES should be accepted as collateral.

The impact of this proposal is tabulated below. It may please be noted that there are other forms of collaterals that are accepted along with MES, however, for simplicity only MES is shown in the table below:

SR NO.	MARKET	EXPOSURE MARGINS	MARK-TO-MARKET LOSSES	LIQUIDITY MARGINS	ADDITIONAL MARGINS	Change
3.	MT (R) Transactions	<u>MT Eligible Securities</u>	Cash	-	<u>MT Eligible Securities</u>	To be replaced by MES
5.	Cash-Settled Futures Market	<u>50% in securities eligible for trading in Cash Settled Futures Market,</u>	Cash	N/A	<u>50% in securities eligible for trading in Cash Settled Futures Market,</u>	To be replaced by MES
6.	Stock Index Futures Contracts Market	<u>50% in securities eligible for trading in Cash Settled Futures Market</u>	Cash	N/A	<u>50% in securities eligible for trading in Cash Settled Futures Market</u>	To be replaced by MES

- B. Further, acceptable quantity of the MES was also revisited. Currently, MTS category B securities are not accepted as collateral, however, it is proposed that MES Category A and B securities shall be accepted as collateral against margin requirement in the MTS Market.

## **IMPACT:**

The proposed changes will further simplify the margin requirements prescribed for different markets and will facilitate the Clearing Members and market participants in better understating the margin requirements applicable for each market. Further, the proposed changes will also ensure that liquid listed equity securities are accepted as collateral in case of CSF and SIFC.

**For amendments, kindly refer Annexure 1**

## **B. PROPOSED AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO DEFAULTERS' SEGMENT**

### **BACKGROUND:**

The Pakistan Stock Exchange Limited "PSX" has prescribed various provisions in its rules relating to placement of a listed company on defaulters' segment. In this regard, PSX through its notice dated June 04, 2024 has informed the market Participants that amendments proposed for revamping of defaulters' segment have duly been approved by the Securities and Exchange Commission of Pakistan "SECP".

As per the details provided in the aforementioned notice, the defaulters' segment has been replaced with following two segments:

1. Non-compliant segment
2. Winding – up segment

The PSX has also prescribed the conditions leading to placement of a listed company from the ready board to any of the above specified segments.

NCCPL has evaluated the impact of these amendments pertaining to defaulters' segment on NCCPL Regulations, 2015 and has concluded that amendments will be required in the NCCPL Regulations, 2015 to align its provisions with revised rules implemented with respect to defaulters' segment by PSX.

### **PROPOSED CHANGES:**

The term defaulters' segment has been referred in the NCCPL Regulations, 2015 in multiple chapters, a brief overview covering the key chapters has been summarized below:

<b>NCCPL Regulations, 2015 – Relevant Chapter</b>	<b>Details</b>
Chapter 2: Definitions	Definition of Defaulters' Segment
Chapter 7A – Securities Lending and Borrowing "SLB"	SLB eligibility criteria
Chapter 7B – Margin Financing "MF"	MF eligibility criteria for securities
Chapter 7C – Margin Trading "MT"	MT eligibility criteria for securities
Chapter 7E – Murabaha Share Financing "MSF"	MSF eligibility criteria for securities
Chapter 12 – Risk Management	Conditions applicable for accepting securities as collateral and Margin Eligible Securities "MES" eligibility criteria

It is pertinent to mention here that as per NCCPL Regulations, 2015, listed securities placed on defaulters' segment by the Exchange are not eligible for SLB, MF, MT and MSF, further, they are also not accepted as MES. Keeping in view the conditions defined for placement of a security in any of the two separate segments proposed by PSX to replace the defaulters' segment, it is concluded that irrespective of placement of securities on any of these counters, they shall continue to be excluded from all the above specified leverage markets and shall also not be accepted as MES. The only

change proposed is the replacement of term “Defaulter Segment” with “Non-Compliant Segment or Winding-up Segment” across NCCPL Regulations, 2015 to ensure consistency and alignment with the PSX rules.

**IMPACT:**

The provisions prescribed under the NCCPL Regulations, 2015 will be updated and aligned with PSX rules in relation to placement of securities on newly introduced Non-Compliant and Winding-Up segments replacing defaulters’ segment.

**For amendments, kindly refer Annexure 2**

**C. PROPOSED REGULATORY AMENDMENTS IN THE NCCPL REGULATIONS, 2015 PERTAINING TO POSITION LIMITS DEFINED FOR THE DELIVERABLE FUTURES CONTRACT MARKET**

**BACKGROUND:**

Multiple components of the pre-trade risk management related measures prescribed by NCCPL are implemented through the Trading System of Pakistan Stock Exchange “PSX” which includes Position Limits. The Position Limits are based upon the Free Float of eligible securities and are applicable for the Deliverable Futures Contract Market.

Further, the Position Limits are defined and implemented at three levels, i.e. Market Wide, Broker Wide and Investor (UIN/client) Wide.

Following table shows the position limits prescribed in Schedule-IV of Chapter 12 of NCCPL Regulations, 2015:

Category	A	B	C	D
Market Wide	50% of Free Float	40% of Free Float	30% of Free Float	30% of Free Float
Broker Wide	Trading Only 5% of market wide limit Trading and Self Clearing 10% of market wide limit Trading and Clearing 15% of market wide limit			
Client Wide	5% of market wide limit			

The above broker wide limits based on category of brokers were approved by SECP on November 29, 2022.

**PROPOSED CHANGES:**

The NCCPL has been in close coordination with PSX with respect to implementation of category based Broker Wide Position Limit. However, the Broker Wide Position Limits implemented at PSX Trading system continue to be fixed at 10% of the overall Market Wide Position Limits for all categories of brokers. Accordingly, at present, the position limits implemented in the Trading System are not aligned with the regulatory framework

The main reason for the delay in the implementation of category based Broker Wide Position Limits at PSX’s Trading System was the complex nature of system development needed for implementing the same and its allied cost.

NCCPL evaluated other proposals in relation to position limits and concluded that the best available option which has minimum limitation is to continue with the Broker Wide Position Limits implemented through the PSX trading system i.e. Broker Wide Position Limit shall be kept at 10% of the Market Wide Position Limit.

Therefore, necessary changes have been proposed in the NCCPL Regulations, 2015 to align the Broker Wide Position Limits prescribed in the NCCPL Regulations, 2015 with the position limit implemented through PSX trading system.

**IMPACT:**

The regulatory provisions prescribing the position limits shall be aligned with the implemented limits, further, this will simplify the Broker Wide Position Limits implemented.

**For amendments, kindly refer Annexure 3**



#### **D. PROPOSED AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO GOVERNMENT DEBT SECURITIES**

##### **BACKGROUND:**

The Government of Pakistan “GoP” Ijarah Sukuk were first auctioned through the Pakistan Stock Exchange “PSX” in December 2023 and were simultaneously listed on the PSX. NCCPL has been appointed as a Payment Agent on behalf of Ministry of Finance’s Debt Office for these Ijarah Sukuks. NCCPL plays the pivotal role of providing clearing, settlement and risk management services with respect to auctions of Ijarah Sukuk and its secondary market trading.

In an attempt to review and improve the auction and secondary market trading process of Ijarah Sukuk, various consultative sessions were held with major market participants that included Sharia compliant Collective Investment Schemes, Banks and Securities Brokers. During these sessions, various recommendations were made relating to the functions performed by NCCPL with respect to Ijarah Sukuk.

Accordingly, NCCPL has reviewed and evaluated these recommendations and has proposed regulatory amendments to implement such recommendations.

##### **PROPOSED CHANGES:**

1. The Collective Investment Schemes are allowed to provide an irrevocable undertaking from its Trustee, confirming the availability of the amount against the bids placed by them during Ijarah Sukuk auction, which covers the requirement for depositing cash advance against the bid amount. However, for the secondary market trading, they are required to deposit margins. It is now proposed that similar irrevocable undertaking should also be accepted against the margin requirement for Collective Investment Schemes against their trades and transactions in the Ijarah Sukuk in the secondary market.
2. Institutional Delivery System “IDS” functionality is available for the Debt / Government Debt Securities ‘GDS’ Market Clearing Members of the Company. Under this function, the Brokers Debt Market Clearing Members execute the trade in the Debt/ GDS market on behalf of the Non-Broker Debt Market Clearing Member and transactions are passed on to such Non-Broker Debt Market Clearing Member using the IDS functionality for affirmation. Once accepted, such transactions are directly settled by the Non-Broker Debt Market Clearing Member with NCCPL and margins collected at the time of transaction from Broker Debt Market Clearing Member are released. It has been proposed that no margin should be collected from the brokers on the trades carried out by them on behalf of Non-Broker Debt Market Clearing Members.
3. At present, margin requirements are prescribed for GDS (which also includes Ijarah Sukuk) on the basis of remaining period to maturity. It is proposed that keeping in view the issue size of GDS, the margin requirements should be reduced as follows:

For GDS (based on remaining maturity days)	<i>% Margin (Existing)</i>	<i>% Margin (Proposed)</i>
≤ 1 year	0.5%	0.25%
>1 year and ≤ 3 years	1%	0.5%
>3 years and ≤ 5 years	1.5%	0.75%
> 5 years and ≤ 10 years	2%	1.0%
> 10 years	2.5%	1.25%

4. Provisions have been prescribed for imposing charges on failure to meet settlement obligation and affirmation failure pertaining to GDS.

5. Provisions have been updated with respect to IDS functionality, Negotiated Deal Market “NDM” reporting interface and a few changes to improve the text. Further, provisions pertaining to settlement of trades at T+0 settlement cycle have been updated.

**IMPACT:**

Reduced margin requirements will facilitate the market participants and encourage them to increase their trading activity in GDS Market. Since the settlement of GDS Market trades is carried out on trade-for-trade basis, the reduction of margins will not have a significant impact on the associated risk. The provisions added with respect to NDM reporting interface for GDS Market, T+ 0 settlement and IDS functionality will provide clarity to the market participants with respect to applicable regulatory requirements. Further, the settlement and IDS affirmation failure related charges will ensure discipline in trading activity.

**[For amendments, kindly refer Annexure 4](#)**

**PROPOSED REGULATORY AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO SECURITIES ACCEPTED AS COLLATERAL FOR DIFFERENT MARKETS**

CHAPTER 7C - MARGIN TRADING SYSTEM		
Existing Regulations	Proposed Amendments	Rationale
<b>CHAPTER 7C MARGIN TRADING SYSTEM</b>		
<p><b>7C.6.2 Suspension/Default</b></p> <p>Where a MT Participant fails to deposit Market Collaterals against Exposure Margins, liquidity Margins, Marked-to-Market Losses and, where applicable, concentration Margins, and fails to settle MT Transaction and MT (R) Transaction, as the case may be or fails to comply with any other requirement of these Regulations, the Company shall initiate necessary Default Proceedings in accordance with the provisions of Chapter 13 (Money Default Management) of these Regulations. Such proceedings shall be based on the following principles:</p> <p><b>1. In case of Trading Financier default</b></p> <p>In case where Trading Financier fails to deposit Margin requirement or fails meeting settlement obligation pertaining to a MT Transaction, the Company shall initiate the following proceedings:</p> <p>(i) The Company shall suspend such Trading Financier;</p> <p>(ii) After determination on net shortfall by the Company of a suspended Trading Financier, the Company shall after applying the available resources as prescribed in Chapter 13 of these Regulations, provide on a particular Settlement Date, Settling Banks with revised settlement statements (credits) after holding back proportionate amounts in accordance with the credits due to all MT Participants to whom credits shall be due on that Settlement</p>	<p><b>7C.6.2 Suspension/Default</b></p> <p>Where a MT Participant fails to deposit Market Collaterals against Exposure Margins, liquidity Margins, Marked-to-Market Losses and, where applicable, concentration Margins, and fails to settle MT Transaction and MT (R) Transaction, as the case may be or fails to comply with any other requirement of these Regulations, the Company shall initiate necessary Default Proceedings in accordance with the provisions of Chapter 13 (Money Default Management) of these Regulations. Such proceedings shall be based on the following principles:</p> <p><b>1. In case of Trading Financier default</b></p> <p>In case where Trading Financier fails to deposit Margin requirement or fails meeting settlement obligation pertaining to a MT Transaction, the Company shall initiate the following proceedings:</p> <p>(i) The Company shall suspend such Trading Financier;</p> <p>(ii) After determination on net shortfall by the Company of a suspended Trading Financier, the Company shall after applying the available resources as prescribed in Chapter 13 of these Regulations, provide on a particular Settlement Date, Settling Banks with revised settlement statements (credits) after holding back proportionate amounts in accordance with the credits due to all MT Participants to whom credits shall be due on that Settlement</p>	<p>To exclude the provisions whereby the square-up process could also take into account the Margins that were deposited in the form of MT eligible securities, since it has been proposed to allow MES as an acceptable form of collateral for MT R Transaction.</p>

