

# 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

**Bilal Farooq Zardi**  
Secretary General

Ref: PSBA/N0122-01

January 6, 2022

**MR. MUHAMMAD LUKMAN**  
Chief Executive Officer  
National Clearing Company of Pakistan Ltd  
Karachi.

Subject: **EXPOSURE/MARGIN REQUIREMENT**

Dear Sir,

Concerning the subject captioned above, we have been approached by some of our members with a request to seek clarification from the National Clearing Company (NCCPL) on the exposure regime for Deliverable Futures Contract (DFC) market. They have informed us that currently where the position is fully squared, the client wise exposures continue to hold by NCCPL on the pretext that the volumes based trade/transaction is squared, however, value-based trade/transaction is yet to be settled, hence, the client wise exposure cannot be released till the time the value-based trade/transaction is fully matured. It may please be noted that Mark to Market Losses are being collected, and according to the practice, there is no risk on the settled positions for which we should hold discussed exposures, which not only creates difficulties for Clearing Member on its business operations but also affects to their Liquid Capital (LC) badly.

Pertinently, please refer to the definition of Exposure as given in NCCPL Regulations, 2015, which is reproduced below:

**QUOTE:**

**Exposure:** *means at any given point in time, Security-wise and client-wise cumulative net un-settled amount of purchases and sales, of a Clearing Member (including proprietary trades) under All Markets determined in accordance with this Chapter.*

**UNQUOTE:**

It is clearly mentioned in the above definition that the exposure is required to be maintained at any given point in time for the **un-settled amount** of purchases and sales of a Clearing Member. Therefore, there is no sense in continuing to hold the exposures where the position is fully squared off.

It is also imperative to mention here that when a client squares its position whether long or short, in the event of loss, the respective amount is immediately called for from the Clearing Member. And, in the event of profit, 50% or less is given in the next day, however, 50% or more is held till the settlement date. The question is as to why the amount of exposure is being held till the end of the contract which reduces the capacity of doing business.

Given the above, we request that the concern of our members may please be addressed positively and the required directions may please be given so that the practice is revised accordingly by the respective department(s).

In case of any clarification/discussion regarding the matter, we are available for a meeting at the date and time to be decided.

Best Regards,

Cc: **Mr. Aamir Khan** – Chairman – SECP.



ISO 27001 Certified



ISO 22301 Certified

**Ref: NCCPL/RMD/002/2022**

Date: January 12, 2022

Mr. Bilal Farooq Zardi  
Secretary General /CEO  
Pakistan Stock Brokers Association  
Mezzanine Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi

**Re: Exposure/Margin Requirement**

Dear Sir,

This is with reference to your letter number PSBA/N0122-01 dated January 06, 2022 on the above cited subject matter. In this regard, it may please be noted that exposure margin is collected only with respect to the money value of the squared transaction in deliverable futures contracts that will be settled on its maturity date.

You would agree that this amount is significantly lower than actual amount of transaction, therefore, the exposure margin demand is much lower. The securities brokers do have to meet the settlement obligation with respect to money value of the squared transaction in DFC contract on the maturity date therefore, exposure margins are demanded to ensure seamless settlement in case of any failure to meet the settlement obligation.

However, we do agree that MtM losses are collected in full with respect to such squared positions in DFC contracts therefore, the risk is mitigated to an acceptable level and further 50% of the profit is retained. Taking cognizance from the above explained factors, Risk Committee of National Clearing Company of Pakistan Limited in its 16th meeting held on October 05, 2020 has concluded and approved that not only exposure margins but liquidity and concentration margins as well would not be charged on ready and futures market contracts where exposure in terms of quantity is netted to zero for same UIN and settlement date.

The implementation of the above prescribed change was initiated, however, due to introduction of New Trading System, implementation of the proposed change was withheld as it would require certain changes in in the pre-trade margining system maintained by PSX.

We have again taken-up the matter with PSX and shall implement it as early as possible. The Risk Management System of NCCPL has already been updated to accommodate the proposed change. We will keep you posted on the progress of the matter.

If you would like to schedule a meeting for discussing this matter any further, we are available at your convenience. For any further information please feel free to contact the undersigned.

Yours truly,

**Kashif Alam Khan**  
Chief Risk Officer

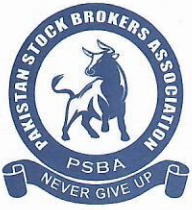
CC: Mr. Aamir Khan – Chairman SECP

12/01/22  
04:45pm

**NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED**

8<sup>th</sup> Floor, Stock Exchange Building, Stock Exchange Road, Karachi-74000 Pakistan.

Tel: (92-21) 32460811-19 Fax: (92-21) 32460827 Website: www.nccpl.com.pk



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*Bilal Farooq Zardi*  
*Secretary General*

Ref: PSBA/N0122-02

January 19, 2022

**MR. MUHAMMAD LUKMAN**  
Chief Executive Officer  
National Clearing Company of Pakistan Ltd  
Karachi.

Subject: **EXPOSURE/MARGIN REQUIREMENT**

Dear Sir,

Thank you for your letter NCCPL/RMD/002/2022 dated January 12, 2022, which is in response to our letter PSBA/N0122-01 dated January 6, 2022, wherein, you have apprised us that the matter is already under consultation.

A bare reading of your letter reflects that you are already aware with the gravity of the matter, agreed that the practice requires changes, hence, the matter has again been taken up with Pakistan Stock Exchange (PSX) to implement the proposed changes as early as possible.

In this context, it is to request that the correspondence/working paper made/shared with the Exchange may also be shared with the Association so that we all may put our efforts to get the job done at our earliest in order to facilitate the brokers, and the hurdles in their capacity of doing business are removed.

Subsequently, we would be pleased to schedule a meeting for further discussion and removal of apprehensions, if any.

Look forward to your positive response.

Best Regards,

Cc: **Mr. Aamir Khan** – Chairman – SECP.  
**Mr. Kashif Alam** – Chief Risk Officer – NCCPL.