



## 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.

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PSBA/Notice-149  
2024

May 07,

### NOTICE FOR MEMBERS

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

Dear Members,

This is in reference to the notification NCCPL/CM/MAY-24/01. - dated May 06, 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](mailto:psamail024@gmail.com) latest by **May 10, 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/MAY-24/01

May 6, 2024

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

Dear Clearing Members,

Please find enclosed herewith the following draft of Proposed Amendment in the NCCPL Regulations, 2015, which is self-explanatory, for Public Comments:

- A. NCCPL Regulations, 2015 Pertaining to Margin Eligible Securities “MES”
- B. NCCPL Regulations, 2015 Pertaining To Liquid Capital “LC” Monitoring For Debt Market Clearing Members
- C. NCCPL Regulations, 2015 Pertaining To Payment of Exposure Margins in the Form of Bank Cheque
- D. NCCPL Regulations, 2015 Pertaining to Securities Accepted as Collateral in Deliverable Futures Contract Market “DFC”

In this regard, all concerned are hereby requested to submit your Comments as per the Amendments 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

**A. PROPOSED AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO MARGIN ELIGIBLE SECURITIES “MES”**

**BACKGROUND:**

The MES are selected based on data received from PSX. The criteria are comprehensive taking into account many quantitative and qualitative factors. The starting point for determination of MES is the selection of top 200 securities based on free float and turnover in preceding six months. The selected securities are further segregated in Category A and B securities using Impact Cost and Trading History as one of the factors. It is pertinent to mention that Value at Risk “VaR” computation also utilizes the impact cost and trading history as one of the factors to determine the final VaR of a security for collection of exposure margin.

The matter was reviewed and it was proposed that impact cost used for computing VaR should also be utilized for MES selection and categorization.

The following key changes have been proposed in NCCPL Regulations, 2015 to revise the selection Criteria prescribed for MES:

Existing MES Criteria	Proposed MES Criteria
<p><b>Maximum Number of shares:</b></p> <p>All Top 200 book-entry shares will be selected by giving 50% Weight to Average Daily free float market capitalization and 50% weight to average daily turnover during the previous six (6) months.</p>	<p><b>Maximum Number of shares:</b></p> <p>All Securities falling under VaR based Category A and Category B as prescribed in Regulation 12.5.2(a) on the last trading day of the month prior to the Eligibility Review will be selected.</p>
<p><b>Impact Cost:</b></p> <p>(Category A): Shares that have average daily Impact Cost of Less than 1% during the previous six months.</p> <p>(Category B): Shares that have average daily Impact Cost of Less than 2% during the previous six months.</p>	<p>This requirement will be removed.</p> <p>The VaR based categories take into account the impact cost. As per Regulations, 12.5.2 of NCCPL Regulations, 2015, securities falling under VaR based Category A are required to have an impact cost of less than or equal to 1 and for Category B, less than or equal to 2.</p>
<p><b>Trading history:</b></p> <p>(Category A): Shares that have traded at least 90% of the trading days during last six months.</p> <p>(Category B): Shares that have traded at least 80% of the trading days during last six months.</p>	<p>This requirement will be removed.</p> <p>This requirement is already covered in Regulations 12.5.2 of NCCPL Regulations, 2015 for VaR based Categories. For shares falling in VaR based Categories A and B, it is required that such shares have traded equal to or greater than 80% of the trading days during the preceding 6 months.</p>

All other factors, except for those highlighted above, applied for further shortlisting the securities will remain applicable.

**RATIONALE:**

Following are the key factors taken into consideration for proposing the changes in the MES selection criteria:

- VaR model adequately takes into account the liquidity of a security by not only including the impact cost of stocks in isolation but also the actual trading days.
- VaR model is tested, back tested by not only NCCPL but by multiple external entities including educational institutions like IBA and no errors were reported in the model.
- Selection criteria for DFC and MTS have already been revised and impact cost is no longer used.

**IMPACT:**

- As on March 31, 2024, based on existing criteria, the total securities accepted as MES are 91. Based on the proposed MES criteria, the total number of securities that could be accepted as MES shall be 90 securities out of total 543 listed securities. Therefore, the revision in MES selection criteria will not have any significant impact on the market participants.
- The proposed amendments will lead to synchronization of the data used for computing various risk related factors and will further simplify the MES selection process.