<p>Date, till the recovery of shortfall Amount.</p> <p>(iii) All Margins of suspended Trading Financier held by the Company shall be liquidated;</p> <p>(iv) In respect of settlement obligation due under the MT Market, the Company shall immediately shift such settlement obligation to the respective Financees, however, such Financees shall be given an opportunity to re-finance such ready market purchases from the MT Market through any other Trading Financier. In case where such Financee is unable to re-finance such ready market purchases from MT Market, such Financee shall be held responsible to meet the settlement obligation in the capacity of Clearing Member after adjustment of proceeds out of utilization of Margins of Trading Financiers as provided in (iii) above; and</p> <p>(v) MT Financed Securities already held in Blocked Status in such suspended Trading Financier's CDS blocked account or sub-account of its client/ Associated entity and its clients, as the case may be, if any, shall be released on their respective Maturity Dates and Accelerated Maturity Dates, as the case may be, as per the mechanism agreed between the Company and CDC from time to time.</p> <p>(vi) In case of any default in any settlement obligation by the Trading Financier in accordance with the provisions of these Regulations, the respective Trading Financier shall pay penalty to the Company which shall include:</p> <p>a. For one time default in a calendar year, 1.00 % of the value of defaulted Position;</p> <p>b. For second time default in a calendar year, 2.00 % of the value of defaulted Position; and</p>	<p>Date, till the recovery of shortfall Amount.</p> <p>(iii) All Margins of suspended Trading Financier held by the Company shall be liquidated;</p> <p>(iv) In respect of settlement obligation due under the MT Market, the Company shall immediately shift such settlement obligation to the respective Financees, however, such Financees shall be given an opportunity to re-finance such ready market purchases from the MT Market through any other Trading Financier. In case where such Financee is unable to re-finance such ready market purchases from MT Market, such Financee shall be held responsible to meet the settlement obligation in the capacity of Clearing Member after adjustment of proceeds out of utilization of Margins of Trading Financiers as provided in (iii) above; and</p> <p>(v) MT Financed Securities already held in Blocked Status in such suspended Trading Financier's CDS blocked account or sub-account of its client/ Associated entity and its clients, as the case may be, if any, shall be released on their respective Maturity Dates and Accelerated Maturity Dates, as the case may be, as per the mechanism agreed between the Company and CDC from time to time.</p> <p>(vi) In case of any default in any settlement obligation by the Trading Financier in accordance with the provisions of these Regulations, the respective Trading Financier shall pay penalty to the Company which shall include:</p> <p>a. For one time default in a calendar year, 1.00 % of the value of defaulted Position;</p> <p>b. For second time default in a calendar year, 2.00 % of the value of defaulted Position; and</p>	
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<p>c. For third time default in a calendar year, 4.00 % of the value of defaulted Position and such Trading Financier shall be suspended for a period of three months from the MT Market.</p> <p><b>2. In case of Finanee default</b></p> <p>A. Failure to pay Marked-to Market Losses to maintain its FPR or failure to deposit other Margins relating to MT Market including but not limited to MT (R) Transaction Margins and concentration Margins (collectively referred as “other Margins”).</p> <p>In case where a Finanee fails to deposit any Marked-to Market Losses and/or other Margins within the stipulated time following action by the Company will be taken:</p> <p>I. In case where certain number of UINs of Finanee including his proprietary UIN fails to deposit necessary Marked-to-Market Losses and/or other Margins following procedure will be applied:</p> <p>(i) Finanee shall be required to identify the defaulted UIN(s);</p> <p>(ii) The Company shall immediately suspend such UIN(s) to take further Position in any Market and serve a notice at the day end to such Finanee so as to give an opportunity to square up the MT (R) Transactions and MT (R) Transactions Margins (if deposited in the form of MT Eligible Securities) of such UIN within 3 hours on next trading day and fulfill the requisite demand of Mark-to Market Losses and/or other Margins;</p> <p>(iii) In case Finanee is not able to square-up the MT (R) Transaction and MT (R) Transactions Margins (if deposited in the form of MT Eligible Securities) of such UIN(s) within the above mentioned stipulated time, the Company shall initiate square-up process of such MT (R) Transaction and MT (R) Transactions Margins (if</p>	<p>c. For third time default in a calendar year, 4.00 % of the value of defaulted Position and such Trading Financier shall be suspended for a period of three months from the MT Market.</p> <p><b>2. In case of Finanee default</b></p> <p>A. Failure to pay Marked-to Market Losses to maintain its FPR or failure to deposit other Margins relating to MT Market including but not limited to MT (R) Transaction Margins and concentration Margins (collectively referred as “other Margins”).</p> <p>In case where a Finanee fails to deposit any Marked-to Market Losses and/or other Margins within the stipulated time following action by the Company will be taken:</p> <p>I. In case where certain number of UINs of Finanee including his proprietary UIN fails to deposit necessary Marked-to-Market Losses and/or other Margins following procedure will be applied:</p> <p>(i) Finanee shall be required to identify the defaulted UIN(s);</p> <p>(ii) The Company shall immediately suspend such UIN(s) to take further Position in any Market and serve a notice at the day end to such Finanee so as to give an opportunity to square up the MT (R) Transactions and MT (R) Transactions Margins <del>(if deposited in the form of MT</del> <b>Margin Eligible Securities)</b> of such UIN within 3 hours on next trading day and fulfill the requisite demand of Mark-to Market Losses and/or other Margins;</p> <p>(iii) In case Finanee is not able to square-up the MT (R) Transaction and MT (R) Transactions Margins <del>—(if</del> <b>Margin Eligible Securities)</b> of such UIN(s) within the above mentioned stipulated time, the Company shall initiate square-up process of such MT (R) Transaction and MT (R) Transactions Margins <del>—(if</del></p>	
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<p>deposited in the form of MT Eligible Securities) on that day;</p> <p>(iv) If Financee fails to square up the MT(R) Transaction and MT (R) Transactions Margins (if deposited in the form of MT Eligible Securities) or to deposit requisite demand of Marked-to-Market Losses and/or other Margins after the expiry of said notice by the Company in accordance with (ii) above and the Company is also unable to square-up in accordance with (iii) above for any reason whatsoever, all MT (R) Transactions of such UIN(s) shall be released by the Company and the Company shall proportionately allocate such MT Financed Securities of such MT (R) Transactions and MT (R) Transactions Margins, to all the Trading Financiers who have provided Margin Trading in those Securities. Accordingly, such MT (R) Transactions of said UINs shall be treated as closed without any further liability on such Financee for the settlement of such MT (R) Transactions. Provided, however, that:</p> <p>a) such defaulting UIN(s) may be restricted from taking new Positions in all Markets for a period of six-months;</p> <p>b) relevant Financee shall be penalized and restricted in the following manner:</p> <p>First default by the client/Associated entity and its clients' penalty @ 2% of the defaulted amount of such UIN(s) and restriction on PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member to take further Positions in Leveraged Markets for a period of three months;</p> <p>second default by the same client or any other client Associated entity and its clients' penalty @ 4% of the defaulted amount of such UIN(s) and restriction on PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member to take further Positions in Leveraged Markets for a period of six months;</p>	<p>deposited in the form of <del>MT</del> <u>Margin Eligible Securities</u>) on that day;</p> <p>(iv) If Financee fails to square up the MT(R) Transaction and MT (R) Transactions Margins <del>(if</del> deposited in the form of <u>MT Margin Eligible Securities</u>) or to deposit requisite demand of Marked-to-Market Losses and/or other Margins after the expiry of said notice by the Company in accordance with (ii) above and the Company is also unable to square-up in accordance with (iii) above for any reason whatsoever, all MT (R) Transactions of such UIN(s) shall be released by the Company and the Company shall proportionately allocate such MT Financed Securities of such MT (R) Transactions and MT (R) Transactions Margins, to all the Trading Financiers who have provided Margin Trading in those Securities. Accordingly, such MT (R) Transactions of said UINs shall be treated as closed without any further liability on such Financee for the settlement of such MT (R) Transactions. Provided, however, that:</p> <p>a) such defaulting UIN(s) may be restricted from taking new Positions in all Markets for a period of six-months;</p> <p>b) relevant Financee shall be penalized and restricted in the following manner:</p> <p>First default by the client/Associated entity and its clients' penalty @ 2% of the defaulted amount of such UIN(s) and restriction on PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member to take further Positions in Leveraged Markets for a period of three months;</p> <p>second default by the same client or any other client Associated entity and its clients' penalty @ 4% of the defaulted amount of such UIN(s) and restriction on PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member to take further Positions in Leveraged Markets for a period of six months;</p>	
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<p>on any subsequent default by any UIN of the Securities Broker or PCM permanent restriction on the PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member to take further Positions in Leveraged Markets;</p> <p>(v) In case of second default of Marked-to-Market Losses of the same UIN(s), the Company may block such UIN(s) for a period of three years.</p> <p><b>B. Settlement Default by Financee</b></p> <p>In case where Financee fails to settle money obligation, including settlement obligation as determined in Regulation 7C.6.2-1 (iv) in the capacity of a Clearing Member on a particular Settlement Date, following procedure will be applied:</p> <p>(i) The Company shall suspend such Financee in all Markets in the capacity of Clearing Member;</p> <p>(ii) After determination of net shortfall by the Company of a suspended Financee, the Company shall, after applying the available resources as prescribed in Chapter 13 of these Regulations except for the utilization of SGF as prescribed in Chapter 29 of these Regulations, provide on a particular Settlement Date, Settling Banks with revised settlement statements (credits) after holding back proportionate amounts in accordance with the credits due to all Clearing Members who are the MT Participants to whom credits shall be due on that Settlement Date, till the recovery of Shortfall Amount;</p> <p>(iii) The Company shall segregate the Shortfall Amount Market wise in order to ascertain the default of a particular Market;</p> <p>(iv) All Market wise Margins of a suspended Financee, held by the Company shall be liquidated;</p>	<p>on any subsequent default by any UIN of the Securities Broker or PCM permanent restriction on the PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member to take further Positions in Leveraged Markets;</p> <p>(v) In case of second default of Marked-to-Market Losses of the same UIN(s), the Company may block such UIN(s) for a period of three years.</p> <p><b>B. Settlement Default by Financee</b></p> <p>In case where Financee fails to settle money obligation, including settlement obligation as determined in Regulation 7C.6.2-1 (iv) in the capacity of a Clearing Member on a particular Settlement Date, following procedure will be applied:</p> <p>(i) The Company shall suspend such Financee in all Markets in the capacity of Clearing Member;</p> <p>(ii) After determination of net shortfall by the Company of a suspended Financee, the Company shall, after applying the available resources as prescribed in Chapter 13 of these Regulations except for the utilization of SGF as prescribed in Chapter 29 of these Regulations, provide on a particular Settlement Date, Settling Banks with revised settlement statements (credits) after holding back proportionate amounts in accordance with the credits due to all Clearing Members who are the MT Participants to whom credits shall be due on that Settlement Date, till the recovery of Shortfall Amount;</p> <p>(iii) The Company shall segregate the Shortfall Amount Market wise in order to ascertain the default of a particular Market;</p> <p>(iv) All Market wise Margins of a suspended Financee, held by the Company shall be liquidated;</p>	
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<p>(v) In case shortfall still persists, the Company shall initiate square-up process of Market-wise open Position(s) including MT (R) Transaction(s) and MT (R) Transactions Margins (if deposited in the form of MT Eligible Securities) of such suspended Finneece for two consecutive working days;</p> <p>(vi) In case where proceeds from said square-up are sufficient to fulfill the Shortfall Amount, such proceeds shall be applied to compensate the corresponding Clearing Members including Trading Financiers; and</p> <p>(vii) In case of shortfall persists even after the said square-up, the Company shall take the following action to finalize the default:</p> <p><b>B-I - In case of shortfall related to MT Market:</b></p> <p>a. If there is no square-up or partial square-up of MT Financed Securities and MT (R) Transactions Margins (if deposited in the form of MT Eligible Securities) by the Company, the related proceeds and the remaining MT Securities along with MT (R) Transactions Margins shall be proportionately allocated to all the Trading Financiers who have provided Margin Trading in those securities to the extent of MT Contract Price and all related MT (R) Transactions shall stand as closed;</p> <p>b. Where the Company square-up all MT Financed Securities and MT (R) Transactions Margins (if deposited in the form of MT Eligible Securities), however, the proceeds do not cover the Shortfall Amount, the Company shall proportionately allocate such Shortfall Amount to all the Trading Financiers who have provided Margin Trading in those securities and all related MT (R) Transactions shall stand as closed.</p>	<p>(v) In case shortfall still persists, the Company shall initiate square-up process of Market-wise open Position(s) including MT (R) Transaction(s) and MT (R) Transactions Margins <del>(if</del> deposited in the form of <del>MT</del> <b>Margin Eligible Securities</b>) of such suspended Finneece for two consecutive working days;</p> <p>(vi) In case where proceeds from said square-up are sufficient to fulfill the Shortfall Amount, such proceeds shall be applied to compensate the corresponding Clearing Members including Trading Financiers; and</p> <p>(vii) In case of shortfall persists even after the said square-up, the Company shall take the following action to finalize the default:</p> <p><b>B-I - In case of shortfall related to MT Market:</b></p> <p>a. If there is no square-up or partial square-up of MT Financed Securities and MT (R) Transactions Margins <del>(if</del> deposited in the form of <del>MT</del> <b>Margin Eligible Securities</b>) by the Company, the related proceeds and the remaining MT Securities along with MT (R) Transactions Margins shall be proportionately allocated to all the Trading Financiers who have provided Margin Trading in those securities to the extent of MT Contract Price and all related MT (R) Transactions shall stand as closed;</p> <p>b. Where the Company square-up all MT Financed Securities and MT (R) Transactions Margins <del>(if</del> deposited in the form of <del>MT</del> <b>Margin Eligible Securities</b>), however, the proceeds do not cover the Shortfall Amount, the Company shall proportionately allocate such Shortfall Amount to all the Trading Financiers who have provided Margin Trading in those securities and all related MT (R) Transactions shall stand as closed.</p>	
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<p>c. Relevant Financee shall be penalized in the manner specified in 7C.6.14 2A1 (iv) above.</p> <p><b>B-II - In case of shortfall pertaining to other Markets</b></p> <p>The Company shall initiate normal Default Proceedings in accordance with the provisions of Chapter 13 of these Regulations so as to recover Shortfall Amount from the suspended Financee.</p>	<p>c. Relevant Financee shall be penalized in the manner specified in 7C.6.14 2A1 (iv) above.</p> <p><b>B-II - In case of shortfall pertaining to other Markets</b></p> <p>The Company shall initiate normal Default Proceedings in accordance with the provisions of Chapter 13 of these Regulations so as to recover Shortfall Amount from the suspended Financee.</p>	
<p><b>CHAPTER 12 RISK MANAGEMENT BY THE COMPANY</b></p>		
<p><b>12.5.5 CONDITIONS APPLICABLE TO ALL MARGIN DEPOSITS:</b></p> <p>All Margins deposited by the Clearing Members with the Company pursuant to these Regulations shall be subject to the following conditions:</p> <p>(a) the Company shall apply the Haircuts prescribed under these Regulations to each Margin Eligible Security. However, in case of MT (R) Transaction Margins, the maximum number of acceptable MT Eligible Securities shall be the same as notified by the Company in 7C.3.2 of these Regulations;</p> <p>(b) the Company 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 Clearing Member/SLB/MT Participant wide and/or Market wide limits of deposit of such Margin Eligible Security as prescribed in schedule-III hereto;</p> <p>(c) the Security is in book entry form;</p> <p>(d) the issuer of Security is not placed on the Defaulter's segment of the Exchange;</p> <p>(e) the corporate Clearing Member listed on the Exchange will not be allowed to deposit against the Exposure</p>	<p><b>12.5.5 CONDITIONS APPLICABLE TO ALL MARGIN DEPOSITS:</b></p> <p>All Margins deposited by the Clearing Members with the Company pursuant to these Regulations shall be subject to the following conditions:</p> <p>(a) the Company shall apply the Haircuts prescribed under these Regulations to each Margin Eligible Security. <del>However, in case of MT (R) Transaction Margins, the maximum number of acceptable MT Eligible Securities shall be the same as notified by the Company in 7C.3.2 of these Regulations;</del></p> <p>(b) the Company 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 Clearing Member/SLB/MT Participant wide and/or Market wide limits of deposit of such Margin Eligible Security as prescribed in schedule-III hereto;</p> <p>(c) the Security is in book entry form;</p> <p>(d) the issuer of Security is not placed on the Defaulter's segment of the Exchange;</p> <p>(e) the corporate Clearing Member listed on the Exchange will not be allowed to deposit against the Exposure</p>	<p>Since MES has been allowed to be accepted as Collateral for MT Market, the acceptable quantity related provisions are not required to be specified separately.</p>

<p>Margins and Mark-to-Market Losses of their own company's shares;</p> <p>(f) the Company may from time to time prescribe, with the prior approval of the Commission, the maximum number of acceptable Margin Eligible Securities;</p> <p>(g) any other criterion prescribed by the Company and approved by the Commission from time to time;</p> <p>(h) The Company shall give at least 15 days prior notice to the Clearing Members before including or excluding any Security from the list of Margin Eligible Securities; and/or</p> <p>(i) the Company shall carry out a review of Margin Eligible Securities as per the provisions stipulated under schedule III of this Chapter.</p>	<p>Margins and Mark-to-Market Losses of their own company's shares;</p> <p>(f) the Company may from time to time prescribe, with the prior approval of the Commission, the maximum number of acceptable Margin Eligible Securities;</p> <p>(g) any other criterion prescribed by the Company and approved by the Commission from time to time;</p> <p>(h) The Company shall give at least 15 days prior notice to the Clearing Members before including or excluding any Security from the list of Margin Eligible Securities; and/or</p> <p>(i) the Company shall carry out a review of Margin Eligible Securities as per the provisions stipulated under schedule III of this Chapter.</p>	
<p><b>12.7.4 ADDITIONAL MARGINS ON LEVERAGED BUYS FINANCED THROUGH MT MARKET:</b></p> <p>(a) When a Ready Delivery Contract Market purchase is financed in MT Market, Finnee shall pay Exposure Margins, Mark-to-Market Losses and liquidity Margins relating to such trade as per Schedule-II of this Chapter from the date of such purchase till its settlement in the Ready Delivery Contract Market. However, for MT Eligible Securities falling under the categories of securities specified in Regulation 12.5.2(a), a Finnee shall be required to pay additional Margins after the close of MT Market to maintain his Margins equivalent to higher of 25% or VaR Estimate on Leveraged Buy of respective Security on that Trade Date.</p> <p>(b) After the settlement of MT Transactions, a finnee shall pay to the Company the MT (R) Transaction margins in the form of approved Collaterals. However, for MT Eligible Securities falling under the categories of securities specified in Regulation 12.5.2(a) the aggregate value of such MT</p>	<p><b>12.7.4 ADDITIONAL MARGINS ON LEVERAGED BUYS FINANCED THROUGH MT MARKET:</b></p> <p>(a) When a Ready Delivery Contract Market purchase is financed in MT Market, Finnee shall pay Exposure Margins, Mark-to-Market Losses and liquidity Margins relating to such trade as per Schedule-II of this Chapter from the date of such purchase till its settlement in the Ready Delivery Contract Market. However, for MT Eligible Securities falling under the categories of securities specified in Regulation 12.5.2(a), a Finnee shall be required to pay additional Margins after the close of MT Market to maintain his Margins equivalent to higher of 25% or VaR Estimate on Leveraged Buy of respective Security on that Trade Date.</p> <p>(b) After the settlement of MT Transactions, a finnee shall pay to the Company the MT (R) Transaction margins in the form of <del>approved Market</del> Collaterals. However, for MT Eligible Securities falling under the categories of securities specified in Regulation 12.5.2(a) the aggregate value of such MT</p>	<p>The term approved Collateral has been replaced with the broader term Market Collateral as now Finnee is proposed to be allowed to deposit its margins in the form of MES instead of MT Eligible Securities.</p>

<p>(R) Transaction margins and FPR shall always be higher of 25% or VaR Estimate of that particular MT Eligible Security. In case of shortfall, the Finanee shall be required to cover such shortfall through deposit of approved Collaterals.</p>	<p>(R) Transaction margins and FPR shall always be higher of 25% or VaR Estimate of that particular MT Eligible Security. In case of shortfall, the Finanee shall be required to cover such shortfall through deposit of <del>approved-Market</del> Collateral.</p>	
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### SCHEDULE – III - Proposed

#### 1.1 Acceptable quantity

The following limits shall be applied for the maximum number of shares in any eligible scrip that may be deposited by a Clearing Member or SLB/MT Participants for Market Collateral purposes:

	<b>VAR based Margin Percentages</b>	<b>Maximum number of shares in a symbol that may be deposited as Market Collateral – Category A</b>	<b>Maximum number of shares in a symbol that may be deposited as Market Collateral – Category B</b>
<b>Clearing Member</b> <b>Note (1)</b>	VaR ≤ 20%	2% of Free-Float	1% of free float
	VaR > 20%	0.5% of Free-Float	0.25% of free float
<b>SLB/MT Participants</b> <b>Note (1)</b>	<b><u>VaR ≤ 20%</u></b>	1% of free float	<b><u>Not acceptable for SLB and MT Markets-0.5% of free float</u></b>
	<b><u>VaR &gt; 20%</u></b>	0.25% of free float	<b><u>Not acceptable for SLB and MT Markets-0.125% of free float</u></b>

#### **Notes:**

1. A maximum limit per shares, as a percentage of Free-Float, shall apply to all shares deposited as Market Collateral i.e. Margin held by the Company cannot exceed 50% of Free-Float of such scrip.
2. The Company will notify the Market when 70%, 80% and 90% limits in shares are reached.

