PAKISTAN STOCK EXCHANGE LIMITED
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PSX/N-1069	NOTICE	AUGUST 29, 2019

SOLICITATION OF PUBLIC COMMENTS

PROPOSED AMENDMENTS TO PAKISTAN STOCK EXCHANGE LIMITED (PSX) REGULATIONS

This is to inform the public that the PSX is proposing to carry out amendments to PSX Regulations in order to implement the following measures:

1. **Enhancement of Futures Market of PSX:**

   With a view to enhance trading in Deliverable Futures Contract (DFC) Market and reinvigorate Cash-Settled Futures Contract (CSF) and Stock Index Futures Contract (SIFC) Markets, the PSX is proposing to carry out amendments in the regulatory frameworks of these markets in light of international practices. The proposed regulatory amendments along with rationale thereof are attached herewith as **Annexure A**.

2. **Introduction of standard range/scale of brokerage commission for securities brokers:**

   With a view to ensure a sustainable market, fairness in market operations and bring improvement in brokerage service standards, PSX, in exercise of power conferred upon it u/s 7(1)(w) of the Securities Act, 2015, is proposing to introduce standard range/scale of brokerage commission for different types of transactions in securities market. The proposed regulatory amendments and schedule of brokerage commission are attached herewith as **Annexure B.**

Pursuant to Section 7(3) of the Securities Act, 2015, all concerned are invited to provide written comments on the proposed amendments in relation to above matters either in hard form or through email at comments.rad@psx.com.pk latest by **Thursday, September 05, 2019.**

ABBAS MIRZA
Acting Chief Regulatory Officer

Cc:

1. The Executive Director/HOD (PRDD), SMD, SECP
2. The Acting Chief Executive Officer, PSX
3. The Chief Executive Officer, CDC
4. The Chief Executive Officer, NCCPL
5. The Chief Executive Officer, PMEX
6. All Heads of Department, PSX
7. PSX Notice Board & Website

“ANNEXURE A”

PROPOSED AMENDMENTS TO PSX REGULATIONS IN RELATION TO ENHANCEMENT OF FUTURES MARKET OF PSX

Chapter 2: INTERPRETATION AND DEFINITIONS		
EXISTING REGULATIONS	**PROPOSED AMENDMENTS**	**RATIONALE**
2.4. GENERAL DEFINITIONS: **NEW INSERTION**	**2.4. GENERAL DEFINITIONS:** **xliv.A. Inter-Month Spread Transaction (IMST Window):** **means a window provided in KATS to facilitate Securities Brokers in rolling over futures positions, either fully or partially, from one contract to another contract of different maturity in the same security using the spread measure based on prevailing liquidity in the market.**	PSX shall introduce ‘Inter-Month Spread Transaction Window” to allow brokers to roll over their or their clients’ positions (Long or Short) in expiring months to further-out month using the prevailing liquidity without the need to have the same counterparty.
lxxxi. Uniform Criteria means the eligibility criteria for selection of eligible securities for trading in the different trading segments as prescribed by the Exchange duly approved by the Commission; **NEW INSERTION**	~~lxxxi. Uniform Criteria~~ ~~means the eligibility criteria for selection of eligible securities for trading in the different trading segments as prescribed by the Exchange duly approved by the Commission;~~ **xli.A. Futures Market Criteria:** **means the eligibility criteria for selection of eligible securities for trading in the Deliverable Futures Contract Market and Cash Settled Futures Contract Market as prescribed by the Exchange and duly approved by the Commission;**	Presently, the uniform criteria are prescribed for DFC, CSF and MTS. It is proposed that the criteria for DFC & CSF eligible securities may be segregated from MTS due to competing nature and different risk management framework of MTS. The criteria of DFC & CSF be named as “Futures Market Criteria”.