**TIME PERIOD:**

These amendments have been approved by the NCCPL Board and are placed on NCCPL's website for seeking public comments for a period of 7 Days ending on May 13, 2024.

**GUIDELINES FOR SUBMISSION OF PUBLIC COMMENTS:**

NCCPL invites all stakeholders to provide their comments on the proposed amendments in NCCPL Regulations, 2015.

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 period mentioned above, 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.

**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.

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**For Regulatory Amendments, Please Refer Annexure-I**

## B. PROPOSED AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO LIQUID CAPITAL “LC” MONITORING FOR DEBT MARKET CLEARING MEMBERS

### **BACKGROUND:**

NCCPL provides clearing, settlement and risk management services for trades and transactions executed in the Debt Market. Similar to equity market, the exposure in Debt Market is allowed as a multiple of Liquid Capital “LC” balance. The Securities Brokers that are taking exposure in Ready and Debt Market are required to allocate LC amount that should be used for allowing exposure in each market. A Securities Broker can take exposure up to 10 times (15 times for Professional Clearing Member and Trading and Clearing Broker) of its allocated LC balance in Debt Market, however, total exposure in equity, debt and other markets cannot exceed 25 times of LC.

As per the NCCPL Regulations, 2015, the exposure limits are required to be monitored on a pre-trade basis, however, considering the facts that very low trading is witnessed in Debt Market, settlement is done on trade-for-trade basis and trades are also not novated (i.e. not accepted for guaranteed settlement), it has been proposed to remove the requirement for pre-trade monitoring. Furthermore, the overall open exposure limit of 25 times of LC in all markets shall also not be made applicable for Debt Market.

### **RATIONALE:**

Following are the key factors taken into consideration for proposing the changes relating to pre-trade monitoring in the Debt Market:

- All the trades in the Debt Market are settled on trade-for-trade basis whereby upon failure of a party to meet its settlement obligation, the trades are closed out as per the mechanism prescribed in the NCCPL Regulations, 2015.
- The GDS Market has already been excluded in terms of exposure limits prescribed in the Schedule – II of NCCPL Regulations, 2015.
- Pre-trade exposure monitoring for Debt Market is also not observed to be a widely implemented practice in other comparable capital markets.
- To mitigate the risk, post trading, measures can be prescribed to ensure disciplined trading activities.

### **IMPACT:**

It shall allow the Debt Market Clearing Members to trade freely in the Debt Market. Further, it will also lead to simplification of risk related measures prescribed for debt market. Additionally, to manage and mitigate the allied risk, enabling provisions have also been proposed to take disciplinary action.

### **TIME PERIOD:**

These amendments have been approved by the NCCPL Board and are placed on NCCPL’s website for seeking public comments for a period of 7 Days ending on May 13, 2024.

### **GUIDELINES FOR SUBMISSION OF PUBLIC COMMENTS:**

NCCPL invites all stakeholders to provide their comments on the proposed amendments in NCCPL Regulations, 2015.

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 period mentioned above, 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.

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**For Regulatory Amendments, Please Refer Annexure-II**

## C. PROPOSED AMENDMENTS IN THE NCCPL REGULATIONS, 2015 PERTAINING TO PAYMENT OF EXPOSURE MARGINS IN THE FORM OF BANK CHEQUE

### **BACKGROUND:**

At present, as per Regulation 12.5.3 of NCCPL Regulations, 2015, NCCPL is allowed to accept exposure margins and Mark-to-Market “MtM” losses in the form of bank cheque up to PKR 2.5 million. This provision was discussed and it was concluded that cheque should only be accepted under the circumstances where payments could not be made to NCCPL through any other banking channel. Further, the amount allowed to be accepted is low when compared with the amount of exposure margin and MtM losses collected from Clearing Members, therefore, these conditions need to be revisited and updated.

Accordingly, it has been proposed to allow acceptance of bank cheque only during bank holidays and to enhance prescribed limit of PKR 2.5 million to PKR 10 million.

### **RATIONALE:**

Following are the key factors taken into consideration for proposing the changes relating to payment of margins in the form of bank cheque:

- Cheques should only be accepted on bank holidays (when the securities exchange is operating) as no other acceptable mode of payment is available against the exposure margins and MtM losses, therefore, a general provision allowing acceptance of cheque up to PKR 2.5 million against exposure margins is not required.
- The cheque provided by the Clearing Member will be deposited for encashment before the opening of the market on the working day following the bank holiday, thereby, mitigating the associated risk.
- In the past, when risk management function was performed by the Securities Exchange, a limit of PKR 10 million was also prescribed.