~~3. **\*\* A maximum limit per shares, as a percentage of free float, shall apply to all shares deposited as Margin held by the Company i.e. Margin held by the Company cannot exceed 25% of free float of such shares.**~~

**Schedule-II - Proposed**

**FORM OF EXPOSURE MARGINS, MARK-TO-MARKET LOSSES, SPECIAL MARGINS, CONCENTRATION MARGINS, LIQUIDITY MARGINS AND ADDITIONAL MARGINS DEPOSITS**

SR NO.	MARKET	EXPOSURE MARGINS	MARK-TO-MARKET LOSSES	SPECIAL MARGIN	CONCENTRATION MARGINS	LIQUIDITY MARGINS	ADDITIONAL MARGINS
1	Ready Delivery Contract Market						Not Applicable
2	Leveraged Buys financed through MT Market <b>(Refer Note B)</b>	Market Collateral	Market Collateral	<b>***</b> Not Applicable	Not Applicable	Market Collateral	Market Collateral
3	Futures Trading in Provisionally Listed Companies Market	Cash, Near Cash Instruments and/or Bank Guarantee	Cash	Not Applicable	Not Applicable	Not Applicable	Not Applicable
4	<b>**</b> Deliverable Futures Contract Market <b>(Refer Note A)</b>	Minimum 50% in Cash, Near Cash Instruments and/or Bank Guarantee and 50% in <b>Market Collateral securities eligible for trading in Deliverable Future Market, and/or CDS eligible Collective Investment Schemes categorized as Money Market schemes, Near Cash Instruments, Cash and/or Bank Guarantee</b>	Cash	Not Applicable	Cash, Near Cash Instruments and/or Bank Guarantee	Not Applicable	Minimum 50% in Cash, Near Cash Instruments and/or Bank Guarantee and 50% in <b>Market Collateral securities eligible for trading in Deliverable Future Market, Near Cash Instruments, Cash and/or Bank Guarantee</b>
5	Cash-Settled Futures Market	Minimum 50% in Cash, Near Cash Instruments and/or	Cash	Not Applicable	Cash, Near Cash Instruments and/or Bank Guarantee	Not Applicable	Minimum 50% in Cash, Near Cash Instruments and/or Bank

		Bank Guarantee and 50% in <b>Market Collateral securities eligible for trading in Cash Settled Future Market, Near-Cash Instruments, Cash and/or Bank Guarantee</b>					Guarantee and 50% in <b>Market Collateral securities eligible for trading in Cash Settled Future Market, Near-Cash Instruments, Cash and/or Bank Guarantee</b>
6	Stock Index Futures Contracts Market	Minimum 50% in Cash, Near Cash Instruments and/or Bank Guarantee and 50% in <b>Market Collateral securities eligible for trading in Cash Settled Future Market, Near-Cash Instruments, Cash and/or Bank Guarantee.</b>	Cash	Near Cash Instruments and/or Bank Guarantee	Not Applicable	Not Applicable	Minimum 50% in Cash, Near Cash Instruments and/or Bank Guarantee and 50% in <b>Market Collateral securities eligible for trading in Cash Settled Future Market, Near-Cash Instruments, Cash and/or Bank Guarantee.</b>
7	Index Option Market	Cash, Near Cash Instruments and/or Bank Guarantee	Cash	Not Applicable	Not Applicable	Not Applicable	Not Applicable
8	SLB Market	Market Collateral	Cash	Not Applicable	Cash, Near Cash Instruments and/or Bank Guarantee	Not applicable	Not applicable
9	Debt Market and GDS Market)	Cash, Near Cash Instruments and/or Bank Guarantee <b>and / or</b> Standing Instructions	Cash <b>and / or</b> Standing Instructions	Not applicable	Not applicable	Not applicable	Not applicable
10	GEM	Market Collateral	Market Collateral	Not Applicable	Not Applicable	Market Collateral	Market Collateral

**Note:**

**A. General:**

1. In Deliverable Futures **Contract** Market, in case where Exposure is due to sale of a particular Security by a UIN, 50% net-sold Position of such Security can be deposited by the same UIN to meet full Exposure Margin requirements.

**B. Margins and MTM Losses for Leverage Market:**

1. \* All Margins and Mark-to-Market Losses for Leveraged Buys executed through special function key by the TOSB (keeping limited custody), TSSB and TCSB Clearing Member and committed to be financed through MT Market will be collected by the Company as applicable in Ready Delivery Contract Market till settlement on T+2. Subsequent to that FPR, Mark-to-Market Losses and any other Margins on relevant MT Transactions shall be collected by Company only in cash in accordance with these Regulations. ~~MT-Eligible Securities~~ **Margin Eligible Securities**, as notified by the Company from time to time, are acceptable to the Company for the purpose of MT (R) transaction Margins to be

collected from Financee only, except Marked-to-Market Losses. ~~Provided that, MT Eligible Security falling under Category A or B specified in Regulation 12.5.2(a) shall only be acceptable as Market Collateral with respect to MT transaction.~~

2. For a PCM and TCSB Clearing Member providing Clearing and Settlement Services to the Associated Entity and its clients, all Margins and Mark-to-Market Losses for Leveraged Buys executed through special function key by the Associated Entity (i.e. TOSB and its clients) and committed to be financed through MT Market will be collected by the Company as applicable in Ready Delivery Contract Market till settlement on T+2. Subsequent to that FPR, Mark-to-Market Losses and any other Margins on relevant MT Transactions shall be collected by Company only in cash in accordance with these Regulations from the respective PCM or the TCSB Clearing Member. **MT Margin** Eligible Securities, as notified by the Company from time to time, are acceptable to the Company for the purpose of MT (R) transaction Margins to be collected from Financee only, except Marked-to-Market Losses. ~~Provided that, MT Eligible Security falling under Category A or B specified in Regulation 12.5.2(a) shall only not be acceptable as Market Collateral with respect to MT transaction.~~

~~A. Market Collateral for DFC:~~

~~\*\* Securities eligible for trading in Deliverable Futures Contract Market as notified by the Exchange from time to time, falling under Category A or B specified in Regulation 12.5.2(a) of these Regulations, shall only be acceptable as Market Collateral to the Company for the purpose of Exposure Margin. Provided that such DFC eligible securities shall be excluded from Exposure Margin after giving at least 15 days' prior notice to the Clearing Members.~~

**C. Special Margins:**

~~\*\*\* Market Collateral shall be acceptable against Special Margin requirement from Financee in MTS. shall be 100% in Cash and/or MT Margin Eligible Securities and/or Bank Guarantee and/or T-Bills.~~

**PROPOSED REGULATORY AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO DEFAULTERS' SEGMENT**

Regulations	Proposed Amendments
<b>CHAPTER 2 INTERPRETATION AND DEFINITIONS</b>	
<p><b>2.8 Definitions</b></p> <p><b>Defaulters Segment:</b> Shall have the meaning as prescribed under the relevant regulations of the Exchange.</p>	<p><b>2.8 Definitions</b></p> <p><del>Defaulters Segment</del> <b>Non-Compliant Segment:</b> Shall have the meaning as prescribed under the relevant regulations of the Exchange.</p> <p><b>Winding-up Segment:</b> <u>Shall have the meaning as prescribed under the relevant regulations of the Exchange.</u></p>
<p><b>Non Exchange Transaction:</b> Means a Market Contract which includes the following: (i) an institutional delivery system transaction, as per the Procedures, which is not effected on the Exchange and is initiated by a PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member based on an Exchange Trade; or and is recorded on NCCS in which the initiating Clearing Member notifies NCCS that the transaction shall be settled by an affirming Clearing Member on his behalf, provided that such affirmation is made by a Clearing Member (who is a non-TRE Certificate Holder of the Exchange.).</p> <p>(ii) MT Transaction and MT (R) Transaction as defined in these Regulations.</p> <p>(iii) SLB Transaction and SLB (R) Transaction, as defined in these Regulations including an institutional delivery system transaction, as per the terms and conditions prescribed in the Procedures.</p> <p>(iv) MF Transaction and MF (R) Transaction as defined in these Regulations.</p> <p>Provided that Non Exchange Transaction shall not be allowed on trades executed in the NDM Reporting Interface for T+0 settlement cycle.</p> <p>Provided further that Non Exchange Transactions shall also not be allowed on trades executed in Securities placed at the Defaulters' Segment on T+0 settlement cycle as per relevant regulations of Exchange.</p> <p>(v) NDNF Transaction, as per the Regulations and Procedures, which is not effected on a Securities Exchange and is initiated by a Clearing Member in NDNF</p>	<p><b>Non Exchange Transaction:</b> Means a Market Contract which includes the following: (i) an institutional delivery system transaction, as per the Procedures, which is not effected on the Exchange and is initiated by a PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member based on an Exchange Trade; or and is recorded on NCCS in which the initiating Clearing Member notifies NCCS that the transaction shall be settled by an affirming Clearing Member on his behalf, provided that such affirmation is made by a Clearing Member (who is a non-TRE Certificate Holder of the Exchange.).</p> <p>(ii) MT Transaction and MT (R) Transaction as defined in these Regulations.</p> <p>(iii) SLB Transaction and SLB (R) Transaction, as defined in these Regulations including an institutional delivery system transaction, as per the terms and conditions prescribed in the Procedures.</p> <p>(iv) MF Transaction and MF (R) Transaction as defined in these Regulations.</p> <p>Provided that Non Exchange Transaction shall not be allowed on trades executed in the NDM Reporting Interface for T+0 settlement cycle.</p> <p>Provided further that Non Exchange Transactions shall also not be allowed on trades executed in Securities placed at <del>the Defaulters' Segment</del> <b>Non-Compliant Segment or Winding-up Segment</b> on T+0 settlement cycle as per relevant regulations of Exchange.</p> <p>(v) NDNF Transaction, as per the Regulations and Procedures, which is not effected on a Securities Exchange and is initiated by a Clearing Member in NDNF module based</p>



<p>module based on net money obligation as explained under Chapter 7F of the Regulations.</p>	<p>on net money obligation as explained under Chapter 7F of the Regulations.</p>
<p><b>CHAPTER 7A SECURITIES LENDING &amp; BORROWING</b></p>	
<p><b>7A.3.2 Eligibility criteria</b>  (a) SLB Eligible Securities - Category A available for short-selling at the Exchange, in addition to requirements of their relevant regulations, shall comply with the following:  1. Security has been traded at least 80% of the trading days during the review period of last 6 months.  2. Average Impact Cost of the Security will not be greater than 2% as calculated based on daily Impact Costs of the review period of last 6 months.  3. Average Daily Traded Volume of Security during review period of last six months in the ready Market selected based on above criteria will not be less than 0.5% of its free float or 100,000 shares, whichever is lower.  4. The Security is in book entry form.  5. The issuer of Security is not placed on the defaulter's counter of the Exchange</p> <p>(b) SLB Eligible Securities - Category B for any purpose shall be selected in the following manner:  1. The Listed Security is in book entry form.  2. The issuer of Security is not placed on the defaulter's counter of the Exchange.  3. Any Security that has been listed on the Exchange and notified to the Company, shall be made available in Category B SLB Eligible Securities from the date it has been listed on the Exchange.</p> <p>(c) Exchange Traded Fund 'ETF' shall be declared as SLB Eligible Security with immediate effect and all SLB Participants will be allowed to act as Lender or Borrower.</p> <p>Provided that where ETF that has been quoted on the defaulter's segment of the Exchange and notified to the Company, in such case requirements prescribed under Regulation 7A.3.4 of these Regulations, will be followed.</p>	<p><b>7A.3.2 Eligibility criteria</b>  (a) SLB Eligible Securities - Category A available for short-selling at the Exchange, in addition to requirements of their relevant regulations, shall comply with the following:  1. Security has been traded at least 80% of the trading days during the review period of last 6 months.  2. Average Impact Cost of the Security will not be greater than 2% as calculated based on daily Impact Costs of the review period of last 6 months.  3. Average Daily Traded Volume of Security during review period of last six months in the ready Market selected based on above criteria will not be less than 0.5% of its free float or 100,000 shares, whichever is lower.  4. The Security is in book entry form.  5. The issuer of Security is not placed on the <del>Defaulters' Segment</del> <b>Non-Compliant Segment or Winding-up Segment</b> of the Exchange</p> <p>(b) SLB Eligible Securities - Category B for any purpose shall be selected in the following manner:  1. The Listed Security is in book entry form.  2. The issuer of Security is not placed on the <del>Defaulters' Segment</del> <b>Non-Compliant Segment or Winding-up Segment</b> of the Exchange.  3. Any Security that has been listed on the Exchange and notified to the Company, shall be made available in Category B SLB Eligible Securities from the date it has been listed on the Exchange.</p> <p>(c) Exchange Traded Fund 'ETF' shall be declared as SLB Eligible Security with immediate effect and all SLB Participants will be allowed to act as Lender or Borrower.</p> <p>Provided that where ETF that has been quoted on the <del>Defaulters' Segment</del> <b>Non-Compliant Segment or Winding-up Segment</b> of the Exchange and notified to the Company, in such case requirements prescribed under Regulation 7A.3.4 of these Regulations, will be followed.</p>
<p><b>7A.3.3 Eligibility Review</b></p>	<p><b>7A.3.3 Eligibility Review</b></p>

<p>The list of SLB Eligible Securities will be reviewed by the Company in the first 15 days after close of every quarter based on their data of immediate preceding 6 calendar months made available by the Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MT Eligible Securities, MF Eligible Securities and Margin Eligible Securities. In consequence of any additions and/or deletions to the existing list, the Company will give at least 15 days prior notice to the NCC Participants for introduction of incoming and phasing out of outgoing SLB Eligible Securities. After expiry of the said notice period, SLB Positions in the outgoing Securities shall be frozen and will be available only for release for the purposes of settlement or squaring-up. Any unreleased Position in an SLB Contract on the expiry of notice period relating to outgoing Securities shall stand released on its respective Maturity Date(s) or Accelerated Maturity Date(s).</p> <p>7A.3.4 Where a Security that has been quoted on the defaulter’s segment of the Exchange and notified to the Company, such Security shall not be eligible for trading in the SLB Market from the date it has been placed on the defaulter segment. However, all open SLB Contracts shall be released on Accelerated Maturity Date and/or Maturity Date as the case may be. In case where such Security is reinstated during the review period, trading in SLB Market shall not be allowed during that review period</p>	<p>The list of SLB Eligible Securities will be reviewed by the Company in the first 15 days after close of every quarter based on their data of immediate preceding 6 calendar months made available by the Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MT Eligible Securities, MF Eligible Securities and Margin Eligible Securities. In consequence of any additions and/or deletions to the existing list, the Company will give at least 15 days prior notice to the NCC Participants for introduction of incoming and phasing out of outgoing SLB Eligible Securities. After expiry of the said notice period, SLB Positions in the outgoing Securities shall be frozen and will be available only for release for the purposes of settlement or squaring-up. Any unreleased Position in an SLB Contract on the expiry of notice period relating to outgoing Securities shall stand released on its respective Maturity Date(s) or Accelerated Maturity Date(s).</p> <p>7A.3.4 Where a Security that has been quoted on the <del>Defaulters’ Segment</del> <b>Non-Compliant Segment or Winding-up Segment</b> of the Exchange and notified to the Company, such Security shall not be eligible for trading in the SLB Market from the date it has been placed on the <del>Defaulters’ Segment</del> <b>Non-Compliant Segment or Winding-up Segment</b>. However, all open SLB Contracts shall be released on Accelerated Maturity Date and/or Maturity Date as the case may be. In case where such Security is reinstated during the review period, trading in SLB Market shall not be allowed during that review period</p>
<p><b>CHAPTER 7B MARGIN FINANCING SYSTEM</b></p>	
<p><b>7B.3.1.2 Eligibility criteria</b></p> <ol style="list-style-type: none"> <li>1. The Listed Security is in book entry form.</li> <li>2.The issuer of Security is not placed on the defaulter’s counter of the Exchange.</li> </ol>	<p><b>7B.3.1.2 Eligibility criteria</b></p> <ol style="list-style-type: none"> <li>1. The Listed Security is in book entry form.</li> <li>2.The issuer of Security is not placed on the <del>Defaulters’ Segment</del> <b>Non-Compliant Segment or Winding-up Segment</b> of the Exchange.</li> </ol>
<p><b>7B.3.1.3 Eligibility Review</b></p> <p>Any Security that has been listed on the Exchange and notified to the Company, shall be made available in MF Market from the date it has been listed on the Exchange.</p> <p>This list of MF Eligible Securities will be reviewed by the Company in the first 15 days after close of every quarter based on their data of immediate preceding 6 calendar months made available by Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MT Eligible Securities, SLB Eligible Securities and Margin Eligible Securities. In consequence of any additions and/or deletions to the existing list, the Company will give at least 15 days’ prior notice to the NCC Participants for introduction of incoming and phasing out of outgoing MF Eligible</p>	<p><b>7B.3.1.3 Eligibility Review</b></p> <p>Any Security that has been listed on the Exchange and notified to the Company, shall be made available in MF Market from the date it has been listed on the Exchange.</p> <p>This list of MF Eligible Securities will be reviewed by the Company in the first 15 days after close of every quarter based on their data of immediate preceding 6 calendar months made available by Exchange. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MT Eligible Securities, SLB Eligible Securities and Margin Eligible Securities. In consequence of any additions and/or deletions to the existing list, the Company will give at least 15 days’ prior notice to the NCC Participants for introduction of incoming and phasing out of outgoing MF Eligible Securities. After expiry of the said</p>

<p>Securities. After expiry of the said notice period, MF Positions in the outgoing Securities shall be frozen and will be available only for release for the purposes of settlement or squaring-up.</p> <p><b>7B.3.1.4</b> Where a Security that have been quoted on the Defaulter segment of the Exchange and notified to the Company, such Security shall not be made available on MF Market from the date it has been placed on the defaulter segment. However, all MF (R) Transactions shall be released as per the terms and conditions defined in the Margin Financing Agreement between MF Participants.</p> <p>In case where such Security is reinstated during the review period, trading in MF Market shall not be allowed during that review period.</p>	<p>notice period, MF Positions in the outgoing Securities shall be frozen and will be available only for release for the purposes of settlement or squaring-up.</p> <p><b>7B.3.1.4</b> Where a Security that have been quoted on the <del>Defaulters' Segment</del> <b>Non-Compliant Segment or Winding-up Segment</b> of the Exchange and notified to the Company, such Security shall not be made available on MF Market from the date it has been placed on the <del>Defaulters' Segment</del> <b>Non-Compliant Segment or Winding-up Segment</b>. However, all MF (R) Transactions shall be released as per the terms and conditions defined in the Margin Financing Agreement between MF Participants.</p> <p>In case where such Security is reinstated during the review period, trading in MF Market shall not be allowed during that review period.</p>
<p><b>CHAPTER 7C MARGIN TRADING SYSTEM</b></p>	
<p><b>7C.3.2 Eligibility criteria</b> Eligibility criteria of MT Eligible Securities shall include the following:</p> <p>After exclusion of Securities on defaulter segment of the Exchange, list of securities in the top 22nd percentile to be prepared by assigning 60% weight to average daily traded volume and 40% weight to average Free Float market capitalization (reduced by a factor of one thousand):</p>	<p><b>7C.3.2 Eligibility criteria</b> Eligibility criteria of MT Eligible Securities shall include the following:</p> <p>After exclusion of Securities <del>on Defaulters' Segment placed on Non-Compliant Segment or Winding-up Segment</del> of the Exchange, list of securities in the top 22nd percentile to be prepared by assigning 60% weight to average daily traded volume and 40% weight to average Free Float market capitalization (reduced by a factor of one thousand):</p>
<p><b>7C.3.2(c)</b> Securities shortlisted after applying Regulation 7C.3.2(b), if not complying with the following conditions shall be ineligible:</p> <p><b>3. Defaulters' segment</b> Securities that have not been quoted on the Defaulters segment of the Exchange during the review period.</p> <p>Further, where a MT Eligible Security that has been quoted on the defaulter segment of the Exchange and notified to the Company, such Security shall not be eligible for trading in the MT Market from the date it has been placed on the Defaulter segment. However, all open MT Contracts shall be released on Accelerated Maturity Date and/or Maturity Date as the case may be.</p> <p>In case where such Security is reinstated during the review period, trading in MT Market shall not be allowed during that review period.</p>	<p><b>7C.3.2(c)</b> Securities shortlisted after applying Regulation 7C.3.2(b), if not complying with the following conditions shall be ineligible:</p> <p><b>3. <del>Defaulters' segment</del> Non-Compliant Segment or Winding-up Segment</b> Securities that have not been <del>quoted</del> <b>placed</b> on the <del>defaulter's counter</del> <b>Non-Compliant Segment or Winding-up Segment</b> of the Exchange during the review period.</p> <p>Further, where a MT Eligible Security that has been quoted on the <del>defaulter's counter</del> <b>Non-Compliant Segment or Winding-up Segment</b> of the Exchange and notified to the Company, such Security shall not be eligible for trading in the MT Market from the date it has been placed on the <del>defaulter's counter</del> <b>Non-Compliant Segment or Winding-up Segment</b>. However, all open MT Contracts shall be released on Accelerated Maturity Date and/or Maturity Date as the case may be.</p> <p>In case where such Security is reinstated during the review period, trading in MT Market shall not be allowed during that review period.</p>
<p><b>CHAPTER 7E MURABAH SHARE FINANCING</b></p>	
<p><b>7E.2.1.1 Eligibility Review</b></p>	<p><b>7E.2.1.1 Eligibility Review</b></p>