Chapter 13: DELIVERABLE FUTURES CONTRACT MARKET REGULATIONS		
EXISTING REGULATIONS	**PROPOSED AMENDMENTS**	**RATIONALE**
13.1. DEFINITIONS: (a) “Current Contract” shall mean a Deliverable Futures Contract of a security which will be expiring within the current calendar month. (e) “Next Contract” shall mean a Deliverable Futures Contract which will be expiring within next calendar month.”	**13.1. DEFINITIONS:** ~~(a) “Current Contract” shall mean a Deliverable Futures Contract of a security which will be expiring within the current calendar month.~~ ~~(e) “Next Contract” shall mean a Deliverable Futures Contract which will be expiring within next calendar month.”~~	These definitions are proposed to be deleted consequential to proposed removal of overlapping period between two contracts.
13.2. CONTRACT SPECIFICATIONS: 13.2.2. Deliverable Futures Contract shall be for the period specified by the Exchange through a Notice but shall not be for a period less than one calendar month. However, where a corporate announcement is expected in scrip, during a Deliverable Futures Contract period, the Exchange shall be allowed to open more than one Deliverable Futures Contract of shortened periods in such scrip, in a month, on cumulative basis and excluding any announcement/entitlement. Deliverable Futures Contract for different months shall trade simultaneously.	**13.2. CONTRACT SPECIFICATIONS:** 13.2.2. **The Exchange shall issue one standardized 90 days Deliverable Futures Contract each month on the first trading day following last Friday of each month for each eligible security. However, the Exchange shall also have discretion to introduce Deliverable Futures Contract with shorter and/or longer period than 90 days.** ~~Deliverable Futures Contract shall be for the period specified by the Exchange through a Notice but shall not be for a period less than one calendar month~~. ~~However~~ **Provided that,** where a corporate announcement is expected in scrip, during a Deliverable Futures Contract period, the Exchange shall be allowed to open more than one Deliverable Futures Contract of shortened periods in such scrip, in **90 days** ~~a month~~, on cumulative basis and excluding any announcement/entitlement. Deliverable Futures Contract for different months shall trade simultaneously.	The contract period of DFC is proposed to be increased to standardized 90 days as against the existing one month in line with the existing period of CSF contract and international practices. Moreover, PSX may decide to introduce DFC with any other contract period, for which necessary power is proposed to be added in the regulations.

Chapter 13: DELIVERABLE FUTURES CONTRACT MARKET REGULATIONS		
EXISTING REGULATIONS	**PROPOSED AMENDMENTS**	**RATIONALE**
13.2.4. New Deliverable Futures Contract period shall start at least two trading days before the close of the old Deliverable Futures Contract.	~~13.2.4. New Deliverable Futures Contract period shall start at least two trading days before the close of the old Deliverable Futures Contract.~~	Consequential amendment due to proposed changes in opening of new DFC.
13.3. ELIGIBILITY OF SECURITIES: 13.3.1. The securities eligible for trading in the Deliverable Futures Contract Market shall be determined and the Deliverable Futures Contract shall be implemented by the Exchange every six month in accordance with the requirements prescribed for final review and notice period under the Uniform Criteria. 13.3.2. The securities selected biannually under 13.3.1. above, shall be reviewed in accordance with the requirements for interim review as prescribed in Uniform Criteria. Provided that the above requirement of interim review shall be waived where the implementation date of interim review coincides with that of final review.	**13.3. ELIGIBILITY OF SECURITIES:** 13.3.1. The securities eligible for trading in the Deliverable Futures Contract Market shall be determined and the Deliverable Futures Contract shall be implemented by the Exchange every **quarter** ~~six month~~ in accordance with the requirements prescribed for ~~final~~ review and notice period under the ~~Uniform~~ **Futures Market** Criteria. ~~13.3.2. The securities selected biannually under 13.3.1. above, shall be reviewed in accordance with the requirements for interim review as prescribed in Uniform Criteria.~~ ~~Provided that the above requirement of interim review shall be waived where the implementation date of interim review coincides with that of final review.~~	As it is proposed to have a 90-day maturity for DFC, therefore, a more frequent review of eligible scrips is required. The interim review is proposed to be removed and instead more frequent review will be conducted on quarterly basis instead of six-month basis.
13.4. DELIVERABLE FUTURES CONTRACT TRADING: 13.4.6. During the overlapping period of Deliverable Futures Contract of two consecutive months, a Broker shall be allowed to enter into, and buy orders in the Next Contract to the extent of his net-buy proprietary position or on behalf of net-buy positions of his clients in the same security in the Current Contract, using a special window designated in the KATS for switching of net buy position from Current Contract to Next Contract. After execution of	**13.4. DELIVERABLE FUTURES CONTRACT TRADING:** ~~13.4.6. During the overlapping period of Deliverable Futures Contract of two consecutive months, a Broker shall be allowed to enter into, and buy orders in the Next Contract to the extent of his net-buy proprietary position or on behalf of net-buy positions of his clients in the same security in the Current Contract, using a special window designated in the KATS for switching of net buy position from Current Contract to Next Contract. After execution of~~	The existing rollover functionality is proposed to be replaced with Inter-Month Spread Transaction Window to be provided by PSX in KATS. This window will

