
MARKET MAKER AGREEMENT

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THIS AGREEMENT is executed on ___ day of _____ 2021 (hereinafter referred to as the Agreement), and shall be effective from _____ (hereinafter referred to as the Effective Date),

BETWEEN

Pakistan Stock Exchange Limited, a Company incorporated under the Laws of Pakistan, having its registered office at Stock Exchange Building, Stock Exchange Road, Karachi 74000, Pakistan (hereinafter referred to as **the PSX/Exchange**, which expression shall, wherever the context so admits or permits unless otherwise found repugnant to, inconsistent with or excluded by the subject matter, means and includes its successors in interest, administrators and permitted assigns), of the first part;

AND

, a Company incorporated under the Laws of Pakistan, having its registered office at (hereinafter referred to as **the Market Maker**, which expression shall, wherever the context so admits or permits unless otherwise found repugnant to, inconsistent with or excluded by the subject matter, means and includes its successors in interest, administrators and permitted assigns), at the other part;

PSX and the Market Maker are hereinafter collectively referred to as the **Parties** and individually referred to as the **Party**, as and how the context so requires.

FOR

The purpose of establishing the rights and obligations of both the Parties with regard to the market making arrangements.

1. RECITALS

- 1.1 WHEREAS PSX is a stock exchange, providing a trading platform for brokers, traders and investors to trade in multiple Listed Debt securities including Government Debt Securities (hereinafter referred to as the Securities) and to perform all allied and incidental functions in order to facilitate setup and carry on such business;
- 1.2 WHEREAS, Market Maker is a registered company and meets the defined eligibility criteria, as specified in ‘‘Market Makers Regulations for Listed Debt Securities including Government Debt Securities’’ to act as a market maker in the Securities; and
- 1.3 WHEREAS PSX is desirous of appointing the Market Maker for Assigned listed debt securities including Government Debt Securities designated by the PSX from time to time.

NOW THE AGREEMENT WITNESSETH AS FOLLOWS: -

2. DECLARATIONS

- 2.1 The Regulations and any change therein shall apply to the Market Maker, as soon as the same becomes effective, without any separate/specific notification to the Market Maker;
- 2.2 The provisions of the Regulations, which may include but not limited to the provisions with respect to the definitions, rights and responsibilities of the Parties, representations and warranties, confidentiality, warranty, limitation of liability, indemnification, and dispute resolution provisions, apply mutatis mutandis to the Agreement;
- 2.3 The Parties further confirm that in the case of any inconsistency between the terms of this Agreement and the provisions of the Regulations, the latter shall govern; and
- 2.4 Capitalised words and phrases used but not defined in the Agreement have the respective meanings given to them in the Regulations.