<p>In consequence of any additions to the existing list of securities in shares Islamic Index, the Company will give at least 3 days prior notice to the Clearing Members for introduction of incoming MSF Eligible Securities.</p> <p>In consequence of any deletions to the existing list of securities in shares Islamic Index, the Company will give at least 60 days prior notice to the Clearing Members for phasing out of outgoing MSF Eligible Securities. After expiry of the said notice period, MSF Transactions in the outgoing securities shall not be allowed. However, during this period no fresh purchase of outgoing MSF Eligible Securities shall be allowed.</p> <p>Where a MSF Eligible Security has been placed on the defaulter segment of the Exchange and notified to the Company, such Security shall not be made available for Murabaha Share Financing from the date of its placement on the defaulter segment. However, all open MSF Transaction shall be settled as per the terms and conditions defined in the Murabaha Master Agreement agreed between MSF Participants. Such MSF Eligible Security shall be eligible for Murabaha Share Financing once it has been removed from the defaulter's segment by the Exchange.</p>	<p>In consequence of any additions to the existing list of securities in shares Islamic Index, the Company will give at least 3 days prior notice to the Clearing Members for introduction of incoming MSF Eligible Securities.</p> <p>In consequence of any deletions to the existing list of securities in shares Islamic Index, the Company will give at least 60 days prior notice to the Clearing Members for phasing out of outgoing MSF Eligible Securities. After expiry of the said notice period, MSF Transactions in the outgoing securities shall not be allowed. However, during this period no fresh purchase of outgoing MSF Eligible Securities shall be allowed.</p> <p>Where a MSF Eligible Security has been placed on the <del>defaulter's counter</del> <b>Non-Compliant Segment or Winding-up Segment</b> of the Exchange and notified to the Company, such Security shall not be made available for Murabaha Share Financing from the date of its placement on the <del>defaulter's counter</del> <b>Non-Compliant Segment or Winding-up Segment</b>. However, all open MSF Transaction shall be settled as per the terms and conditions defined in the Murabaha Master Agreement agreed between MSF Participants. Such MSF Eligible Security shall be eligible for Murabaha Share Financing once it has been removed from the <del>defaulter's counter</del> <b>Non-Compliant Segment or Winding-up Segment</b> by the Exchange.</p>
<p><b>CHAPTER 7F NEXT DAY NETTING FACILITY</b></p>	
<p><b>7F.2.3 Settlement of NDNF Contracts:</b></p> <p>7F2.3.1 Upon confirmation of an NDNF Request, money obligation of such NDNF Participant to the extent of the NDNF Transaction Value of the resulting NDNF Transaction shall be excluded from NCSS pay and collect for the respective Settlement Date, whereas, underlying buy securities of such NDNF Transaction shall remain in the Company's CDS Participant Account till the Maturity Date. Accordingly, money and securities settlement in respect of NDNF Contracts shall be settled on respective Settlement Dates as per the Balance Order Settlement mechanism as per these Regulations and Procedures.</p> <p>7F2.3.2 For the adjustment of money obligation of NDNF Transactions, system will create debit entry in the Company account and credit entry in the Money Account of the respective NDNF Participant to the extent of NDNF Transaction Value on the NDNF Transaction Date. Simultaneously, system will create credit entry in the Company's bank account and debit entry in the Money Account of the respective NDNF Participant for the Settlement Date falling next after the Settlement Date immediately following the NDNF Transaction Date for an amount equal to the NDNF (R) Transaction Value.</p>	<p><b>7F.2.3 Settlement of NDNF Contracts:</b></p> <p>7F2.3.1 Upon confirmation of an NDNF Request, money obligation of such NDNF Participant to the extent of the NDNF Transaction Value of the resulting NDNF Transaction shall be excluded from NCSS pay and collect for the respective Settlement Date, whereas, underlying buy securities of such NDNF Transaction shall remain in the Company's CDS Participant Account till the Maturity Date. Accordingly, money and securities settlement in respect of NDNF Contracts shall be settled on respective Settlement Dates as per the Balance Order Settlement mechanism as per these Regulations and Procedures.</p> <p>7F2.3.2 For the adjustment of money obligation of NDNF Transactions, system will create debit entry in the Company account and credit entry in the Money Account of the respective NDNF Participant to the extent of NDNF Transaction Value on the NDNF Transaction Date. Simultaneously, system will create credit entry in the Company's bank account and debit entry in the Money Account of the respective NDNF Participant for the Settlement Date falling next after the Settlement Date immediately following the NDNF Transaction Date for an amount equal to the NDNF (R) Transaction Value.</p>

<p>7F2.3.3 On the Maturity Date, NDNF (R) Transaction as per NDNF Transaction Value shall be settled in the NCSS in accordance with these Regulations and the Procedures.</p> <p>7F2.3.4 In case where any corporate action has been announced with respect to any securities, under such circumstances, NDN facility shall not be available with respect to net buy position in any such securities that will be settled on Book Closure - 1. Further, NDN facility shall also not be available with respect to net buy position in the securities placed on the defaulter’s counter at the Securities Exchange.</p>	<p>7F2.3.3 On the Maturity Date, NDNF (R) Transaction as per NDNF Transaction Value shall be settled in the NCSS in accordance with these Regulations and the Procedures.</p> <p>7F2.3.4 In case where any corporate action has been announced with respect to any securities, under such circumstances, NDN facility shall not be available with respect to net buy position in any such securities that will be settled on Book Closure - 1. Further, NDN facility shall also not be available with respect to net buy position in the securities placed on the <del>defaulter’s counter</del> <b>Non-Compliant Segment or Winding-up Segment</b> at the Securities Exchange.</p>
<p><b>CHAPTER 11 SETTLEMENT</b></p>	
<p><b>11.2 Delivery of Securities and right of the Company on Securities.</b></p> <p>11.2.1 Notwithstanding any provision in these Regulations to the contrary, unless the Clearing Member has a Credit Balance with the Company or has settled the net amount reflected in the settlement statements set out in Regulation 11.1.2, 11.1.4 and 11.1.5 (“effective time as per Designated Time Schedule”), any transfer of Securities from a CDS main, house, investor account, temporary account and/ or sub-accounts, as the case may be, of the delivering Clearing Member with CDC to a CDS main, house, investor account, temporary account and/ or sub-accounts, as the case may be of the receiving Clearing Member with CDC on a Settlement Date for which payment is to be made by the receiving Clearing Member to the Company shall be under Blocked Status.</p> <p>Provided that if Clearing Member has a Credit Balance with the Company or has settled the net amount reflected in the settlement statements set out in Regulation 11.1.2, 11.1.4 and 11.1.5 (“effective time as per Designated Time Schedule”) for Securities placed on the Defaulters Segment on T+0 settlement cycle as per relevant regulations of Exchange, any transfer of Securities from a CDS main, house, investor account, temporary account and/ or sub-accounts, as the case may be, of the delivering Clearing Member with CDC to a CDS main, house, investor account, temporary account and/ or sub-accounts, as the case may be of the receiving Clearing Member with CDC on a Settlement Date for which payment is to be made by the receiving Clearing Member to the Company shall be under Available Status.</p>	<p><b>11.2 Delivery of Securities and right of the Company on Securities.</b></p> <p>11.2.1 Notwithstanding any provision in these Regulations to the contrary, unless the Clearing Member has a Credit Balance with the Company or has settled the net amount reflected in the settlement statements set out in Regulation 11.1.2, 11.1.4 and 11.1.5 (“effective time as per Designated Time Schedule”), any transfer of Securities from a CDS main, house, investor account, temporary account and/ or sub-accounts, as the case may be, of the delivering Clearing Member with CDC to a CDS main, house, investor account, temporary account and/ or sub-accounts, as the case may be of the receiving Clearing Member with CDC on a Settlement Date for which payment is to be made by the receiving Clearing Member to the Company shall be under Blocked Status.</p> <p>Provided that if Clearing Member has a Credit Balance with the Company or has settled the net amount reflected in the settlement statements set out in Regulation 11.1.2, 11.1.4 and 11.1.5 (“effective time as per Designated Time Schedule”) for Securities placed on the <del>Defaulters Segment</del> <b>Non-Compliant Segment or Winding-up Segment</b> on T+0 settlement cycle as per relevant regulations of Exchange, any transfer of Securities from a CDS main, house, investor account, temporary account and/ or sub-accounts, as the case may be, of the delivering Clearing Member with CDC to a CDS main, house, investor account, temporary account and/ or sub-accounts, as the case may be of the receiving Clearing Member with CDC on a Settlement Date for which payment is to be made by the receiving Clearing Member to the Company shall be under Available Status.</p>
<p><b>CHAPTER 12 RISK MANAGEMENT BY THE COMPANY</b></p>	
<p><b>12.5.5 CONDITIONS APPLICABLE TO ALL MARGIN DEPOSITS:</b></p> <p>All Margins deposited by the Clearing Members with the Company pursuant to these Regulations shall be subject to the following conditions:</p>	<p><b>12.5.5 CONDITIONS APPLICABLE TO ALL MARGIN DEPOSITS:</b></p> <p>All Margins deposited by the Clearing Members with the Company pursuant to these Regulations shall be subject to the following conditions:</p>

<p>(a) the Company shall apply the Haircuts prescribed under these Regulations to each Margin Eligible Security. However, in case of MT (R) Transaction Margins, the maximum number of acceptable MT Eligible Securities shall be the same as notified by the Company in 7C.3.2 of these Regulations;</p> <p>(b) the Company 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 Clearing Member/ SLB/MT Participant wide and/or Market wide limits of deposit of such Margin Eligible Security as prescribed in schedule-III hereto;</p> <p>(c) the Security is in book entry form;</p> <p>(d) the issuer of Security is not placed on the Defaulter's segment of the Exchange;</p> <p>(e) the corporate Clearing Member listed on the Exchange will not be allowed to deposit against the Exposure Margins and Mark-to-Market Losses of their own company's shares;</p> <p>(f) the Company may from time to time prescribe, with the prior approval of the Commission, the maximum number of acceptable Margin Eligible Securities;</p> <p>(g) any other criterion prescribed by the Company and approved by the Commission from time to time;</p> <p>(h) The Company shall give at least 15 days prior notice to the Clearing Members before including or excluding any Security from the list of Margin Eligible Securities; and/or</p> <p>(i) the Company shall carry out a review of Margin Eligible Securities as per the provisions stipulated under schedule III of this Chapter.</p>	<p>(a) the Company shall apply the Haircuts prescribed under these Regulations to each Margin Eligible Security. However, in case of MT (R) Transaction Margins, the maximum number of acceptable MT Eligible Securities shall be the same as notified by the Company in 7C.3.2 of these Regulations;</p> <p>(b) the Company 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 Clearing Member/ SLB/MT Participant wide and/or Market wide limits of deposit of such Margin Eligible Security as prescribed in schedule-III hereto;</p> <p>(c) the Security is in book entry form;</p> <p>(d) the issuer of Security is not placed on the <del>Defaulter's segment</del> <b>Non-Compliant Segment or Winding-up Segment</b> of the Exchange;</p> <p>(e) the corporate Clearing Member listed on the Exchange will not be allowed to deposit against the Exposure Margins and Mark-to-Market Losses of their own company's shares;</p> <p>(f) the Company may from time to time prescribe, with the prior approval of the Commission, the maximum number of acceptable Margin Eligible Securities;</p> <p>(g) any other criterion prescribed by the Company and approved by the Commission from time to time;</p> <p>(h) The Company shall give at least 15 days prior notice to the Clearing Members before including or excluding any Security from the list of Margin Eligible Securities; and/or</p> <p>(i) the Company shall carry out a review of Margin Eligible Securities as per the provisions stipulated under schedule III of this Chapter.</p>
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**SCHEDULE-III**

<p style="text-align: center;"><b>Schedule-III</b> <b>MARGIN ELIGIBLE SECURITIES</b></p> <p><b>1.1.2 Ineligibility (Both for Category A and Category B)</b></p> <p><b>a) Winding up proceedings</b> where a Listed Company is subject to winding –up proceedings under relevant provisions of the Companies Act, 2017, it shall be ineligible, even if the same has not been placed on Defaulters segment by the Exchange upon initiation of winding-up proceedings.</p>	<p style="text-align: center;"><b>Schedule-III</b> <b>MARGIN ELIGIBLE SECURITIES</b></p> <p><b>1.1.2 Ineligibility (Both for Category A and Category B)</b></p> <p><b>a) Winding up proceedings</b> where a Listed Company is subject to winding –up proceedings under relevant provisions of the Companies Act, 2017, it shall be ineligible, even if the same has not been placed on <del>Defaulters segment</del> <b>Non-Compliant Segment or Winding-up Segment</b> by the Exchange upon initiation of winding-up proceedings.</p>
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**PROPOSED REGULATORY AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO DFC POSITION LIMITS****Schedule-IV – Proposed Changes****POSITION LIMITS****1. DELIVERABLE FUTURE CONTRACTS, CASH SETTLED FUTURE CONTRACTS, STOCK INDEX FUTURE CONTRACTS, INDEX OPTIONS AND READY MARKET**

Position Limit	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	50% of Free-Float for each Security – Category A*  40% of Free-Float for each Security – Category B*  30% of Free-Float for each Security – Category C* & D*	50% of Free-Float for each Security – Category A*  40% of Free-Float for each Security – Category B*  30% of Free-Float for each Security – Category C* & D*	Not Applicable	Not Applicable	100% of Free-Float
Broker wide (Broker's Position includes its clients' Positions)	<b>For TOSB (Keeping limited custody) Clearing Member, 5% of the above-mentioned Market Wide Position limit for each security. For TSSB Clearing Member, 10% of the above-mentioned Market Wide Position limit for each Security (based on Category). For TCSB Clearing Member, 15% of the above-mentioned Market Wide Position limit for each security.</b>	10% of the above mentioned Market Wide Position limit for each Security <b>(based on Category).</b>	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 TOSB <b>(keeping limited custody)</b> , TSSB and TCSB's proprietary Position)	5% of the above mentioned Market Wide Position limit for each Security (based on Category) for a <b>Broker's TOSB (keeping limited custody), TSSB and TCSB Clearing Member's</b> individual clients/Associated	5% of the above mentioned Market Wide Position limit for each Security <b>(based on Category)</b> for a <b>Broker's TOSB (keeping limited custody), TSSB and TCSB Clearing Member's</b> individual clients/Associated	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

	<p>Entities and its clients.</p> <p>For financial institutions and mutual funds clients trading at the Exchange, 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)</p>	<p>Entities and its clients.</p> <p>For financial institutions and mutual funds clients trading at the Exchange, 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)</p>			
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\* Categories A, B, C and D refer to the Categorization of Securities specified in regulation 12.5.2(a).