### **IMPACT:**

The general requirement to accept cheque will be removed which will further strengthen the risk management measures. Allowing acceptance of cheque to meet margin calls during bank holidays with significantly enhanced limit will facilitate Clearing Members for trading freely during bank holidays.

### **TIME PERIOD:**

These amendments have been approved by the NCCPL Board and are placed on NCCPL’s website for seeking public comments for a period of 7 Days ending on May 13, 2024.

### **GUIDELINES FOR SUBMISSION OF PUBLIC COMMENTS:**

NCCPL invites all stakeholders to provide their comments on the proposed amendments in NCCPL Regulations, 2015.

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 period mentioned above, 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:

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- I wish to keep parts of my comments confidential.

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

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**For Regulatory Amendments, Please Refer Annexure-III**

## D. PROPOSED AMENDMENTS IN THE NCCPL REGULATIONS, 2015 PERTAINING TO SECURITIES ACCEPTED AS COLLATERAL IN DELIVERABLE FUTURES CONTRACT MARKET “DFC”

### **BACKGROUND:**

As per NCCPL Regulations, 2015, exposure margins in DFC market are collected, at minimum, 50% in cash and 50% in the form of DFC eligible securities. After revision in the criteria of DFC eligible securities implemented by PSX, the number of DFC eligible securities increased in the DFC market which also included less liquid securities.

Keeping in view this factor, it was initially proposed to accept only those DFC eligible securities as collateral that were falling in VaR based Categories A and B. The matter was again reviewed based on feedback from market participants and it was concluded that the initial proposal could lead to concentration of exposure margin in limited number of DFC eligible securities. Further, this proposal will also restrict the market participants to more actively participate in DFC market, accordingly, it was concluded that the initial proposal should be updated and changed.

Accordingly, in order to allow more flexibility to market participants to take exposure in the DFC market, avoid concentration risk and to simplify the margin regime, it is proposed that 50% exposure margin in DFC market should be allowed to be collected in the form of MES instead of DFC eligible securities.

### **RATIONALE:**

Following are the key factors taken into consideration for proposing the changes relating to securities accepted as collateral for DFC market:

- Post revision in the securities eligibility criteria prescribed for DFC market by the PSX, many less liquid securities were included in the DFC market. The proposed change will ensure that collateral is accepted in the form of such securities that are very liquid and could be liquidated close to their value in the event of default.
- It will provide market participants more options in term of depositing collateral against open exposure in the DFC Market.
- It will further simplify the margin requirements prescribed for various markets.

### **IMPACT:**

As per the initial proposal whereby DFC eligible securities falling in VaR based category A and B were to be accepted as collateral for DFC market, there were 76 securities that can be deposited as collateral. After, considering the revised proposal, this number will increase to 90 securities (based on data available as on March 31, 2024).

### **TIME PERIOD:**

These amendments have been approved by the NCCPL Board and are placed on NCCPL’s website for seeking public comments for a period of 7 Days ending on May 13, 2024.

### **GUIDELINES FOR SUBMISSION OF PUBLIC COMMENTS:**

NCCPL invites all stakeholders to provide their comments on the proposed amendments in NCCPL Regulations, 2015.

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 period mentioned above, 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>	

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- I wish to keep parts of my comments confidential.

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

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**For Regulatory Amendments, Please Refer Annexure-IV**