3. REPRESENTATIONS AND OBLIGATIONS OF THE MARKET MAKER

- 3.1 Market Maker represents to be legally and commercially competent to enter into the Agreement and fulfil its obligations in pursuance to the Agreement;
- 3.2 Market Maker represents that it holds valid license/registration from its respective regulator and undertakes to maintain at all time, its status for meeting the defined eligibility criteria of the market maker in the Securities, as defined in the Regulations and any amendment therein from time to time;
- 3.3 Market Maker represents that at present it has fully complied with all the requirements as laid down by PSX relating to the market-making and further undertakes to remain compliant with all other additional requirements thereto to be introduced by the Exchange from time to time.
- 3.4 Market Maker agrees to act as market maker in the Securities assigned to it by PSX from time to time, as deemed appropriate by PSX, in its sole discretion;
- 3.5 Market Maker agrees that PSX has the discretion to change the Market Maker's List of Assigned Securities at any time, as it deems appropriate (the current List of Assigned Securities is attached herewith as the Annexure A). Accordingly, the Annexure A shall be revised, duly executed by the Parties and made part of this Agreement;
- 3.6 Market Maker shall be connected with the Trading System of the Exchange (hereinafter referred to as the Trading System) for performing the market-making activities. Market Maker shall ensure that that the Trading System shall only be used for the market making in the Securities, as per the terms and conditions of this Agreement and in accordance with the Regulations. Market Maker undertakes not to use the Trading System for any other purpose of whatsoever nature including but not limited to other types of trades either for itself or on behalf of any other person/entity;
- 3.7 Market Maker undertakes to comply with all obligations set out by the Exchange which may include but not limited to the Regulations, obligations published on the PSX's website and any change therein, upon notice either: (i) directly to an individual Market Maker, or (ii) to all TRE Certificate Holders or all Market Makers (hereinafter referred to as the Obligations). If the Market Maker is unable to comply with the Obligations, it shall immediately inform PSX of such non-compliance in writing, and provide it with the specific information as to the nature of such failure to comply;
- 3.8 Market Maker undertakes to follow the PSX's Designated Market Maker Code of Conduct (hereinafter referred to as the Code), and any amendments therein, as provided on the Exchange's website along with the Market Maker's performance information;
- 3.9 The Exchange has the complete authority to publish statistics relating to the performance of the Market Maker's Obligations;
- 3.10 Market Maker shall give the Exchange thirty (30) days prior written notice that it intends to relinquish its responsibilities for a particular listed security or add any newly listed security in its market-making portfolio. Provided that for any addition/deletion in the Market Making portfolio an addendum to this Agreement shall be executed by the Parties;
- 3.11 Market Makers represents and warrants that it has and will continue to have necessary resources, including trained personnel, technology and capital to:
 - 3.11.1 carry out all the Obligations;
 - 3.11.2 ensure compliance with all the Exchange's Regulations governing Market Makers for the Listed Debt Securities including Government Debt Securities while undertaking any activity on the PSX Systems in furtherance of trade; and
 - 3.11.3 have the capacity to settle all trades executed on or through the use of the PSX Systems.
- 3.12 Market Makers undertakes to implement policies and procedures to achieve and maintain compliance with the Regulations and its Obligations with respect to the market making of the

Securities. Besides, the Market Maker undertakes to:

- 3.12.1 daily quote on the Trading System, the bid and ask price along with the number of the Securities that it is willing to buy or sell at that price;
- 3.12.2 report any Off Market Transactions executed by it with other market makers to the Exchange through electronic mode at the end of each trading day for placement on PSX website;
- 3.12.3 follow the Code of Conduct prescribed by the Exchange, as amended from time to time;
- 3.12.4 execute Blank Sale subject to the condition that sufficient Pre-Existing Interest exists in the account(s) of Market Maker at the end of each Blank Sale day to validate that the Market Maker can deliver the quantity sold blank during the trading day, failing which the NCCPL shall have the right to impose additional margin on such Market Maker;
- 3.12.5 execute Blank Sale as per the Clause 3.12.4 maximum up to such limit as may be specified by the Exchange in consultation with NCCPL;
- 3.12.6 execute Blank Sale as per the Clauses 3.12.4 and 3.12.5 above, without Up-Tick or Zero-Plus Tick up to the following extent;
 - 3.12.6.1 Broker-Wide Position: Maximum up to such limit as may be specified by the Exchange in consultation with NCCPL; and
 - 3.12.6.2 Market-Wide Position (All Market Makers on a cumulative basis): Maximum up to such limit as may be specified by the Exchange in consultation with NCCPL.
- 3.12.7 notify to the Exchange immediately regarding suspension, cancellation or revocation of the license by the respective licensing authority; and
- 3.13 Size and Spread and Quoting, which is mentioned separately as Annexure B should also be the part of Representations and Obligations of the Market Maker.