**2. Position Limits – Explanatory Notes**

- ~~a) For a PCM and TCSB Clearing Member providing Clearing and Settlement Services to the Associated Entity and its Clients, the position limits Prescribed in Schedule IV given above shall be determined by the Company as a multiple based on the number of TOSB availing services of such PCM or TCSB, however, this will be an overall limit determined by the Company, the individual limits applying to each TOSB shall be managed by the PCM or TCSB itself and shall not exceed the position limits as prescribed for a TSSB in the above given table.~~
- ~~b) In case of a TOSB (keeping limited custody) and availing services provided by the PCM or TCSB, the overall all position limits given in the table above shall remain applicable to such TOSB (keeping limited custody), the respective PCM or TCSB providing service to such TOSB (keeping limited custody) may agree to maintain an allocation of such limit with the TOSB (keeping limited custody). However, any such allocation shall be maintained and monitored between the PCM or TCSB and the respective TOSB (keeping limited custody).~~
- ~~c) Further, for a TCSB Clearing Member these position limits shall be in addition to the limits prescribed for a TCSB Clearing Member for its proprietary and client's exposure limits stipulated herein above in the table.~~



**PROPOSED REGULATORY AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO GDS MARKET**

Existing Regulations	Proposed Regulations	Rationale
<b>CHAPTER 02 – INTERPRETATION AND DEFINITIONS</b>		
<p><b>Non- Exchange Transaction</b></p> <p>Means a Market Contract which includes the following:</p> <p>(i) an institutional delivery system transaction, as per the Procedures, which is not effected on the Exchange and is initiated by a PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member based on an Exchange Trade; or and is recorded on NCSS in which the initiating Clearing Member notifies NCSS that the transaction shall be settled by an affirming Clearing Member on his behalf, provided that such affirmation is made by a Clearing Member (who is a non-TRE Certificate Holder of the Exchange.).</p> <p>(ii) MT Transaction and MT (R) Transaction as defined in these Regulations.</p> <p>(iii) SLB Transaction and SLB (R) Transaction, as defined in these Regulations including an institutional delivery system transaction, as per the terms and conditions prescribed in the Procedures.</p> <p>(iv) MF Transaction and MF (R) Transaction as defined in these Regulations.</p> <p>Provided that Non Exchange Transaction shall not be allowed on trades executed in the NDM Reporting Interface for T+0 settlement cycle.</p> <p>Provided further that Non Exchange Transactions shall also not be allowed on trades executed in Securities placed at the Defaulters' Segment on T+0 settlement cycle as per relevant regulations of Exchange.</p> <p>(v) NDNF Transaction, as per the Regulations and Procedures, which is not effected on a Securities Exchange and is initiated by a Clearing Member in NDNF module based on net money obligation as explained under Chapter 7F of the Regulations.</p>	<p><b>Non- Exchange Transaction</b></p> <p>Means a Market Contract which includes the following:</p> <p>(i) an institutional delivery system transaction, as per the Procedures, which is not effected on the Exchange and is initiated by a PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member based on an Exchange Trade; or and is recorded on NCSS in which the initiating Clearing Member notifies NCSS that the transaction shall be settled by an affirming Clearing Member on his behalf, provided that such affirmation is made by a Clearing Member (who is a non-TRE Certificate Holder of the Exchange.).</p> <p>(ii) MT Transaction and MT (R) Transaction as defined in these Regulations.</p> <p>(iii) SLB Transaction and SLB (R) Transaction, as defined in these Regulations including an institutional delivery system transaction, as per the terms and conditions prescribed in the Procedures.</p> <p>(iv) MF Transaction and MF (R) Transaction as defined in these Regulations.</p> <p><del>Provided that Non Exchange Transaction shall not be allowed on trades executed in the NDM Reporting Interface for T+0 settlement cycle.</del>  <del>Provided further that Non Exchange Transactions shall also not be allowed on trades executed in Securities placed at the Defaulters' Segment on T+0 settlement cycle as per relevant regulations of Exchange.</del></p> <p>(v) NDNF Transaction, as per the Regulations and Procedures, which is not effected on a Securities Exchange and is initiated by a Clearing Member in NDNF module based on net money obligation as explained under Chapter 7F of the Regulations.</p>	<p>T+0 settlement is already implemented for the Government Debt Securities Market "GDS", therefore, provisions restricting settlement on T+0 basis have been removed.</p>

Existing Regulations	Proposed Regulations	Rationale
<p><b>NDM Reporting Interface</b></p> <p>The term NDM Reporting Interface shall have the same meaning as set out in the relevant regulations of the Exchange.</p> <p><b>Standing Instruction</b></p> <p>means a Standing Instruction submitted by a Custodian Clearing Member to the Company in the form prescribed by the Company from time to time and for the purpose of these Regulations shall be considered as acceptable Collateral against Margins and Marked-to-Market Losses that may be required by the Company.</p> <p>Provided that a Non-Broker Clearing Member which is a bank, shall be eligible to provide the Standing Instruction as advance against bid amount in terms of Regulation 9.16 of these Regulations and it shall also be considered as acceptable Collateral against Margins and Marked-to-Market Losses that may be required by the Company for trades and transactions executed in GDS Market.</p> <p>Such Standing Instruction shall allow the Company to directly collect the net amount payable to the Company against all affirmed IDS transactions by the Custodian Clearing Member and / or a bank admitted as a Clearing Member for advance against bid amount in terms of Regulation 9.16 and all transactions in GDS Market on the respective Settlement Date in accordance with these Regulations and NCSS Procedures through the Real-Time Gross Settlement (“RTGS”) mechanism as a special participant of the PRISM System.</p> <p>Provided further, that development financial institutions as defined in the regulation of the State Bank of Pakistan, may also be allowed to provide Standing Instruction subject to such terms and conditions and in accordance with the manner prescribed in Procedures.</p>	<p><b>NDM Reporting Interface</b></p> <p>The term NDM Reporting Interface shall have the same meaning as set out in the relevant regulations of the Exchange <u>with respect to the Market.</u></p> <p><b>Standing Instruction</b></p> <p>means a Standing Instruction submitted by a Custodian Clearing Member to the Company in the form prescribed by the Company from time to time and for the purpose of these Regulations shall be considered as acceptable Collateral against Margins and Marked-to-Market Losses that may be required by the Company <u>with respect to trading / open exposure of such Custodian Clearing Members in the Market.</u></p> <p>Provided that a Non-Broker Clearing Member which is a bank, shall be eligible to provide the Standing Instruction as advance against bid amount in terms of Regulation 9.16 of these Regulations and it shall also be considered as acceptable Collateral against Margins and Marked-to-Market Losses that may be required by the Company for trades and transactions executed in GDS Market.</p> <p>Such Standing Instruction shall allow the Company to directly collect the net amount payable to the Company against all affirmed IDS transactions by the Custodian Clearing Member and / or a bank admitted as a Clearing Member for advance against bid amount in terms of Regulation 9.16 and all transactions in GDS Market on the respective Settlement Date in accordance with these Regulations and <u>NCSS the Procedures, / Joint Procedures</u> through the Real-Time Gross Settlement (“RTGS”) mechanism as a special participant of the PRISM System.</p> <p>Provided further, that development financial institutions as defined in the regulation of the State Bank of Pakistan, <u>admitted as a Non-Broker Clearing Member</u>, may also be allowed to provide Standing Instruction <u>as an acceptable form of Collateral for advance against bids submitted for the GDS auction, margins and Mark-to-Market Loss requirements with respect to its trades and transactions in the</u></p>	<p>The term has been explained to include Market (which includes all markets and Boards provided by the Exchange such as ready and NDM market).</p> <p>Further, clarity has been added that Standing Instruction Provided by CCM, subject to conditions prescribed in these Regulations, shall be accepted as collateral for all Markets.</p> <p>Text Improvement</p> <p>To add clarity with respect to applicability of Standing Instructions for development financial institutions.</p>

Existing Regulations	Proposed Regulations	Rationale
	<b>Debt Market and / or GDS Market</b> subject to such terms and conditions and in accordance with the manner prescribed in the Procedures.	
<b>CHAPTER 9: GENERAL PROVISIONS</b>		
<p><b>9.10.2 Clearing &amp; Settlement of Custodian Clearing Member</b></p> <p>1. Institutional Delivery System (IDS) module shall facilitate Custodian Clearing Members for clearing and settlement of trades executed by their clients, through respective TOSB, TSSB and TCSB Clearing Members in any of the Markets, through NCSS.</p> <p>2. Such IDS transactions shall be initiated, in any of the NCSS live securities based on Exchange Trade received in NCSS as locked-in contract, by PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member only on Trade Date and affirmed by Custodian Clearing Members on T+1 within specified time as per Designated Time Schedule. However, in case where Exchange Trades are executed by a TOSB (keeping limited custody), TSSB and TCSB Clearing Member with a client code of a IBD as permitted by the Company for trading on behalf of its clients/Associated entity and its clients, as the case may be, such IDS transactions can be initiated by PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member up to T+1 within specified time as per Designated Time Schedule.</p> <p>3. Such IDS transactions may be cancelled by initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member at any time before it is affirmed by the Counter Custodian Clearing Members.</p> <p>4. The quantity, price and Settlement Date of each IDS transaction shall be the same as of actual underlying Exchange trade. However, IDS transaction can be generated for partial quantity of the underlying Exchange trade. In case where Exchange Trades are executed by a TOSB (keeping limited custody), TSSB and TCSB Clearing Member with a client code of an IBD as permitted by the company for trading on behalf of its clients, Associated entity and its client such respective PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member shall be</p>	<p><b>9.10.2 Clearing &amp; Settlement of Custodian Clearing Member</b></p> <p>1. Institutional Delivery System (IDS) module shall facilitate Custodian Clearing Members for clearing and settlement of trades executed by their clients, through respective TOSB, TSSB and TCSB Clearing Members in any of the Markets, through NCSS.</p> <p>2. Such IDS transactions shall be initiated, in any of the NCSS live securities based on Exchange Trade received in NCSS as locked-in contract, by PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member only on Trade Date and affirmed by Custodian Clearing Members on T+1 within specified time as per Designated Time Schedule. However, in case where Exchange Trades are executed by a TOSB (keeping limited custody), TSSB and TCSB Clearing Member with a client code of a IBD as permitted by the Company for trading on behalf of its clients/Associated entity and its clients, as the case may be, such IDS transactions can be initiated by PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member up to T+1 within specified time as per Designated Time Schedule.</p> <p>3. Such IDS transactions may be cancelled by initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member at any time before it is affirmed by the Counter Custodian Clearing Members.</p> <p>4. The quantity, price and Settlement Date of each IDS transaction shall be the same as of actual underlying Exchange trade. However, IDS transaction can be generated for partial quantity of the underlying Exchange trade. In case where Exchange Trades are executed by a TOSB (keeping limited custody), TSSB and TCSB Clearing Member with a client code of an IBD as permitted by the company for trading on behalf of its clients, Associated entity and its client such respective PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member shall be</p>	<p>Text update to improve clarity of the provisions and to include Debt and GDS market.</p>

Existing Regulations	Proposed Regulations	Rationale
<p>required to provide the UIN of respective clients of IBD to generate IDS transactions. Further, IDS transaction can only be initiated, if CDS sub-account of such clients/Associated entity and its Client are maintained with the respective Custodian Clearing Member.</p> <p>4(a). If such initiated IDS transaction is rejected within the specified time as per Designated Time Schedule, such rejected IDS transactions can be re-initiated after rectifying the UIN provided at the time of initiation of rejected IDS transaction by the PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member for affirmation by the Custodian Clearing Member as per Designated Time Schedule. However, respective Clearing Members shall be required to maintain documentary evidence along with reason and justification thereof in relation to rectification of such IDS transaction</p> <p>5. If such initiated/re-initiated IDS transaction is neither affirmed nor rejected within the specified time as per Designated Time Schedule, NCSS shall automatically drop it during End of Day (EOD) process from further processing. Accordingly, such transactions shall be settled by the initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member through their CDS main account in accordance with these Regulations and NCSS Procedures. However, in case of a TCSB and PCM providing services to Associated Entities and its Clients which is a TOSB (keeping no custody), such un-affirmed / rejected IDS Transaction shall be settled from CDS main account of PCM or TCSB in accordance with the manner prescribed in the Procedures. However, in case of IDS transactions which are initiated by a PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member with a client code of IBD as permitted by the Company for trading on behalf of its clients/Associated entity and its clients, IDS transactions that are neither affirmed nor rejected within the specified time as per Designated Time Schedule shall be settled by the initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member through CDS sub-account of the respective IBD in accordance with these Regulations and NCSS Procedures.</p>	<p>required to provide the UIN of respective clients of IBD to generate IDS transactions. Further, IDS transaction can only be initiated, if CDS sub-account of such clients/Associated entity and its Client are maintained with the respective Custodian Clearing Member.</p> <p>4(a). If such initiated IDS transaction is rejected within the specified time as per Designated Time Schedule, such rejected IDS transactions can be re-initiated after rectifying the UIN provided at the time of initiation of rejected IDS transaction by the PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member for affirmation by the Custodian Clearing Member as per Designated Time Schedule. However, respective Clearing Members shall be required to maintain documentary evidence along with reason and justification thereof in relation to rectification of such IDS transaction</p> <p>5. If such initiated/re-initiated IDS transaction is neither affirmed nor rejected within the specified time as per Designated Time Schedule, NCSS shall automatically drop it during End of Day (EOD) process from further processing. Accordingly, such transactions shall be settled by the initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member through their CDS main account in accordance with these Regulations and <del>NCSS—the</del> Procedures. However, in case of a TCSB and PCM providing services to Associated Entities and its Clients which is a TOSB (keeping no custody), such un-affirmed / rejected IDS Transaction shall be settled from CDS main account of PCM or TCSB in accordance with the manner prescribed in the Procedures. However, in case of IDS transactions which are initiated by a PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member with a client code of IBD as permitted by the Company for trading on behalf of its clients/Associated entity and its clients, IDS transactions that are neither affirmed nor rejected within the specified time as per Designated Time Schedule shall be settled by the initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member through CDS sub-account of the respective IBD in accordance with these Regulations and <del>NCSS</del> <u>the</u> Procedures.</p>	

Existing Regulations	Proposed Regulations	Rationale
<p>6. Custodian Clearing Members shall not be allowed to edit the details of such initiated IDS transaction posted by the initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member and shall be required to affirm or reject such transaction within specified time as per Designated Time Schedule. In case where IDS Transactions are initiated by a PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member with a client code of an IBD as permitted by the Company for trading on behalf of its clients, Custodian Clearing Member shall be required to provide the respective CDS sub-account numbers of IBD clients at the time of affirming IDS transactions. It shall be mandatory that UIN of such sub-account and UIN provided by PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member at the time of initiation/re-initiation of such IDS Transaction are the same and such Custodian Clearing Member is maintaining such sub-account under its CDS Participant account.</p> <p>All affirmed IDS transactions shall be settled by the affirming Custodian Clearing Members in accordance with these Regulations and NCSS Procedures.</p> <p><b>9.10.a.2 Clearing &amp; Settlement of trades in respect of eligible collective investment schemes of an asset management company that are also admitted as Non-Broker Clearing Member.</b></p> <p>1. Institutional Delivery System (IDS) module shall facilitate asset management company for clearing and settlement of trades executed for its respective eligible collective investment scheme, through respective TOSB (keeping limited custody), TSSB and TCSB Clearing Members in any of the Markets, through NCSS.</p>	<p>6. Custodian Clearing Members shall not be allowed to edit the details of such initiated IDS transaction posted by the initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member and shall be required to affirm or reject such transaction within specified time as per Designated Time Schedule. In case where IDS Transactions are initiated by a PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member with a client code of an IBD as permitted by the Company for trading on behalf of its clients, Custodian Clearing Member shall be required to provide the respective CDS sub-account numbers of IBD clients at the time of affirming IDS transactions. It shall be mandatory that UIN of such sub-account and UIN provided by PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member at the time of initiation/re-initiation of such IDS Transaction are the same and such Custodian Clearing Member is maintaining such sub-account under its CDS Participant account.</p> <p>All affirmed IDS transactions shall be settled by the affirming Custodian Clearing Members in accordance with these Regulations and <b><u>NCSS the</u></b> Procedures.</p> <p><b><u>IDS Module shall also facilitate the Custodian Clearing Members for clearing and settlement of trades and transactions executed on behalf of the clients in the Debt and GDS markets in accordance with the manner and subject to such terms and conditions as are prescribed in the Procedures / Joint Procedures.</u></b></p> <p><b>9.10.a.2 Clearing &amp; Settlement of trades in respect of eligible collective investment schemes of an asset management company that are also admitted as Non-Broker Clearing Member.</b></p> <p>1. Institutional Delivery System (IDS) module shall facilitate asset management company for clearing and settlement of trades executed for its respective eligible collective investment scheme <b><u>(in any Market, as applicable)</u></b> through respective TOSB (keeping limited custody), TSSB and TCSB Clearing Members in any of the Markets, through NCSS.</p>	

Existing Regulations	Proposed Regulations	Rationale
<p>2. The TOSB (keeping limited custody), TSSB and TCSB Clearing Member shall execute Exchange Trade with the separate UIN of asset management company and accordingly, an IDS transaction shall be auto- initiated in any of the NCSS live securities based on Exchange Trade received in NCSS as locked-in contract, on real time basis for affirmation by respective asset management company as per Designated Time Schedule.</p> <p>3. Such IDS transactions may be cancelled by initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member at any time before it is affirmed by the asset management company.</p> <p>4. The quantity, price and Settlement Date of each IDS transaction shall be the same as of actual underlying Exchange trade and asset management company shall not be allowed to edit the details of such initiated IDS transaction posted by the initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Members and shall be required to affirm or reject such transaction within specified time as per Designated Time Schedule.</p> <p>5. If such initiated IDS transaction is neither affirmed nor rejected or when the same is rejected by the asset management company within the specified time as per Designated Time Schedule, NCSS shall automatically drop it during End of Day process from further processing. Accordingly, such transactions shall be settled by the initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member through their CDS house account in accordance with these Regulations and NCSS Procedures. However, in case of a PCM and TCSB providing services to Associated Entities and its Clients which is a TOSB (keeping no custody), such un-affirmed / rejected IDS Transaction shall be settled from proprietary CDS-Sub Account of the respective TOSB maintained under the PCM and/or TCSB, as the case may be, in accordance with the manner prescribed in the Procedures.</p> <p>6. Where the initiated IDS transaction is affirmed by the asset management company within the Designated Time Schedule, the Company will</p>	<p>2. The TOSB (keeping limited custody), TSSB and TCSB Clearing Member shall execute Exchange Trade with the separate UIN of asset management company and accordingly, an IDS transaction shall be auto- initiated in any of the NCSS live securities based on Exchange Trade received in NCSS as locked-in contract, on real time basis for affirmation by respective asset management company as per Designated Time Schedule.</p> <p>3. Such IDS transactions may be cancelled by initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member at any time before it is affirmed by the asset management company.</p> <p>4. The quantity, price and Settlement Date of each IDS transaction shall be the same as of actual underlying Exchange trade and asset management company shall not be allowed to edit the details of such initiated IDS transaction posted by the initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Members and shall be required to affirm or reject such transaction within specified time as per Designated Time Schedule.</p> <p>5. If such initiated IDS transaction is neither affirmed nor rejected or when the same is rejected by the asset management company within the specified time as per Designated Time Schedule, NCSS shall automatically drop it during End of Day process from further processing. Accordingly, such transactions shall be settled by the initiating PCM, TOSB (keeping limited custody), TSSB and TCSB Clearing Member through their CDS house account in accordance with these Regulations and <b>NCSS the</b> Procedures. However, in case of a PCM and TCSB providing services to Associated Entities and its Clients which is a TOSB (keeping no custody), such un-affirmed / rejected IDS Transaction shall be settled from proprietary CDS-Sub Account of the respective TOSB maintained under the PCM and/or TCSB, as the case may be, in accordance with the manner prescribed in the Procedures.</p> <p>6. Where the initiated IDS transaction is affirmed by the asset management company within the Designated Time Schedule, the Company will</p>	