**PROPOSED AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO SELECTION CRITERIA OF MES**

Existing	Proposed	Rationale
<p align="center"><b>Schedule-III</b> <b>MARGIN ELIGIBLE SECURITIES</b></p> <p>1. Shares listed on Securities Exchange (shares)</p> <p>1.1 Eligibility criteria</p> <p>Eligibility criteria of Category A and Category B of shares shall include the following:</p> <p>1.1.1. Maximum Number of shares: All Top 200 book-entry shares will be selected by giving 50% Weight to Average Daily free float market capitalization and 50% weight to average daily turnover during the previous six (6) months and same will be filtered based on the following criteria:</p>	<p align="center"><b>Schedule-III</b> <b>MARGIN ELIGIBLE SECURITIES</b></p> <p>1. Shares listed on Securities Exchange (shares)</p> <p>1.1 Eligibility criteria</p> <p>Eligibility criteria of <del>Category A and Category B</del> of shares shall include the following:</p> <p>1.1.1. Maximum Number of shares: <del>All Top 200 book-entry shares will be selected by giving 50% Weight to Average Daily free float market capitalization and 50% weight to average daily turnover during the previous six (6) months</del> <u>All Securities falling under Value at Risk (VaR) based Category A and Category B as prescribed in Regulation 12.5.2(a) of these Regulations on the last trading day of the month prior to the Eligibility Review will be selected</u> and same will be filtered based on the following criteria:</p>	<p>To simplify and improve the process instead of selecting 200 securities based on free float and average daily turnover, all securities appearing in VaR based category A and B specified in Regulations 12.5.2 of these Regulations shall be selected and screened based on the prescribed quantitative and qualitative criteria.</p>
<p>a) Impact Cost:</p> <p>(Category A): Shares that have average daily Impact Cost of Less than 1% during the previous six months.</p> <p>(Category B): Shares that have average daily Impact Cost of Less than 2% during the previous six months.</p>	<p><del>a) Impact Cost:</del></p> <p><del>(Category A): Shares that have average daily Impact Cost of Less than 1% during the previous six months.</del></p> <p><del>(Category B): Shares that have average daily Impact Cost of Less than 2% during the previous six months.</del></p>	<p>The Var based categories take into account the impact cost. As per Regulation, 12.5.2 of these Regulations, securities falling under VaR based Category A are required to have an impact cost of less than or equal to 1 and for Category B, less than or equal to 2, therefore, this requirement is proposed to be removed.</p>
<p>b) Public Float (Both for Category A and Category B)</p> <p>Shares that have a free float of at least 25% of issued capital or 60 million free float shares whichever is lower. Shares which do not fulfill this requirement shall be subject to additional haircut of 15%.</p>	<p><u>a) Public Float</u> <del>(Both for Category A and Category B)</del></p> <p>Shares that have a free float of at least 25% of issued capital or 60 million free float shares whichever is lower. Shares which do not fulfill this requirement shall be subject to additional haircut of 15%, <u>as prescribed in the Procedures.</u></p>	<p>Text improvement.</p>

Existing	Proposed	Rationale
<p>c) Trading history:</p> <p>(Category A): Shares that have traded at least 90% of the trading days during last six months.</p> <p>(Category B): Shares that have traded at least 80% of the trading days during last six months.</p>	<p><del>c) Trading history:</del></p> <p><del>(Category A): Shares that have traded at least 90% of the trading days during last six months.</del></p> <p><del>(Category B): Shares that have traded at least 80% of the trading days during last six months.</del></p>	<p>This requirement is already covered in Regulation 12.5.2 of these Regulations for VaR Based Categories.</p> <p>For shares falling in VaR based Categories A and B, it is required that such shares have traded equal to or greater than 80% of the trading days during the preceding 6 months.</p>
<p>d) Auditors opinion (Both for Category A and Category B)</p> <p>Shares of the company should not have adverse / qualified opinion or an emphasis of matter paragraph on going concern assumption in Auditor’s report on the company’s most recent audited annual Financial Statements.</p>	<p><del>b) Auditors opinion (Both for Category A and Category B)</del></p> <p>Shares of the company should not have adverse / qualified opinion or an emphasis of matter paragraph on going concern assumption in Auditor’s report on the company’s most recent audited annual Financial Statements.</p>	<p>Text improvement and alignment.</p>
<p>e) Profit before tax (Both for Category A and Category B)</p> <p>Profit before tax as per standalone audited financial statements in any one of the last three years of operations.</p>	<p><del>c) Profit before tax (Both for Category A and Category B)</del></p> <p>Profit before tax as per standalone audited financial statements in any one of the last three years of operations.</p>	<p>Text improvement and alignment.</p>
<p>f) Principle Activity ((Both for Category A and Category B)</p> <p>Eligibility of companies with principle activity in investment/trading of securities. There should be an additional haircut of 15% if the Principal activities of the company is trading/ investing in shares.</p>	<p><del>d) Principle Activity ((Both for Category A and Category B)</del></p> <p>Eligibility of companies with principle activity in investment/trading of securities. There should be an additional haircut of 15% if the Principal activities of the company is trading/investing in shares, <b><u>to be computed in the manner as prescribed in the Procedures.</u></b></p>	<p>Text improvement and alignment.</p>
<p><b>1.1.2 Ineligibility (Both for Category A and Category B)</b></p> <p><u>a) Winding up proceedings</u></p> <p>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><del><b>1.1.2 Ineligibility (Both for Category A and Category B)</b></del></p> <p><del><u>a) Winding up proceedings</u></del></p> <p>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>Text improvement and alignment.</p>