4. PSX'S REPRESENTATION AND OBLIGATIONS

- 4.1 PSX shall take reasonable steps to provide the Market Maker with access to the information necessary to allow the Market Maker to evaluate the performance of its Obligations. PSX shall provide periodically (monthly or more frequently at the PSX's discretion) detailed reports regarding the Market Maker's performance of its Obligations as per the format agreed by the Parties;
- 4.2 PSX shall, to the best of its ability, provide the Market Maker with the access and support that it requires to perform its responsibilities. If the Market Maker is unable to meet the Obligations due to any issue in the Trading Systems, the period in which it was impacted, as determined by PSX, shall be excluded from any applicable calculations;
- 4.3 PSX shall assess periodically (at least quarterly) the performance of Market Maker based on performance assessment criteria prescribed by the Exchange from time to time;
- 4.4 PSX shall have the powers to restrict, suspend or revoke the Market Maker's appointment for any or all Securities for which it is acting as the Market Maker or attach such additional terms or conditions as the Exchange deems to be necessary, where:
 - 4.4.1 Market Maker fails to comply with any term of this Agreement, the Code of Conduct, Exchange Regulations, any other requirement(s) prescribed by the Exchange; or
 - 4.4.2 PSX determines that the Market Maker or its officers, employees, directors or agents have in any way acted in a manner which can be detrimental to the interests of the Exchange or the public.
- 4.5 PSX shall disseminate to the market as soon as possible the information relating to imposition of restriction, suspension or revocation of the appointment of Market Maker;
- 4.6 PSX shall have the powers to suspend or terminate the responsibilities of the Market Maker if a corporate action or other unusual circumstance makes it impractical for the Market Maker to carry out the Obligations. However, the ordinary market volatility shall not be considered to be an "unusual circumstance" for the purposes of this clause; and

- 4.7 PSX shall take reasonable steps to notify the Market Maker of proposed changes to the trading policies illustrated in PSX Rule Book particularly Chapters 12 and 12-A governing market making in the Securities and Chapter 5(c) governing privately placed debt instruments not less than sixty (60) days prior to the implementation of such changes. Notwithstanding, subject to regulatory requirements, PSX may implement any change in the trading policies without such notification where it deems the immediate implementation of such change as necessary or desirable, in its absolute discretion. Nothing in this section shall be construed to affect the Market Maker's responsibility to comply with the Obligations under this Agreement.

5. CONSIDERATION

PSX shall award the Market Maker such benefits as may be decided by PSX from time to time.

6. INDEMNIFICATION

Market Maker shall indemnify PSX and keep it indemnified against all claims, damages, liabilities, losses and expenses sustained by PSX on account of any claim of whatsoever nature in connection or ancillary to any misuse by Market Maker or any other person/entity on its behalf or otherwise, the facility of direct access to the Trading System or due to any other non-compliance on the part of the Market Maker towards any requirement and/or Regulations relating to market-making.

7. TERM AND TERMINATION

- 7.1 This Agreement shall commence on the Effective Date and remain effective until terminated by any party thereto, in accordance with the provisions hereof;
- 7.2 The Parties may, upon thirty (30) days' written notice to the other party, terminate this Agreement without assigning any reason thereof.
- 7.3 PSX, based on the assessment of the performance of the Market Maker, may cancel this Agreement by serving seven (07) days written notice to the Market Maker in respect thereof;
- 7.4 PSX shall be entitled to immediately, upon written notice, suspend the Market Maker's appointment for any or all Securities, attach such additional terms or conditions to this Agreement as it deems to be necessary or, based on the materiality of the act or failure to act, revoke the appointment, where:
- 7.4.1 Market Maker fails to comply with any material term of the Agreement, the Regulations pertaining to market-making activities or if the Market Maker fails to consistently perform its Obligations, at an adequate level to the satisfaction of the PSX, as determined at the sole discretion of PSX);
- 7.4.2 PSX determines, in its sole discretion, that the Market Maker or its officers, employees, directors or agents have violated any applicable, material PSX requirements related to Market Making activities or the Market Maker has failed to meet the defined eligibility criteria of the market maker, as defined in the Regulations and any amendment therein from time to time;
- 7.4.3 PSX reasonably believes and determines in its sole discretion, that the Market Maker is unable to carry out its obligations as a market maker";
- 7.4.4 PSX determines, in its sole discretion, that the Market Maker or its officers, employees, directors or agents have in any way acted in a manner that is detrimental to the interests of the Exchange or the public;
- 7.4.5 Market Maker shall be entitled to terminate its responsibilities hereunder, relating to some of its Assigned Securities, by providing not less than thirty (30) days' written notice to PSX of its intention to do so;
- 7.4.6 Market Maker agrees to comply with all provisions of the trading policies relating to the transition responsibilities as a market maker, wherever its responsibilities have been terminated, suspended or exchanged in terms of this Agreement; and
- 7.4.7 Termination of this Agreement or the Market Maker's appointment as a market maker shall not terminate or negate any obligations of the Market Maker to complete or implement any transaction entered into prior to such termination or arising from or accruing from authorised activities of the Market Maker up to the effective time of termination.