Existing Regulations	Proposed Regulations	Rationale
<p>provide a special window to asset management company in IDS module for the purpose of allocating, all affirmed IDS transaction to respective eligible collective investment scheme registered as Non-Broker Clearing Member by the Company, on T+0 as per Designated Time Schedule in the mode and manner prescribed under the Procedures at the average price.</p> <p>7. The asset management company shall allocate, all affirmed IDS transaction to respective eligible collective investment scheme through NCSS IDs issued to eligible collective investment scheme by the Company and accordingly, the collective investment scheme shall settle transaction in NCSS through CDS house account of respective collective investment schemes, as per the mechanism prescribed under the NCSS Procedures.</p> <p>8. A report will be made available in IDS module to asset management company to verify that all affirmed IDS transactions have been allocated to respective eligible collective investment scheme.</p> <p>9. Asset management company shall be responsible for ensuring that all IDS transactions affirmed by it are accurately allocated to eligible collective investment scheme within the Designated Time Schedule.</p> <p>10. For the purpose of Regulation 9.10.a, the eligible collective investment schemes shall mean and include such schemes that have been categorized as equity and/ or balanced and / or asset allocation or any collective investment schemes eligible to invest in equity securities in accordance with applicable rules and regulations and as allowed by the Company.</p> <p>11. The position limits prescribed under Schedule IV of Chapter 12 of these Regulations pertaining to Deliverable Futures Contract Market shall not be applicable to asset management company affirming transactions for its respective eligible collective investment scheme under its management. However, the asset management company shall be severely responsible to ensure that at the time of allocation to respective collective investment scheme admitted as a Non - Broker Clearing</p>	<p>provide a special window to asset management company in IDS module for the purpose of allocating, all affirmed IDS transaction to respective eligible collective investment scheme registered as Non-Broker Clearing Member by the Company, on T+0 as per Designated Time Schedule in the mode and manner prescribed under the Procedures at the average price.</p> <p>7. The asset management company shall allocate, all affirmed IDS transaction to respective eligible collective investment scheme through NCSS IDs issued to eligible collective investment scheme by the Company and accordingly, the collective investment scheme shall settle transaction in NCSS through CDS house account of respective collective investment schemes, as per the mechanism prescribed under the <b>NCSS</b> Procedures.</p> <p>8. A report will be made available in IDS module to asset management company to verify that all affirmed IDS transactions have been allocated to respective eligible collective investment scheme.</p> <p>9. Asset management company shall be responsible for ensuring that all IDS transactions affirmed by it are accurately allocated to eligible collective investment scheme within the Designated Time Schedule.</p> <p>10. For the purpose of Regulation 9.10.a, the eligible collective investment schemes shall mean and include such schemes that have been categorized as equity and/ or balanced and / or asset allocation or any collective investment schemes eligible to invest in equity securities in accordance with applicable rules and regulations and as allowed by the Company.</p> <p>11. The position limits prescribed under Schedule IV of Chapter 12 of these Regulations pertaining to Deliverable Futures Contract Market shall not be applicable to asset management company affirming transactions for its respective eligible collective investment scheme under its management. However, the asset management company shall be severely responsible to ensure that at the time of allocation to respective collective investment scheme admitted as a Non - Broker Clearing</p>	

Existing Regulations	Proposed Regulations	Rationale
<p>Member by the Company all position limits prescribed under these Regulations are complied. In case of failure to comply with the prescribed requirement, disciplinary charges will be imposed up to PKR 500,000 per instance subject to a minimum of PKR 100, 000 per instances.</p> <p><b>9.16 Auction of Government Debt Securities “GDS”</b></p> <p>9.16.2 Collection of advance against bid amount from Auction Participants:</p> <p>a. The Auction Participants shall deposit with the Company, advance against the bids submitted with the Exchange. The amount of advance to be deposited against the bid amount shall be prescribed and notified by the Company in accordance with the manner prescribed in the Procedures/Joint procedures.</p> <p>b. The advance against the bid amount shall be collected from the Auction Participant as per the notified designated time schedule in the form of cash, Standing Instruction and / or irrevocable undertaking subject to following conditions:</p> <p>I. Auction Participants that are Clearing Members of the Company, except for banks, development financial institution, and collective investment schemes, shall be eligible to deposit the advance in the form of Cash only.</p> <p>II. Auction Participants that are banks or development financial institutions and admitted as Non-Broker Clearing Members of the Company, shall be eligible to deposit the advance in the form of Cash and / or Standing Instruction.</p> <p>III. Auction Participants that are Collective Investment Schemes and admitted as Non-Broker Clearing Members of the Company, shall be eligible to deposit the advance in the form of Cash and / or irrevocable undertaking.</p>	<p>Member by the Company all position limits prescribed under these Regulations are complied. In case of failure to comply with the prescribed requirement, disciplinary charges will be imposed up to PKR 500,000 per instance subject to a minimum of PKR 100, 000 per instances.</p> <p><b>9.16 Auction of Government Debt Securities “GDS”</b></p> <p>9.16.2 Collection of advance against bid amount from Auction Participants:</p> <p>a. The Auction Participants shall deposit with the Company, advance against the bids submitted with the Exchange. The amount of advance to be deposited against the bid amount shall be prescribed and notified by the Company in accordance with the manner prescribed in the Procedures/Joint procedures.</p> <p>b. The advance against the bid amount shall be collected from the Auction Participant as per the notified designated time schedule in the form of cash, Standing Instruction and / or irrevocable undertaking subject to following conditions:</p> <p>i. Auction Participants that are Clearing Members of the Company, <b>except for those Non-Broker Clearing Members that are</b> banks, development financial institution, and collective investment schemes, shall be eligible to deposit the advance in the form of Cash only.</p> <p>ii. Auction Participants that are banks or development financial institutions and admitted as Non-Broker Clearing Members of the Company, shall be eligible to deposit the advance in the form of Cash and / or Standing Instruction.</p> <p>iii. Auction Participants that are Collective Investment Schemes and admitted as Non-Broker Clearing Members of the Company, shall be eligible to deposit the advance in the form of Cash and / or irrevocable undertaking.</p>	



Existing Regulations	Proposed Regulations	Rationale
<p>“irrevocable undertaking” for the purpose of Regulation 9.16 shall mean an undertaking provided by the Trustee of the Collective Investment Scheme in the prescribed form confirming the availability of the bid amount to the Company</p> <p>“Trustee” for the purpose of these Regulations 9.16 shall mean and include a central depository company or any other trustee performing trustee services relating to asset management, registered as a Trustee under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. However, where required, the Company may impose additional requirements on such Trustees keeping in view factors such as operational period, assets under trusteeship and financial strength etc.</p> <p>c. The Company shall collect the advance against the bid amount from each Auction Participant’s proprietary account as per the existing mechanism and designated time schedule. It shall be the responsibility of respective Auction Participants to collect the bid amount from its clients on whose behalf it has submitted the bids.</p> <p>d. The Auction Participant shall be allowed to participate in the bidding process to the extent of the bid amount against which advance has been deposited with the Company in accordance with the manner and subject to terms and conditions as prescribed in the Procedures/Joint procedures.</p> <p>e. The Company shall provide information to the Exchange regarding the collection of advance against the bid amount from the Auction Participants in such form and manner as are prescribed in the Procedures</p>	<p>“irrevocable undertaking” for the purpose of Regulation 9.16 shall mean an undertaking provided by the Trustee of the Collective Investment Scheme in the prescribed form <u>to the Company</u> confirming the availability of the bid amount <u>and the amount payable to the Company against the exposure margins, mark-to market losses and Settlement Value with respect to trades and transactions executed in the Debt Market and GDS Market</u> by such Collective Investment Scheme. <u>to the Company</u></p> <p>“Trustee” for the purpose of these Regulations 9.16 shall mean and include a central depository company or any other trustee performing trustee services relating to asset management, registered as a Trustee under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. However, where required, the Company may impose additional requirements on such Trustees keeping in view factors such as operational period, assets under trusteeship and financial strength etc.</p> <p>c. The Company shall collect the advance against the bid amount from each Auction Participant’s proprietary account as per the existing mechanism and designated time schedule. It shall be the responsibility of respective Auction Participants to collect the bid amount from its clients on whose behalf it has submitted the bids.</p> <p>d. The Auction Participant shall be allowed to participate in the bidding process to the extent of the bid amount against which advance has been deposited with the Company in accordance with the manner and subject to terms and conditions as prescribed in the Procedures/Joint procedures.</p> <p>e. The Company shall provide information to the Exchange regarding the collection of advance against the bid amount from the Auction Participants in such form and</p>	<p>The Collective Investment Schemes through its Trustee is eligible to provide an irrevocable undertaking against the advance required to be deposited for bid amount. The Scope of this undertaking has been proposed to be further extended to cover the margins, mark-to-market losses and settlement value pertaining to trades and transactions executed by such Collective Investment Scheme in the GDS Market.</p>

Existing Regulations	Proposed Regulations	Rationale
for taking appropriate action at its end.	manner as are prescribed in the Procedures for taking appropriate action at its end.	
<b>CHAPTER 9B: ADMISSION OF PROFESSIONAL CLEARING MEMBER "PCM"</b>		
<p><b>9B.10 IDS and IDSC Transactions:</b></p> <p>a) The PCM shall be allowed for initiation of IDSC transactions. Where the IDSC transaction is affirmed by the CCM, settlement obligation will shift to the CCM, however, the margins deposited by the PCM shall not be released till the Settlement Date. However, where such IDSC transactions remained un-affirmed or are rejected by the CCM, Balance Order will be generated in the CDS main account of PCM.</p> <p>Provided that in case of a TOSB (keeping limited custody) that has been inducted as Clearing Member under these Regulations for clearing and settlement of trades and transactions carried out on proprietary basis and on behalf of its directors, sponsors and its close relatives in accordance with the terms and conditions prescribed by the Commission availing service of the PCM for its clients other than above, for IDSC Transactions that remained un-affirmed or are rejected by the CCM, such transactions will be reverted back to the PCM and shall be settled through CDS main account of PCM.</p> <p>b) Where the trades are executed by the TOSB for the Non Broker Clearing Members 'NBCM', IDS transaction will be auto-initiated. Where the IDS transaction are affirmed by the NBCM, the settlement obligation will be shifted and the margins submitted by the PCM shall be released. In case where the IDS transaction remained un-affirmed or is rejected by the NBCM, the Balance Order will be generated in proprietary CDS sub-account of the TOSB maintained with the PCM.</p> <p>Provided in case of a TOSB (keeping limited custody) that has been inducted as a Clearing Member under these Regulations for clearing and settlement of trades and transactions carried out on proprietary basis and on behalf of its directors, sponsors and its close relatives in accordance with the terms and conditions prescribed by the Commission availing service of the PCM for its clients other than above, for IDS Transactions that remained un-affirmed or are</p>	<p><b>9B.10 IDS and IDSC Transactions:</b></p> <p>a) The PCM shall be allowed for initiation of IDS/IDSC transactions for all Markets, <b>as applicable</b>. Where the IDSC transaction is affirmed by the CCM, settlement obligation will shift to the CCM. <del>However, the margins deposited by the PCM shall not be released till the Settlement Date.</del> However, where such IDSC transactions remained un-affirmed or are rejected by the CCM, Balance Order will be generated in the CDS main account of PCM.</p> <p>Provided that in case of a TOSB (keeping limited custody) that has been inducted as Clearing Member under these Regulations for clearing and settlement of trades and transactions carried out on proprietary basis and on behalf of its directors, sponsors and its close relatives in accordance with the terms and conditions prescribed by the Commission availing service of the PCM for its clients other than above, for IDSC Transactions that remained un-affirmed or are rejected by the CCM, such transactions will be reverted back to the PCM and shall be settled through CDS main account of PCM.</p> <p>b) Where the trades are executed by the TOSB for the Non Broker Clearing Members 'NBCM', IDS transaction will be auto-initiated. Where the IDS transaction are affirmed by the NBCM, the settlement obligation will be shifted and the margins submitted by the PCM shall be released. In case where the IDS transaction remained un-affirmed or is rejected by the NBCM, the Balance Order will be generated in proprietary CDS sub-account of the TOSB maintained with the PCM.</p> <p>Provided in case of a TOSB (keeping limited custody) that has been inducted as a Clearing Member under these Regulations for clearing and settlement of trades and transactions carried out on proprietary basis and on behalf of its directors, sponsors and its close relatives in accordance with the terms and conditions prescribed by the Commission availing service of the PCM for its clients other than above, for IDS Transactions that remained un-affirmed or are</p>	<p>Enabling provisions have been added to prescribe operational details relating to CCM's IDS transactions in the Debt Market/GDS Market.</p>

Existing Regulations	Proposed Regulations	Rationale
<p>rejected by the NBCM, such transactions will be reverted back to the PCM and shall be settled through proprietary CDS sub-account of the TOSB maintained with the PCM.</p> <p>c) All provisions stipulated under these Regulations pertaining to clearing and settlement of IDS and IDSC transactions shall remain applicable to the PCM subject to such terms and conditions, if any, as may be prescribed by the Company in the Procedures.</p>	<p>rejected by the NBCM, such transactions will be reverted back to the PCM and shall be settled through proprietary CDS sub-account of the TOSB maintained with the PCM.</p> <p>c) All provisions stipulated under these Regulations pertaining to clearing and settlement of IDS and IDSC transactions shall remain applicable to the PCM subject to such terms and conditions, if any, as may be prescribed by the Company in the Procedures <u>Joint Procedures.</u></p>	
<b>CHAPTER 10 BALANCE ORDER SYSTEM</b>		
<p><b>10.11 Non-delivery Charges</b></p> <p><b>10.11.1</b> Without prejudices to or in any manner limiting the obligations of a delivering Clearing Member as set out in these Regulations and/or the Procedures arising from his failure to deliver any Securities by the Designated Time on a Settlement Date pursuant to a Security delivery order (Balance Order Settlement) or pursuant to squaring-up process, the Clearing Member shall pay to the Company (in addition to his above referred obligations) non-delivery charges for each non-delivery per Security at the rate of 0.5% of the System Price established on Settlement Date of the undelivered securities, subject to a minimum of Rs. 2,000/- (Rupees: Two thousand only).</p> <p>Whereas such delivery default occurs in Debt Market Securities, non-delivery charges for each non-delivery per Security at the rate of 1% of the System Price established on Settlement Date of the undelivered Security, subject to a minimum of Rs. 10,000/- (Rupees: Ten thousand only).</p> <p>If as a consequence of the non-delivery of any Securities, the Company causes such Securities to be bought-in by squaring up process and the delivering Clearing Member from whom the said Securities are bought-in defaults in making delivery, such Clearing Member shall pay to the Company (in addition to his other obligations under these Regulations) non-delivery charges at the rate of 1% per Security of the system price established on the squaring up date of the un-</p>	<p><b>10.11 Non-delivery Charges</b></p> <p><b>10.11.1</b> Without prejudices to or in any manner limiting the obligations of a delivering Clearing Member as set out in these Regulations and/or the Procedures arising from his failure to deliver any Securities by the Designated Time on a Settlement Date pursuant to a Security delivery order (Balance Order Settlement) or pursuant to squaring-up process, the Clearing Member shall pay to the Company (in addition to his above referred obligations) non-delivery charges for each non-delivery per Security at the rate of 0.5% of the System Price established on Settlement Date of the undelivered securities, subject to a minimum of Rs. 2,000/- (Rupees: Two thousand only).</p> <p><u>Whereas such delivery default occurs in Debt Market and / or GDS Market (excluding trades relating to NDM Reporting Interface), non-delivery charges for each non-delivery per Security, at the rate of 1% of the System Price established on Settlement Date of the undelivered Security, subject to a minimum of Rs.20,000 shall be applicable.</u></p> <p>If as a consequence of the non-delivery of any Securities, the Company causes such Securities to be bought-in by squaring up process and the delivering Clearing Member from whom the said Securities are bought-in defaults in making delivery, such Clearing Member shall pay to the Company (in addition to his other obligations under these Regulations) non-delivery charges at the rate of 1% per Security of the system price established on the squaring up date of the un-</p>	<p>Since Margins requirements are reduced, the penal charges on transaction failure are proposed to be increased to ensure trading discipline</p>

Existing Regulations	Proposed Regulations	Rationale
<p>delivered Securities subject to a minimum of Rs. 4,000/- (Rupees four thousand only).</p> <p>In addition to non-delivery charges prescribed under Regulation 10.11.1 above, TOSB (keeping limited custody), TSSB and TCSB Clearing Member acting as Designated Market Maker shall be liable to pay enhanced delivery default charges on monthly basis subject to following conditions:</p> <ul style="list-style-type: none"> <li>where delivery failure of one specific Exchange Traded Fund 'ETF' exceeds 3% of total shares bought or sold during the month, whichever is lower by the Designated Market Maker, non-delivery charges at the rate of 1% of the System Price established on Settlement Date of the undelivered ETF, subject to a minimum of Rs. 4,000/- (Rupees: Four thousand only) shall be imposed. These enhanced charges shall be applied for a period of six months.</li> <li>where delivery failure of one specific ETF exceeds 3% of total shares bought or sold for two consecutive months by the Designated Market Maker, non-delivery charges at the rate of 2% of the System Price established on Settlement Date of the undelivered ETF Securities, subject to a minimum of Rs. 8,000/- (Rupees: eight thousand only) shall be imposed. These enhanced charges shall be applied for a period of twelve months.</li> </ul>	<p>delivered Securities subject to a minimum of Rs. 4,000/- (Rupees four thousand only).</p> <p>In addition to non-delivery charges prescribed under Regulation 10.11.1 above, TOSB (keeping limited custody), TSSB and TCSB Clearing Member acting as Designated Market Maker <b>and / or Market Maker for Listed Debt Securities including GDS</b> shall be liable to pay enhanced delivery default charges on monthly basis subject to following conditions:</p> <ul style="list-style-type: none"> <li>where delivery failure of one specific Exchange Traded Fund 'ETF' exceeds 3% of total shares bought or sold during the month, whichever is lower by the Designated Market Maker, non-delivery charges at the rate of 1% of the System Price established on Settlement Date of the undelivered ETF, subject to a minimum of Rs. 4,000/- (Rupees: Four thousand only) shall be imposed. These enhanced charges shall be applied for a period of six months.</li> <li>where delivery failure of one specific ETF exceeds 3% of total shares bought or sold for two consecutive months by the Designated Market Maker, non-delivery charges at the rate of 2% of the System Price established on Settlement Date of the undelivered ETF Securities, subject to a minimum of Rs. 8,000/- (Rupees: eight thousand only) shall be imposed. These enhanced charges shall be applied for a period of twelve months.</li> </ul>	<p>Clearing Members acting as Market Maker for GDS have also been included.</p>
<b>CHAPTER 10A BALANCE ORDER SYSTEM FOR TRADE-FOR TRADE SETTLEMENT</b>		
<p><b>10A.1 Deliver Security balance order and receive Security balance order under Balance Order Accounting Operation for Trade-for-Trade Settlement</b></p> <p><b>10A.1.1</b>The Company will conduct a Balance Order Accounting Operation based upon Balance Order Contracts pursuant to which the Company will determine the gross deliver and receive Security obligations of every Debt Market trade, GDS Market trade and NDM Reporting Interface Trade of each CDS main, temporary account, investor account, house</p>	<p><b>10A.1 Deliver Security balance order and receive Security balance order under Balance Order Accounting Operation for Trade-for-Trade Settlement</b></p> <p><b>10A.1.1</b>The Company will conduct a Balance Order Accounting Operation based upon Balance Order Contracts pursuant to which the Company will determine the gross deliver and receive Security obligations of every Debt Market trade, GDS Market trade and NDM Reporting Interface Trade of each CDS main, temporary account, investor account, house</p>	<p>Text Improvement and including provisions relating to T+0 settlement in case of NDM Reporting Interface for GDS.</p>