Existing	Proposed	Rationale																																													
<p>b) <u>Equity</u> A company with negative equity shall be ineligible.</p> <p>c) <u>Listing history</u> All new shares with listing history of less than six months shall not be eligible.</p>	<p>b) <u>Equity</u> A company with negative equity shall be ineligible.</p> <p>c) <u>Listing history</u> All new shares with listing history of less than six months shall not be eligible.</p>																																														
<p><b>2.1 Eligibility Review</b> The list of securities shall be reviewed in the first 15 days after the 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 MF Eligible Securities, MT Eligible Securities and SLB Eligible Securities. For any resulting change in the shares, the Company shall give at least 15 days' prior notice to the Clearing Members before including or excluding any shares from the eligible list.</p>	<p><b>2.1 Eligibility Review</b> The list of securities shall be reviewed in the first 15 days after the close of every quarter <del>based on their data of immediate preceding 6 calendar months made available by the Exchange</del>. Such review shall be carried out at the same frequency and simultaneously with the review carried out for MF Eligible Securities, MT Eligible Securities and SLB Eligible Securities. For any resulting change in the shares, the Company shall give at least 15 days' prior notice to the Clearing Members before including or excluding any shares from the eligible list.</p>	<p>For VaR, trading days and impact cost is already computed on a daily basis based on preceding six months' data on rolling basis, therefore, no data shall be required from the Exchange. Accordingly, the provisions have been amended to remove the requirement.</p>																																													
<p><b>2.2 Haircut percentage</b> The following haircuts shall be applicable on the shares selected based on above criteria:</p> <table border="1" data-bbox="109 919 831 1435"> <thead> <tr> <th>VaR based Margin Bucket</th> <th>Haircut applicable on daily closing rate in the Ready Market – Category A</th> <th>Haircut applicable on daily closing rate in the Ready Market – Category B</th> </tr> </thead> <tbody> <tr> <td>00.00% to &lt; 12.50%</td> <td>15.00%</td> <td>22.50%</td> </tr> <tr> <td>12.50% to &lt; 15.00%</td> <td>17.50%</td> <td>25.00%</td> </tr> <tr> <td>15.00% to &lt; 20.00%</td> <td>22.50%</td> <td>30.00%</td> </tr> <tr> <td>20.00% to &lt; 25.00%</td> <td>27.50%</td> <td>35.00%</td> </tr> <tr> <td>25.00% to &lt; 30.00%</td> <td>32.50%</td> <td>40.00%</td> </tr> <tr> <td>30.00% to &lt; 40.00%</td> <td>42.50%</td> <td>50.00%</td> </tr> <tr> <td>Greater than 40%</td> <td>60.00%</td> <td>60.00%</td> </tr> </tbody> </table>	VaR based Margin Bucket	Haircut applicable on daily closing rate in the Ready Market – Category A	Haircut applicable on daily closing rate in the Ready Market – Category B	00.00% to < 12.50%	15.00%	22.50%	12.50% to < 15.00%	17.50%	25.00%	15.00% to < 20.00%	22.50%	30.00%	20.00% to < 25.00%	27.50%	35.00%	25.00% to < 30.00%	32.50%	40.00%	30.00% to < 40.00%	42.50%	50.00%	Greater than 40%	60.00%	60.00%	<p><b>2.2 Haircut percentage</b> The following haircuts shall be applicable on the shares selected based on above criteria:</p> <table border="1" data-bbox="856 919 1583 1435"> <thead> <tr> <th>VaR based Margin Bucket</th> <th>Haircut applicable on daily closing rate in the Ready Market – <b>**Category A</b></th> <th>Haircut applicable on daily closing rate in the Ready Market – <b>**Category B</b></th> </tr> </thead> <tbody> <tr> <td>00.00% to &lt; 