8. ASSIGNMENT OF RIGHTS

Market Maker shall not transfer or assign its rights and obligations hereunder, including the performance and benefits of its market-making, to any party without the prior written approval of PSX.

9. SEVERABILITY

Each provision of this Agreement is intended to be severable. If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect: (i) the legality, validity or enforceability of the remaining provisions of this Agreement; or (ii) the legality, validity or enforceability of that provision in any other jurisdiction.

10. AMENDMENTS IN THE AGREEMENT

Except as otherwise provided in this Agreement, PSX may amend any term or condition of this Agreement on thirty (30) days' notice from the date of publication on PSX's website to the Market Maker (the notice shall be provided by way of a notice to all market makers). Any use of the Services or access or use of PSX Systems by the Market Maker, after the expiration of the notice period, shall be deemed acceptance by the Market Maker of the amendment. No modification to this Agreement proposed by the Market Maker shall be effective or binding on PSX, unless an authorized representative of PSX duly executes the same.

11. CONFIDENTIALITY

Confidential Information shall remain property of the relevant party. Each party shall keep in confidence the Confidential Information using the same degree of care which it uses to protect its confidential information, but in any event not less than reasonable care. The Parties agree not to disclose Confidential Information to any person or for any purpose except as necessary to perform its obligations under the Contract. The Parties shall take all reasonable precautions to prevent inadvertent use, copying, transfer or destruction of any Confidential Information. The prohibition set out shall not apply to any Confidential Information available to the public domain or the disclosure as required by applicable law or on the order of governing authority.

12. WAIVER

Respective rights of the Parties, whether arising under the Agreement or applicable laws, shall not be capable of being waived or varied otherwise than by an express waiver or variation in writing. Any failure or delay in exercising such rights shall not operate as a waiver or variation of that right. The defective or partial exercise of any such right shall not preclude any other or further exercise of that or any other such right. No act or course of conduct or negotiation on the part of either party shall preclude them from exercising any such right or constitute a suspension or variation of such right.

Nevertheless, PSX may, in its discretion, waive in writing any requirement of this Agreement or the related provision in the Trading Policies, subject to any required regulatory approval.

13. LEGAL AND TERRITORIAL JURISDICTIONS

The Agreement shall be governed and interpreted according to the laws of the Islamic Republic of Pakistan. All matters about the Contract, including its interpretation, application, validity, performance and breach, in whatever jurisdiction, will be brought to and shall be governed by, construed and enforced as per the laws of the Islamic Republic of Pakistan and the courts of Karachi will have exclusive jurisdiction to entertain the matters, unless PSX decides otherwise.

14. COUNTERPARTS

The Agreement may be executed in counterparts, each of which shall constitute an original and all of which, taken together, shall constitute one and the same instrument and may be delivered by facsimile or e-mail transmission of a PDF file.

15. ENTIRENESS

The Agreement shall constitute the entire binding contract between the Parties for the subject matter hereof and supersede all existing agreements and any oral, written or other communication between the Parties. The Agreement should not be released, discharged, changed or modified in any manner except by an instrument in writing signed by the Parties.

IN WITNESSES WHEREOF the Parties set their respective hands before the witnesses here at Karachi, the day, month, and the year first above mentioned.

For & on behalf of)
Pakistan Stock Exchange Limited)
Name Designation Signature)
)

For & on behalf of)
Pakistan Stock Exchange Limited)
Name Designation Signature)
)

For & on behalf of)

Name Designation Signature

WITNESS TO THE AGREEMENT

Witness 01
Name)
CNIC)
Signature)

Witness 02
Name)
CNIC)
Signature)

ANNEXURE A

THE LIST OF THE DESIGNATED SECURITIES

[illegible]

ANNEXURE B

Quoting:	Two-Sided Quote, X% of the time during the regular Trading hours.
Spread:	Maximum X% Bid-Ask spread.
Minimum Inventory:	X% of Debt Security.
Quote Size:	Bid / Ask Quotes should be of minimum/- PKR <u>X</u> .
Order Replenishment:	In case of an order getting filled, DMM should replenish the order within <u>X</u> <u>Minutes</u> .
Maximum Purchase or Sale:	X% during a single trading day.