Existing Regulations	Proposed Regulations	Rationale
<p>and/or sub-account maintained with a Clearing Member and prepare Balance Order and Transmit to CDS and Clearing Members accordingly at Designated Time by Settlement Date as per the following mechanism:</p> <p>a) Balance Order for every Debt Market trade, GDS market trade and NDM Reporting Interface Trade will be generated on gross basis whereby Clearing Member shall deliver and/or receive each and every trade even in the same Security separately on trade-for-trade basis.</p> <p>h) However, in case of partial payment and partial delivery, settlement shall be processed on the basis of written request by both Clearing Members, identifying the defaulted UIN(s) and consent of Clearing Member in respect of acceptance of partial delivery or payment, within the Designated Time Schedule to the Company shall initiate settlement process proportionately for such partial payment and partial delivery In case of non-submission of said written request by the concerned Clearing Member, within the Designated Time Schedule, the Company shall initiate settlement process proportionately for such partial payment and partial delivery subject to consent of concerned Clearing Member. In such case the Company shall initiate following closed-out proceedings:</p> <p>i. for trades pertaining to the Debt Market and / or GDS Market, the closed-out process shall be in accordance with the relevant provisions of the Chapter 12 of these Regulations. However, in case where the partial delivery or payment is not acceptable to counter Clearing Member, the partial delivery or payment shall be returned to defaulting Clearing Member and margins collected from the defaulting Clearing Member along with the delivery or money, as the case may be, shall be returned to counter Clearing Member. Accordingly, concerned Clearing Members may settle such trades between themselves outside the NCSS.</p> <p>ii. for trades pertaining to the NDM the relevant trade(s) shall be closed-out at the trade price of such trade(s). However, in case where the partial delivery or payment is not acceptable to counter Clearing Member, the partial delivery</p>	<p>and/or sub-account maintained with a Clearing Member and prepare Balance Order and Transmit to CDS and Clearing Members accordingly at Designated Time by Settlement Date as per the following mechanism:</p> <p>a) Balance Order for every Debt Market trade, GDS market trade and NDM Reporting Interface Trade will be generated on gross basis whereby Clearing Member shall deliver and/or receive each and every trade even in the same Security separately on trade-for-trade basis.</p> <p>h) However, in case of partial payment and partial delivery, settlement shall be processed on the basis of written request by both Clearing Members, identifying the defaulted UIN(s) and consent of Clearing Member in respect of acceptance of partial delivery or payment, within the Designated Time Schedule, the Company shall initiate settlement process proportionately for such partial payment and partial delivery. In case of non-submission of said written request by the concerned Clearing Member, <del>within the Designated Time Schedule, the Company shall initiate settlement process proportionately for such partial payment and partial delivery subject to consent of concerned Clearing Member.</del> in such case the Company shall initiate following closed-out proceedings:</p> <p>i. for trades pertaining to the Debt Market and / or GDS Market, the closed-out process shall be in accordance with the relevant provisions of the Chapter 12 of these Regulations. However, in case where the partial delivery or payment is not acceptable to counter Clearing Member, the partial delivery or payment shall be returned to defaulting Clearing Member and margins collected from the defaulting Clearing Member along with the delivery or money, as the case may be, shall be returned to counter Clearing Member. Accordingly, concerned Clearing Members may settle such trades between themselves outside the NCSS.</p> <p>ii. for trades pertaining to the NDM, the relevant trade(s) shall be closed-out at the trade price of such trade(s). However, in case where the partial delivery or payment is not acceptable to counter Clearing Member, the partial delivery</p>	<p>Text Improvement.</p>

Existing Regulations	Proposed Regulations	Rationale
<p>or payment shall be returned to defaulting Clearing Member.</p> <p><b><u>New Insertion</u></b></p> <p>Provided that the Company shall not conduct a Balance Order Accounting Operation on the trades executed between two Securities Brokers in the NDM Reporting Interface for T+0 settlement cycle except under such circumstances as may be prescribed by the Company in the Procedures.</p> <p>iii. In case where CDS sub-account of a client/Associated entity and its clients, as the case may be, of a Clearing Member is blocked pursuant to an order issued by any Court of Law in Pakistan and/or a directive of any competent authority:</p> <p>a. before movement of Balance Order Contracts, the relevant trade(s) shall be closed-out at the trade price of such trade(s) and payment shall be returned to the buying Clearing Member.</p> <p>b. after movement of Balance Order Contracts, the relevant trade(s) shall be settled by the Company accordingly. However, in case of partial delivery, the relevant trade(s) shall only be settled up to the extent of Balance Order delivery moved from the seller account. The proportioned amount of un-delivered securities shall be returned to the buying Clearing Member for trades executed in NDM, Debt Market and / or GDS Market.</p>	<p>or payment shall be returned to defaulting Clearing Member.</p> <p><b><u>Provided that the Company shall settle NDM Reporting Interface related trades for GDS on T+0 settlement cycle in accordance with the manner and subject to terms and conditions as may be prescribed by the Company in the Procedures / Joint Procedures.</u></b></p> <p><del>Provided that the Company shall not conduct a Balance Order Accounting Operation on the trades executed between two Securities Brokers in the NDM Reporting Interface for T+0 settlement cycle except under such circumstances as may be prescribed by the Company in the Procedures / Joint Procedures.</del></p> <p>iii. In case where CDS sub-account of a client/Associated entity and its clients, as the case may be, of a Clearing Member is blocked pursuant to an order issued by any Court of Law in Pakistan and/or a directive of any competent authority:</p> <p>a. before movement of Balance Order Contracts, the relevant trade(s) shall be closed-out at the trade price of such trade(s) and payment shall be returned to the buying Clearing Member.</p> <p>b. after movement of Balance Order Contracts, the relevant trade(s) shall be settled by the Company accordingly. However, in case of partial delivery, the relevant trade(s) shall only be settled up to the extent of Balance Order delivery moved from the seller account. The proportioned amount of un-delivered securities shall be returned to the buying Clearing Member for trades executed in NDM, Debt Market and / or GDS Market.</p>	<p>Provision added to refer Procedures / Joint Procedures for operational details relating to GDS related NDM transactions to be settled on T+0</p> <p>Provisions restricting settlement of trades in Market on T+0 are removed</p>
<b>CHAPTER 12 RISK MANAGEMENT BY THE COMPANY</b>		
<p><b>12.4 EXPOSURE AND NETTING:</b></p> <p><b>12.4.1 Determination of Exposure:</b></p> <p>(b) the Non-Broker Clearing Members shall be required to affirm their auto-initiated institutional delivery system (IDS) transaction(s) which are executed by the TOSB (keeping</p>	<p><b>12.4 EXPOSURE AND NETTING:</b></p> <p><b>12.4.1 Determination of Exposure:</b></p> <p>(b) the Non-Broker Clearing Members shall be required to affirm their auto-initiated institutional delivery system (IDS) transaction(s) which are executed by the TOSB (keeping</p>	<p>Amendments proposed for text improvement and clarity.</p>

Existing Regulations	Proposed Regulations	Rationale
<p>limited custody), TSSB &amp; TCSB Clearing Member as per their instructions in terms of these Regulations and Procedures. Further, the Non-Broker Clearing shall be required to affirm the IDS transaction(s) initiated by PCM and/or TCSB Clearing Member on behalf of its Associated Entities and its Clients and per the terms and conditions prescribed in the Procedures. The Custodian Clearing Members shall be required to affirm their initiated IDS transaction(s) on behalf of their clients after successful pre-matching which are executed by the respective TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Members as per the instructions of clients in terms of these Regulations and Procedures. Whereas, CDC, being a Non-Broker Clearing Member, shall also be required to affirm auto-initiated IDS transaction(s) of its clients which are executed by the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in terms of these Regulations and Procedures made there under. Further, asset management companies, being a Non-Broker Clearing Member, shall also be required to affirm auto-initiated IDS transaction(s) of its eligible collective investment schemes which are executed by the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in terms of these Regulations and Procedures. Accordingly, the Company shall manage the risk of its Non-Broker Clearing Members in terms of this Chapter in respect of the IDS transactions affirmed by such Clearing Members in order to monitor and mitigate the risks arising out of such affirmed IDS transactions. In case an auto-initiated IDS transaction is not affirmed or is rejected by the Non-Broker Clearing Member, the Company shall impose a penalty, as provided in Fee, Charges and Deposits Schedule, on the concerned Non- Broker Clearing Member or the PCM, TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member as the case may be in accordance with the Procedures.</p> <p>(c) the Exposure of a PCM, TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in respect of the affirmed institutional delivery system (IDS) transactions of his Non-Broker Clearing Member client(s) shall be reduced to the extent of such IDS transactions provided that</p>	<p>limited custody), TSSB &amp; TCSB Clearing Member as per their instructions in terms of these Regulations and Procedures. Further, the Non-Broker Clearing shall be required to affirm the IDS transaction(s) initiated by PCM and/or TCSB Clearing Member on behalf of its Associated Entities and its Clients and per the terms and conditions prescribed in the Procedures. The Custodian Clearing Members shall be required to affirm their initiated IDS transaction(s) on behalf of their clients after successful pre-matching which are executed by the respective TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Members as per the instructions of clients in terms of these Regulations and Procedures. Whereas, CDC, being a Non-Broker Clearing Member, shall also be required to affirm auto-initiated IDS transaction(s) of its clients which are executed by the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in terms of these Regulations and Procedures made there under. Further, asset management companies, being a Non-Broker Clearing Member, shall also be required to affirm auto-initiated IDS transaction(s) of its eligible collective investment schemes which are executed by the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in terms of these Regulations and Procedures. Accordingly, the Company shall manage the risk of its Non-Broker Clearing Members in terms of this Chapter in respect of the IDS transactions affirmed by such Clearing Members in order to monitor and mitigate the risks arising out of such affirmed IDS transactions. In case an auto-initiated IDS transaction is not affirmed or is rejected by the Non-Broker Clearing Member <b><u>and / or Non-Broker Debt Market Clearing Member</u></b>, the Company shall impose a penalty, as provided in Fee, Charges and Deposits Schedule on the concerned Non- Broker Clearing Member <b><u>and / or Non-Broker Debt Market Clearing Member</u></b> or the PCM, TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member as the case may be in accordance with the Procedures.</p> <p>(c) the Exposure of a PCM, TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in respect of the affirmed institutional delivery system (IDS) transactions of his Non-Broker Clearing Member client(s) shall be reduced to the extent of such IDS transactions provided that</p>	

Existing Regulations	Proposed Regulations	Rationale
<p>such affirming Non-Broker Clearing Members have duly deposited the Exposure Margins and Mark-to Market Losses to the Company in accordance with these Regulations. However, in case of IDS transactions affirmed by the asset management companies carried out on behalf of the eligible collective investment schemes under their management, the exposure of the PCM, TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member shall be reduced only to the extent of the transactions that have been allocated to the respective eligible collective investment scheme by the asset management company and the related margins have been duly deposited by the relevant collective investment scheme with the Company. Asset management company shall be responsible for ensuring that all IDS transactions affirmed by it are accurately allocated to eligible collective investment scheme within the Designated Time Schedule. Provided that un-affirmed/rejected IDS transactions shall be the proprietary trades of the PCM, TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in the same Market and shall be included while calculating Exposure and relevant Margins of the PCM, TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member.</p> <p>(d) The Exposure of a TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in respect of the affirmed IDS transactions pertaining to clients of Custodian Clearing Member shall be reduced to the extent of such affirmed IDS transactions against which applicable margins have been either deposited from the account(s) of respective client(s) or by the Custodian Clearing Member on behalf of its clients to the Company in accordance with the Procedures. The Custodian Clearing Members after affirming the IDS transaction shall be depositing the applicable margins in the form of acceptable Market Collateral with the Company within the Designated Time Schedule. Provided that those IDS transactions against which margins have not been deposited to the Company by Custodian Clearing Member which is not eligible to provide Standing Instruction, the respective TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Members shall continue to be responsible for requisite margins and risk management in respect of such trades in</p>	<p>such affirming Non-Broker Clearing Members have duly deposited the Exposure Margins and Mark-to Market Losses to the Company in accordance with these Regulations. However, in case of IDS transactions affirmed by the asset management companies carried out on behalf of the eligible collective investment schemes under their management, the exposure of the PCM, TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member shall be reduced only to the extent of the transactions that have been allocated to the respective eligible collective investment scheme by the asset management company and the related margins have been duly deposited by the relevant collective investment scheme with the Company. Asset management company shall be responsible for ensuring that all IDS transactions affirmed by it are accurately allocated to eligible collective investment scheme within the Designated Time Schedule. Provided that un-affirmed/rejected IDS transactions shall be the proprietary trades of the PCM, TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in the same Market and shall be included while calculating Exposure and relevant Margins of the PCM, TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member.</p> <p>d) The Exposure of a TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in respect of the affirmed IDS transactions pertaining to clients of Custodian Clearing Member shall be reduced to the extent of such affirmed IDS transactions against which applicable margins have been either deposited from the account(s) of respective client(s) or by the Custodian Clearing Member on behalf of its clients to the Company in accordance with the Procedures. The Custodian Clearing Members after affirming the IDS transaction shall be depositing the applicable margins in the form of acceptable Market Collateral with the Company within the Designated Time Schedule. Provided that those IDS transactions against which margins have not been deposited to the Company by Custodian Clearing Member which is also not eligible to provide Standing Instruction, the respective TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Members shall continue to be responsible for requisite margins and risk management in respect of such</p>	



Existing Regulations	Proposed Regulations	Rationale
<p>accordance with these Regulations up to the time that such trades are settled by respective Custodian Clearing Members through NCSS subject to the clause 13.2.1 of the Chapter 13 of these Regulations.</p> <p>Provided that un-affirmed/rejected IDS transactions shall be the proprietary trades of the initiating the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in the same market and shall be included while calculating Exposure and relevant margins of the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member.</p> <p>(e) The Custodian Clearing Members shall deposit to the Company the margins applicable on affirmed IDS transactions either to the extent such margins are available from the respective client, or may provide the margins to the Company on behalf of its clients in such form of Market Collateral as specified in schedule II of this Chapter.</p> <p>(f) the Exposure of a TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in respect of the affirmed NCS Transactions shall also be reduced to the e the TOSB (keeping limited custody), TSSB &amp; TCSB extent of such NCS Transactions. Provided that un-affirmed/rejected NCS Transactions shall remain in the account of the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in the same market and included while calculating Exposure and relevant Margins of the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member.</p> <p><b>12.5 EXPOSURE MARGINS:</b> <b>12.5.1 Margin requirements:</b></p> <p>(a) All trades/transactions 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 Company may, with the prior approval of the Commission, prescribe from time to time in addition hereto.</p> <p>(b) However, the total Margins requirements (including initial Margins, concentration Margins and/or special Margins)</p>	<p>trades in accordance with these Regulations up to the time that such trades are settled by respective Custodian Clearing Members through NCSS subject to the clause 13.2.1 of the Chapter 13 of these Regulations.</p> <p>Provided that un-affirmed/rejected IDS transactions shall be the proprietary trades of the initiating the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in the same market and shall be included while calculating Exposure and relevant margins of the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member.</p> <p>(e) The Custodian Clearing Members shall deposit to the Company the margins applicable on affirmed IDS transactions either to the extent such margins are available from the respective client, or may provide the margins to the Company on behalf of its clients in such form of Market Collateral as specified in schedule II of this Chapter.</p> <p>(f) the Exposure of a TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in respect of the affirmed NCS Transactions shall also be reduced to the e the TOSB (keeping limited custody), TSSB &amp; TCSB extent of such NCS Transactions. Provided that un-affirmed/rejected NCS Transactions shall remain in the account of the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member in the same market and included while calculating Exposure and relevant Margins of the TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member.</p> <p><b>12.5 EXPOSURE MARGINS:</b> <b>12.5.1 Margin requirements:</b></p> <p>(a) All trades/transactions 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 Company may, with the prior approval of the Commission, prescribe from time to time in addition hereto.</p> <p>(b) However, the total Margins requirements (including initial Margins, concentration Margins and/or special Margins)</p>	<p>1. To reduce the exposure margin rates prescribed for GDS.</p>