12.50%</td> <td>15.00%</td> <td>22.50%</td> </tr> <tr> <td>12.50% to &lt; 15.00%</td> <td>17.50%</td> <td>25.00%</td> </tr> <tr> <td>15.00% to &lt; 20.00%</td> <td>22.50%</td> <td>30.00%</td> </tr> <tr> <td>20.00% to &lt; 25.00%</td> <td>27.50%</td> <td>35.00%</td> </tr> <tr> <td>25.00% to &lt; 30.00%</td> <td>32.50%</td> <td>40.00%</td> </tr> <tr> <td>30.00% to &lt; 40.00%</td> <td>42.50%</td> <td>50.00%</td> </tr> </tbody> </table>	VaR based Margin Bucket	Haircut applicable on daily closing rate in the Ready Market – <b>**Category A</b>	Haircut applicable on daily closing rate in the Ready Market – <b>**Category B</b>	00.00% to < 12.50%	15.00%	22.50%	12.50% to < 15.00%	17.50%	25.00%	15.00% to < 20.00%	22.50%	30.00%	20.00% to < 25.00%	27.50%	35.00%	25.00% to < 30.00%	32.50%	40.00%	30.00% to < 40.00%	42.50%	50.00%	<p>To add clarity that the haircut prescribed shall be based on VaR based categories as prescribed in Regulations 12.5.2 of NCCPL Regulations, 2015.</p>
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Existing				Proposed				Rationale														
<p>* The Haircuts specified in sub Regulation 1.1 (b) and (f) of Schedule III shall be applied in addition to the Haircut rates specified in the above table.</p>				Greater than 40%	60.00%	60.00%	<p>* The Haircuts specified in sub Regulation 1.1.1 (a) and (d) of Schedule III shall be applied in addition to the Haircut rates specified in the above table <b>as per the manner prescribed in Procedures.</b></p> <p><b>** The categories referred herein above mean the VaR based categories as prescribed in Regulations 12.5.2(a) of these Regulations.</b></p>															
				<p><b>2.3 Acceptable quantity</b></p> <p>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:</p> <table border="1"> <thead> <tr> <th></th> <th>VAR BASED MARGIN PERCENTAGES</th> <th>Maximum Number Of Shares In A Symbol That May Be Deposited As Market Collateral – Category A</th> <th>Maximum Number Of Shares In A Symbol That May Be Deposited As Market Collateral – Category B</th> </tr> </thead> <tbody> <tr> <td rowspan="2">CLEARING MEMBER*</td> <td>VaR ≤ 20%</td> <td>2% of Free-Float</td> <td>1% of free float</td> </tr> <tr> <td>VaR &gt; 20%</td> <td>0.5% of Free-Float</td> <td>0.25% of free float</td> </tr> <tr> <td rowspan="2">SLB/MT Participants**</td> <td>0 &lt; x &gt; 20%</td> <td>1% of free float</td> <td>Not acceptable for SLB and MT Markets</td> </tr> <tr> <td>x &gt; 20%</td> <td>0.25% of free float</td> <td>Not acceptable for SLB and MT Markets</td> </tr> </tbody> </table>					VAR BASED MARGIN PERCENTAGES	Maximum Number Of Shares In A Symbol That May Be Deposited As Market Collateral – Category A	Maximum Number Of Shares In A Symbol That May Be Deposited As Market Collateral – Category B	CLEARING MEMBER*	VaR ≤ 20%	2% of Free-Float	1% of free float	VaR > 20%	0.5% of Free-Float	0.25% of free float	SLB/MT Participants**	0 < x > 20%	1% of free float	Not acceptable for SLB and MT Markets
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Existing	Proposed	Rationale
<p>*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.</p> <p>The Company will notify the Market when 70%, 80% and 90% limits in shares are reached.</p> <p>** 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.</p>	<p>*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.</p> <p>The Company will notify the Market when 70%, 80% and 90% limits in shares are reached.</p> <p>** 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.</p> <p><b><u>Further, the categories referred herein above mean the VaR based categories as prescribed in Regulations 12.5.2(a) of these Regulations.</u></b></p>	



**PROPOSED AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO MONITORING PERFORMED IN DEBT MARKET**

Existing	Proposed	Rationale
<p><b>12.3 CAPITAL ADEQUACY</b></p> <p>12.3.1 Capital Adequacy</p> <p>a) The TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member shall submit bi-annually a certificate or financial statements, as the case may be, from its statutory Auditor confirming their NCB/LC on the format, if any, prescribed by the Company in accordance with Securities Brokers (Licensing &amp; Operations) Regulations, 2016 on the dates and within such time as may be notified by the Company for this purpose. The Debt Market Clearing Members acting as TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Members shall also intimate the amount of NCB/LC to be allocated to the Debt Market and GDS Market. Any revision to this assigned portion shall also be intimated to the Company in writing by such TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member;</p>	<p><b>12.3 CAPITAL ADEQUACY</b></p> <p>12.3.1 Capital Adequacy</p> <p>a) The TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member shall submit bi-annually a certificate or financial statements, as the case may be, from its statutory Auditor confirming their NCB/LC on the format, if any, prescribed by the Company in accordance with Securities Brokers (Licensing &amp; Operations) Regulations, 2016 on the dates and within such time as may be notified by the Company for this purpose. <del>The Debt Market Clearing Members acting as TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Members shall also intimate the amount of NCB/LC to be allocated to the Debt Market and GDS Market. Any revision to this assigned portion shall also be intimated to the Company in writing by such TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member;</del></p>	<p>To remove the requirement for allocating any part of LC balance for Debt Market as no such allocation shall be required. All trades executed in Debt Market are on Trade for Trade Basis and subject to close out in case of default, therefore, exposure limits based on LC can be relaxed to promote active participation in the Debt Market.</p>
<p>12.3.2 <b>MONITORING:</b></p> <p>(e) The Company shall monitor the NCB/LC of each Debt Market Clearing Member acting as TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member on a pre-trade basis. Such TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member is not allowed to enhance its Exposure over and above the prescribed capital adequacy limit.</p>	<p><b>12.3.2 MONITORING</b></p> <p>(e) The Company shall <b>not</b> monitor the NCB/LC of each Debt Market Clearing Member acting as TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member either on a pre or post trade basis. <del>Such TOSB (keeping limited custody), TSSB &amp; TCSB Clearing Member is not allowed to enhance its Exposure over and above the prescribed capital adequacy limit. However, where any matter has been observed which is considered detrimental to the interest of Debt Market and / or its investors, the Company shall take such actions as are prescribed in the Procedures.</del></p>	<p>To remove the requirement for monitoring the exposure based on LC. However, to ensure discipline, provisions have been added to take corrective action where required.</p>

**Schedule-I – Proposed**

**A. TOSB (KEEPING LIMITED CUSTODY), TSSB AND TCSB CLEARING MEMBERS EXPOSURE LIMITS BASED ON LIQUID CAPITAL (LC)**

MF Market	MSF Market	SLB Market	MT Market (As Financee)	Deliverable Futures Market	Cash Settled Future (CSF) Contracts	Index Options Market	Stock Index Futures Contracts (SIFC)	Debt Market	Ready Market and GEM
The aggregate Exposure of each Margin Financee shall not exceed 5 times of its LC	The aggregate Exposure of each MSF Buyer shall not exceed 5 times of its LC	The aggregate Exposure of each SLB Participant who is a TOSB (keeping limited custody), TSSB and TCSB shall not exceed 5 times of its LC	The aggregate Exposure of each Financee in respect of MT Market shall not exceed 5 times of its LC	Maximum Exposure of 7.5 times of the LC of a TOSB (keeping limited custody), TSSB and TCSB Clearing Member for Deliverable Futures Market, Cash Settled Future Contracts, Index Options Market and Stock Index Futures Contracts				The aggregate Exposure of TOSB (keeping limited custody), TSSB and TCSB shall not exceed 10 times of its LC allocated	25 times of the LC of TOSB (keeping limited custody), TSSB and TCSB
Maximum Exposure of 7.5 times of the LC of a TOSB (keeping limited custody), TSSB & TCSB Clearing Member for MF and MSF		Maximum Exposure of 7.5 times of the LC of a TOSB (keeping limited custody), TSSB & TCSB Clearing Member for SLB and MT							
Maximum Exposure of 25 times of the LC of TOSB (keeping limited custody), TSSB and TCSB Clearing Member for All Markets, provided it shall not include the Exposure in terms of GDS <b>and Debt</b> Market.									