Existing Regulations	Proposed Regulations	Rationale
<p>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.</p> <p>(c) Pre-Settlement under Ready Delivery Contract Market, GEM, Debt Market, GDS Market or Deliverable Futures Contract Market:</p> <p>In case where a UIN-wise net-seller in a Security deposits the net-sold deliveries and/or net-buyer in a Security deposits net cash against such net-buy with the Company, all his Margin requirements and Mark-to-Market Losses/Profits to the extent of such pre-settlement shall not be taken into account by the Company, while calculating such Clearing Member's Capital Adequacy limits and Margin requirements for respective Market. The pre-settlement delivery mechanism shall be managed by the Company in accordance with the Procedures.</p> <p>(d) The SLB Participants shall deposit Exposure Margins in respect of their SLB Transaction on the day that the same is executed. Upon settlement of the SLB Transaction, the VaR based Exposure Margins shall be collected till settlement of SLB (R) Transaction. Further, in case of IDS SLB Transactions, the Exposure Margin with respect to all affirmed IDS SLB Transactions and till the settlement of auto affirmed SLB(R) Transaction shall be deposited by the affirming Non - Broker Clearing Member SLB Participant.</p> <p>(e) All trades in any MT Eligible Security shall be subject to the Margin requirements prescribed in these Regulations or such other additional Margins in this regard as the Company may, with the prior approval of the Commission, from time to time prescribe in addition thereto.</p> <p>(f) In case of Debt Market, the Exposure Margins shall be calculated on the following rule based Margin slabs:</p>	<p>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.</p> <p>(c) Pre-Settlement under Ready Delivery Contract Market, GEM, Debt Market, GDS Market or Deliverable Futures Contract Market:</p> <p>In case where a UIN-wise net-seller in a Security deposits the net-sold deliveries and/or net-buyer in a Security deposits net cash against such net-buy with the Company, all his Margin requirements and Mark-to-Market Losses/Profits to the extent of such pre-settlement shall not be taken into account by the Company, while calculating such Clearing Member's Capital Adequacy limits and Margin requirements for respective Market. The pre-settlement delivery mechanism shall be managed by the Company in accordance with the Procedures.</p> <p>(d) The SLB Participants shall deposit Exposure Margins in respect of their SLB Transaction on the day that the same is executed. Upon settlement of the SLB Transaction, the VaR based Exposure Margins shall be collected till settlement of SLB (R) Transaction. Further, in case of IDS SLB Transactions, the Exposure Margin with respect to all affirmed IDS SLB Transactions and till the settlement of auto affirmed SLB(R) Transaction shall be deposited by the affirming Non - Broker Clearing Member SLB Participant.</p> <p>(e) All trades in any MT Eligible Security shall be subject to the Margin requirements prescribed in these Regulations or such other additional Margins in this regard as the Company may, with the prior approval of the Commission, from time to time prescribe in addition thereto.</p> <p>(f) In case of Debt Market, the Exposure Margins shall be calculated on the following rule based Margin slabs:</p>	<p>2. Further, to remove the requirement for collecting exposure margins from the brokers Debt Market Clearing Members with respect to IDS transactions carried out by it on behalf of a Bank, Development Financial Institution and / or a collective investment scheme that is a non-broker debt market clearing member of the Company.</p> <p>3. To include provisions, whereby, if such transactions are rejected, they will be reverted to initiating broker and it shall also be responsible for paying affirmation failure charges at the rates prescribed in the Procedures.</p>

Existing Regulations		Proposed Regulations		Rationale																						
<b>Issue Size of Listed Debt Market Securities</b>	<b>Margin% on Exposure</b>	<b>Issue Size of Listed Debt Market Securities</b>	<b>Margin% on Exposure</b>	4. To include measures to discipline trading activity by imposing affirmation failure charges.																						
Up to Rs.1 billion	1%	Up to Rs.1 billion	1%																							
Between Rs.1 billion and Rs.3 billion	1.5%	Between Rs.1 billion and Rs.3 billion	1.5%																							
Above Rs. 3 billion	2%	Above Rs. 3 billion	2%																							
(g) In case of GDS Market, the Exposure Margins shall be calculated on the following rule based Margin slabs:		(g) In case of GDS Market, the Exposure Margins shall be calculated on the following rule based Margin slabs:		5. Text improvement																						
<table border="1"> <thead> <tr> <th>For GDS (based on remaining maturity days)</th> <th>% Margin</th> </tr> </thead> <tbody> <tr> <td>≤ 1 year</td> <td>0.5%</td> </tr> <tr> <td>&gt;1 year and ≤ 3 years</td> <td>1%</td> </tr> <tr> <td>&gt;3 years and ≤ 5 years</td> <td>1.5%</td> </tr> <tr> <td>&gt; 5 years and ≤ 10 years</td> <td>2%</td> </tr> <tr> <td>&gt; 10 years</td> <td>2.5%</td> </tr> </tbody> </table>	For GDS (based on remaining maturity days)	% Margin	≤ 1 year		0.5%	>1 year and ≤ 3 years	1%	>3 years and ≤ 5 years	1.5%	> 5 years and ≤ 10 years	2%	> 10 years	2.5%	<table border="1"> <thead> <tr> <th>For GDS (based on remaining maturity days)</th> <th>% Margin</th> </tr> </thead> <tbody> <tr> <td>≤ 1 year</td> <td><del>0.5%</del>-0.25%</td> </tr> <tr> <td>&gt;1 year and ≤ 3 years</td> <td><del>1%</del>-0.5%</td> </tr> <tr> <td>&gt;3 years and ≤ 5 years</td> <td><del>1.5%</del>-0.75%</td> </tr> <tr> <td>&gt; 5 years and ≤ 10 years</td> <td><del>2%</del>-1.0%</td> </tr> <tr> <td>&gt; 10 years</td> <td><del>2.5%</del>-1.25%</td> </tr> </tbody> </table>	For GDS (based on remaining maturity days)	% Margin	≤ 1 year	<del>0.5%</del> -0.25%	>1 year and ≤ 3 years	<del>1%</del> -0.5%	>3 years and ≤ 5 years	<del>1.5%</del> -0.75%	> 5 years and ≤ 10 years	<del>2%</del> -1.0%	> 10 years	<del>2.5%</del> -1.25%
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<b><u>New Insertion</u></b>		<p><b><u>Provided in case of GDS Market, where trades and transactions are executed by the Broker Debt Market Clearing Member for a bank, development financial institution and/ or a collective investment scheme that has been admitted by the Company as a Non-Broker Debt Market Clearing Member, the Non-Exchange IDS transactions initiated by such Broker Debt Market Clearing Member against these trades shall be assumed pre-affirmed IDS Transactions and such Broker Debt Market Clearing Member shall not be required to deposit exposure margins and mark-to-market losses with respect to any such trade or transaction.</u></b></p> <p><b><u>Provided further, that if such transactions are either rejected or remain un-affirmed by the concerned Non-Broker Debt Market Clearing Member, under such circumstances the trades shall be reverted back to the initiating Broker Debt Market Clearing Member and it shall be liable to deposit the exposure margin and mark-to-market losses with respect to such trades within the time specified in Designated Time Schedule.</u></b></p> <p><b><u>On failure of the Broker Debt Market Clearing Member to deposit the exposure margin and mark-to market losses against the rejected or un-affirmed IDS Transactions in GDS, the</u></b></p>																								

Existing Regulations	Proposed Regulations	Rationale
<p><b>12.7.19</b> On the occurrence of a failure by a Debt Market Clearing Member to fulfill his Margin and/or Mark to-Market Losses requirements within the period stipulated for this purpose in this Chapter, the Company may issue a notice to such Debt Market Clearing Member and take action in the following manner:</p> <p>(a) in case Securities Broker Debt Market Clearing Member:</p> <p>The notice, as mentioned above, shall also be sent to the Exchange. Upon receipt of such notice, such Securities Broker Debt Market Clearing Member shall be required to deposit required Market Collateral within the time specified in the said notice. In case where such Securities Broker Debt Market Clearing Member fails to deposit required Market Collateral within the time specified in the said notice, such Securities Broker Debt Market Clearing Member shall be required to identify the defaulted UIN. Accordingly, the Company shall restrict such UIN's access and ability to take any further Position in the Debt Market and / or GDS Market.</p> <p>(b) In case non-broker Debt Market Clearing Member:</p> <p>Upon receipt of such notice, such non-broker Debt Market Clearing Member shall be required to deposit required Margins and/or Mark-to-Market Losses within the time specified in the said notice. In case where such non-broker Debt Market Clearing Member fails to deposit within the time specified in the said notice, the Company shall restrict UIN of such non-broker Debt Market Clearing Member's access and ability to take any further Position in the Debt Market and / or GDS Market.</p>	<p><u>Company shall take appropriate action in accordance with Chapter 12 of these Regulations. Additionally, such initiating Broker Debt Market Clearing Member shall be liable to pay affirmation failure charges at the rates prescribed by the Company in the Procedures. Any failure or delay in depositing the affirmation failure charges shall be dealt with in accordance with the manner prescribed in the Procedures / Joint Procedures.</u></p> <p><b>12.7.19</b> On the occurrence of a failure by a Debt Market Clearing Member to fulfill his Margin and/or Mark to-Market Losses requirements within the period stipulated for this purpose in this Chapter, the Company may issue a notice to such Debt Market Clearing Member and take action in the following manner:</p> <p>(a) in case Securities Broker Debt Market Clearing Member:</p> <p>The notice, as mentioned above, shall also be sent to the Exchange. Upon receipt of such notice, such Securities Broker Debt Market Clearing Member shall be required to deposit required Market Collateral within the time specified in the said notice. In case where such Securities Broker Debt Market Clearing Member fails to deposit required Market Collateral within the time specified in the said notice, such Securities Broker Debt Market Clearing Member shall be required to identify the defaulted UIN. Accordingly, the Company shall restrict such UIN's access and ability to take any further Position in the Debt Market and / or GDS Market.</p> <p>(b) In case non-broker Debt Market Clearing Member:</p> <p>Upon receipt of such notice, such non-broker Debt Market Clearing Member shall be required to deposit required Margins and/or Mark-to-Market Losses within the time specified in the said notice. In case where such non-broker Debt Market Clearing Member fails to deposit within the time specified in the said notice, the Company shall restrict UIN of such non-broker Debt Market Clearing Member's access and ability to take any further Position in the Debt Market and / or GDS Market.</p>	

Existing Regulations	Proposed Regulations	Rationale
<p>In case of PCM:</p> <p>(c) The notice, as mentioned above, shall also be sent to the Exchange. Upon receipt of such notice, such Clearing Member shall be required to deposit required Market Collateral within the time specified in the said notice. In case where such Clearing Member fails to deposit required Market Collateral within the time specified in the said notice, such Clearing Member shall be required to identify the defaulted UIN. Accordingly, the Company shall restrict such UIN's access and ability to take any further Position in the Debt Market and / or GDS Market.</p> <p>(d) Such restriction as mentioned in (a), (b) and (c) above shall remain in place till the settlement of the relevant trade on the Settlement Date. In case of default occurring in fulfillment of the settlement obligation on such Settlement Date, the Company shall take action as per the Regulation 12.7.20 of this Chapter.</p> <p><b>12.7.20 Failure by a Debt Market Clearing Member to meet Trade-for-Trade settlement obligation</b></p> <p>(a) In case where Debt Market Clearing Member fails to settle its money obligation, the relevant trade (s) shall be closed-out at the Trade Price of such trade(s). However, in case of partial payment, close-out process shall only be applicable on the basis on conditions explained in Regulation 10A.1.1(h) of Chapter 10A of these Regulations; and</p> <p>(b) In case where Debt Market Clearing Member fails to settle its Securities delivery obligation in full or partial, the relevant trade(s) shall be closed-out at the Trade Price of such trade(s). However, in case of partial delivery, closed-out process shall only be applicable on the basis on conditions explained in Regulation 10A.1.1(h) of Chapter 10A of these Regulations.</p> <p><b>12.7.21</b> The above mentioned close-out proceedings shall be executed in the following manner:</p>	<p>In case of <u>Professional Clearing Member</u> "PCM":</p> <p>(c) The notice, as mentioned above, shall also be sent to the Exchange. Upon receipt of such notice, such <del>PCM Clearing Member</del> shall be required to deposit required Market Collateral within the time specified in the said notice. In case where such <del>PCM Clearing Member</del> fails to deposit required Market Collateral within the time specified in the said notice, such Clearing Member shall be required to identify the defaulted UIN. Accordingly, the Company shall restrict such UIN's access and ability to take any further Position in the Debt Market and / or GDS Market.</p> <p>(d) Such restriction as mentioned in (a), (b) and (c) above shall remain in place till the settlement of the relevant trade on the Settlement Date. In case of default occurring in fulfillment of the settlement obligation on such Settlement Date, the Company shall take action as per the Regulation 12.7.20 of this Chapter.</p> <p><b>12.7.20 Failure by a Debt Market Clearing Member to meet Trade-for-Trade settlement obligation</b></p> <p>(a) In case where Debt Market Clearing Member fails to settle its money obligation, the relevant trade (s) shall be closed-out at the Trade Price of such trade(s). However, in case of partial payment, close-out process shall only be applicable on the basis <b>and</b> on conditions explained in Regulation 10A.1.1(h) of Chapter 10A of these Regulations; and</p> <p>(b) In case where Debt Market Clearing Member fails to settle its Securities delivery obligation in full or partial, the relevant trade(s) shall be closed-out at the Trade Price of such trade(s). However, in case of partial delivery, closed-out process shall only be applicable on the basis on conditions explained in Regulation 10A.1.1(h) of Chapter 10A of these Regulations.</p> <p><b>12.7.21</b> The above mentioned close-out proceedings shall be executed in the following manner:</p>	

Existing Regulations	Proposed Regulations	Rationale
<p>(a) In case where Exposure Margins are deposited by the defaulting Debt Market Clearing Member, the relevant trade(s) shall be closed-out at the Trade Price of defaulted trade along with the said Exposure Margins with the Company;</p> <p>(b) In case where partial Exposure Margins are deposited by the defaulting Debt Market Clearing Member, the relevant trade(s) shall be closed-out at the Trade Price of defaulted trade(s) along with the proportionate allocation of such partial Exposure Margins; and</p> <p>(c) In case where no Exposure Margins are deposited by the defaulting Debt Market Clearing Member, the relevant trade(s) shall be closed-out at the Trade Price of defaulted trade(s) only.</p> <p>Provided that for GDS, the Company shall prescribe the proportionate allocation of Exposure Margin in accordance with the manner and subject to Terms and Conditions as are prescribed in the Procedures.</p> <p><b><u>New Insertion</u></b></p> <p><b>12.7.22</b> The following penalties shall be imposed by the Company in case of default of a Debt Market Clearing Member:</p> <p>(a) The defaulted UIN, as identified by the Debt Market Clearing Member in Regulation 10A.1.1 (h) of Chapter 10A of these Regulations, shall be restricted from taking any new Position in the Debt Market and / or GDS Market for a period of six months.</p> <p>(b) In case of more than one default by the same UIN with the same Debt Market Clearing Member, such Debt Market Clearing Member shall also be restricted from taking any new Position in the Debt Market and / or GDS Market for a period of six months.</p>	<p>(a) In case where Exposure Margins are deposited by the defaulting Debt Market Clearing Member, the relevant trade(s) shall be closed-out at the Trade Price of defaulted trade along with the said Exposure Margins with the Company;</p> <p>(b) In case where partial Exposure Margins are deposited by the defaulting Debt Market Clearing Member, the relevant trade(s) shall be closed-out at the Trade Price of defaulted trade(s) along with the proportionate allocation of such partial Exposure Margins; and</p> <p>(c) In case where no Exposure Margins are deposited by the defaulting Debt Market Clearing Member, the relevant trade(s) shall be closed-out at the Trade Price of defaulted trade(s) only.</p> <p>Provided that for GDS, the Company shall prescribe the proportionate allocation of Exposure Margin, <b><u>where applicable</u></b>, in accordance with the manner and subject to Terms and Conditions as are prescribed in the Procedures.</p> <p><b><u>Provided further, that the Company shall impose a settlement obligation failure charges on all such Debt Market Clearing Members at the rate and subject to terms and conditions as defined in the Procedure / Joint Procedures.</u></b></p> <p><b>12.7.22</b> The following penalties, <b><u>in addition to the charges prescribed in Regulations 12.7.21 above</u></b>, shall be imposed by the Company in case of default of a Debt Market Clearing Member:</p> <p>(a) The defaulted UIN, as identified by the Debt Market Clearing Member in Regulation 10A.1.1 (h) of Chapter 10A of these Regulations, shall be restricted from taking any new Position in the Debt Market and / or GDS Market for a period of six months.</p> <p>(b) In case of more than one default by the same UIN with the same Debt Market Clearing Member, such Debt Market Clearing Member shall also be restricted from taking any new Position in the Debt Market and / or GDS Market for a period of six months.</p>	

Schedule-II - **Proposed**

**FORM OF EXPOSURE MARGINS, MARK-TO-MARKET LOSSES, SPECIAL MARGINS, CONCENTRATION MARGINS, LIQUIDITY MARGINS AND ADDITIONAL MARGINS DEPOSITS**

SR NO.	MARKET	EXPOSURE MARGINS	MARK-TO-MARKET LOSSES	SPECIAL MARGIN	CONCENTRATION MARGINS	LIQUIDITY MARGINS	ADDITIONAL MARGINS
9	Debt Market and GDS Market)	Cash, Near Cash Instruments and/or Bank Guarantee/and/ or Standing Instructions <b>(refer note 3) /irrevocable undertaking (refer note 3a)</b>	Cash <del>and</del> / Standing Instructions <b>(refer note 3) / irrevocable undertaking (refer note 3a)</b>	Not applicable	Not applicable	Not applicable	Not applicable

Note:

A. General:

3. Standing Instruction shall be an acceptable form of collateral only from following Clearing Members:

- a. Custodian Clearing Member(s) that are clearing and settling trades and transactions of its clients that are foreign investors and meeting any other terms and conditions as may be prescribed by the Company from time to time. The Company shall have absolute discretion to determine the Custodian Clearing Members eligible for providing Standing Instructions and may impose any condition, considered expedient, before accepting Standing Instruction from a Custodian Clearing Member.
- b. Banks and development financial institutions admitted as **Debt Market** Clearing Members **only** with respect to trades and transactions carried out in **Debt Market / GDS Market**.

**3a. The irrevocable undertaking shall be an acceptable form of collateral from the collective investment schemes that have been admitted as a Non-Broker Debt Market Clearing Member only with respect to trades and transactions carried out in Debt Market / GDS Market.**

**3b. No margin or MTM loss shall be collected with respect to trades carried out in the Debt / GDS Market based on T+0 settlement cycle.**