**Schedule – I - Proposed**

**B. PROFESSIONAL AND TCSB CLEARING MEMBERS PROVIDING SERVICES TO ASSOCIATED ENTITIES AND ITS CLIENTS EXPOSURE LIMITS BASED ON LIQUID CAPITAL (LC)**

MF Market	MSF Market	SLB Market	MT Market (As Financee)	Deliverable Futures Market	Cash Settled Future (CSF) Contracts	Index Options Market	Stock Index Futures Contracts (SIFC)	Debt Market	Ready Market and GEM
The aggregate Exposure of each Margin Financee shall not exceed 6.5 times of its LC	The aggregate Exposure of each MSF Buyer shall not exceed 6.5 times of its LC	The aggregate Exposure of each SLB Participant who is a PCM and TCSB shall not exceed 6.5 times of its LC	The aggregate Exposure of each Financee in respect of MT Market shall not exceed 6.5 times of its LC	Maximum Exposure of 9 times of the LC of a Professional and TCSB Clearing Member for Deliverable Futures Market, Cash Settled Future Contracts, Index Options Market and Stock Index Futures Contracts				<del>The aggregate Exposure of PCM and TCSB shall not exceed 15 times of its LC allocated</del>	30 times of the LC of PCM and TCSB
Maximum Exposure of 9 times of the LC of a Professional and TCSB Clearing Member for MF and MSF		Maximum Exposure of 9 times of the LC of a Professional and TCSB Clearing Member for SLB and MT							
Maximum Exposure of 30 times of the LC of Professional and TCSB Clearing Members for All Markets, provided it shall not include the Exposure in terms of GDS <b>and Debt</b> Market.									
<b>Note:</b> The above exposure limits based on LC are for PCM and TCSB (including for proprietary, Own clients and Associated Entity and its Clients). Further, in case of TCSB, the above prescribed exposure limits shall be applicable once the TCSB starts providing clearing and settlement services to TOSBs on-boarded by it.									

\*MF Market: Exposure to a single client shall not exceed 10% of the total permissible Exposure and Exposure in single MF Eligible Security shall not exceed 25% of the total permissible Exposure (5 times of liquid capital).

Minimum liquid capital for TOSB (keeping limited custody), TSSB and TCSB Margin Financier of Exchange will be Rs. 20 million.

**PROPOSED AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO DEPOSIT OF EXPOSURE MARGIN**

Existing	Proposed	Rationale
<p><b>12.5.3 DEPOSIT OF EXPOSURE MARGINS:</b></p> <p>(c) Bank slips duly posted in the Company’s Settling Bank account and pay order(s) shall be delivered to the Company within the prescribed time against the demands in relation to Exposure Margin and Mark-to-Market losses.</p> <p>However, payments up to Rs. 2,500,000/- for the purpose of payment against Exposure Margins and losses may be accepted by cheque.</p>	<p><b>12.5.3 DEPOSIT OF EXPOSURE MARGINS:</b></p> <p>(c) Bank slips duly posted in the Company’s Settling Bank account and pay order(s) shall be delivered to the Company within the prescribed time against the demands in relation to Exposure Margin and Mark-to-Market losses.</p> <p><del>However, payments up to Rs. 2,500,000/- for the purpose of payment against Exposure Margins and losses may be accepted by cheque.</del></p> <p><u>Only on bank holidays announced as per applicable rules and regulations, the Company shall accept up to PKR 10,000,000 as payment against exposure margins and mark-to-market losses in the form of crossed cheques drawn in favor of the Company.</u></p> <p><u>Provided that cheques received on bank holidays shall be deposited and transfer of funds in the Company’s bank account prior to opening of market on the trading day falling next after the bank holiday shall be ensured.</u></p>	<p>To remove the provision allowing deposit of cheques up to PKR 2.5 million against payment for margins and mark-to market losses and replace this provision with allowing the Clearing Members to deposit up to PKR 10 million against margins and mark-to-market losses in the form of cheques only on bank holidays.</p> <p>Further, to mitigate the risk, it shall be mandatory for the amount deposited in the form of a crossed cheque on a bank holiday to be deposited and cleared before opening of the market on next day.</p>

**PROPOSED AMENDMENTS IN NCCPL REGULATIONS, 2015 PERTAINING TO SECURITIES ACCEPTED AS COLLATERAL IN DELIVERABLE FUTURES CONTRACT MARKET**

Schedule-II

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
4	** Deliverable Futures Market	Minimum 50% in Cash, Near Cash Instruments and/or Bank Guarantee and 50% <b>in the form of <u>Margin Eligible Securities eligible for trading in Deliverable Future Market</u></b> , and/or CDS eligible Collective Investment Schemes categorized as Money Market schemes, Near Cash Instruments, Cash and/or Bank Guarantee	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% <b>in the form of <u>Margin Eligible Securities eligible for trading in Deliverable Future Market</u></b> , Near Cash Instruments, Cash and/or Bank Guarantee