Chapter 13: DELIVERABLE FUTURES CONTRACT MARKET REGULATIONS		
EXISTING REGULATIONS	**PROPOSED AMENDMENTS**	**RATIONALE**
an order entered through the said special window, two opposite Deliverable Futures Contracts shall be generated in the same security with the same counterparty i.e. one sell Deliverable Futures Contract at the market price prevailing at the time of execution of such order in the Current Contract and one buy Deliverable Futures Contract at the matched Price on time-price priority through KATS in the Next Contract. During the overlapping period normal rollover for selling and buying separately in two different Deliverable Futures Contracts shall continue as per current practice.	~~an order entered through the said special window, two opposite Deliverable Futures Contracts shall be generated in the same security with the same counterparty i.e. one sell Deliverable Futures Contract at the market price prevailing at the time of execution of such order in the Current Contract and one buy Deliverable Futures Contract at the matched Price on time-price priority through KATS in the Next Contract.~~ **A Securities Broker shall be allowed to rollover its or its clients' net-buy or net-sale position, either fully or partially, from one contract to another contract of different maturity in the same security through an Inter-Month Spread Transaction Window of KATS.** ~~During the overlapping period~~ **Provided that the** normal rollover for selling and buying separately in two different Deliverable Futures Contracts shall continue as per current practice.	allow brokers to roll over their or their clients' positions (Long or Short) in expiring months to further-out month using the prevailing liquidity without the need to have the same counterparty.

PROPOSED AMENDMENTS		RATIONALE

ANNEXURE-A

CONTRACT SPECIFICATIONS OF DELIVERABLE FUTURES CONTRACT

Specification	Proposed Amendment	Rationale
Contract Size	~~500~~ **100** Shares	Reducing Contract Size to 100 may help market makers to take hedging positions. It may also help improve the volumes by allowing small investors to take positions.
Position Limits	As prescribed under NCCPL Regulations, as amended from time to time.	
Daily Price Limits	As provided under chapter 19 of these Regulations pertaining to Risk Management, as amended from time to time.	
Contract Period	~~1 calendar month~~ **90 days**	It is proposed to have a standardized 90-day maturity for DFC.
Opening of Contract	~~Monday, preceding the last Friday of the month, if Monday is not a trading day, then immediate next trading day.~~ **First Trading day after the last Friday of each calendar month.**	
~~Overlapping Period~~	~~Maximum Five Trading Days (not less than two trading days)~~.	No mandatory overlapping period shall be allowed.
Expiration Date/ Last trading day	Last Friday of the calendar month, if last Friday is not a trading day, then immediate preceding trading day.	
Settlement	T+2 settlements falling immediately after the close of contract.	
Depository of underlying security	Central Depository Company of Pakistan Limited	

Chapter 14: CASH-SETTLED FUTURES CONTRACT MARKET REGULATIONS		
EXISTING REGULATIONS	**PROPOSED AMENDMENTS**	**RATIONALE**
14.2. TRADING: 14.2.3. ELIGIBILITY OF SECURITIES:	**14.2. TRADING:** 14.2.3. ELIGIBILITY OF SECURITIES:	
(a) The securities eligible for trading in the CSF Market shall be determined and implemented by the Exchange every six month in accordance with the requirements prescribed for final review and notice period under the Uniform Criteria.	(a) The securities eligible for trading in the CSF Market shall be determined and implemented by the Exchange every **quarter** ~~six month~~ in accordance with the requirements prescribed for final review and notice period under the ~~Uniform~~ **Futures Market** Criteria.	It is proposed to have a review of securities on quarterly basis instead of six-monthly basis. Presently, the uniform criteria are prescribed for DFC, CSF and MTS. It is proposed that the criteria for DFC & CSF eligible securities may be separated from MTS due to competing nature and different risk management framework of MTS. The criteria of DFC & CSF be named as "Futures Market Criteria".
(b) The securities selected biannually under 14.2.3.(a). shall be reviewed in accordance with the requirements for interim review as prescribed in Uniform Criteria. Provided that the above requirement of interim review shall be waived where the implementation date of interim review coincides with that of final review.	~~(b) The securities selected biannually under 14.2.3.(a). shall be reviewed in accordance with the requirements for interim review as prescribed in Uniform Criteria.~~ ~~Provided that the above requirement of interim review shall be waived where the implementation date of interim review coincides with that of final review.~~	An interim review is proposed to be removed and instead more frequent review will be conducted on quarterly basis which is presently on six-month basis.

Chapter 14: CASH-SETTLED FUTURES CONTRACT MARKET REGULATIONS		
EXISTING REGULATIONS	**PROPOSED AMENDMENTS**	**RATIONALE**
14.2.8. There shall be one standardized 90 days CSF Contract which shall be issued each month on the first trading day following last Friday of each month for each eligible security. However, the Exchange shall also have discretionary powers to introduce a contract of 30 and/or 7 days. The 30 and 90 days contracts shall expire on the last Friday of the respective month of the Contract whereas the 7 days contracts shall start on each Monday or first trading day of the week and shall expire on each Friday (or last working day of the week). No overlapping period is allowed in the CSF Contracts.	14.2.8. There shall be one standardized 90 days CSF Contract which shall be issued each month on the first trading day following last Friday of each month for each eligible security. However, the Exchange shall also have discretionary powers to introduce a contract of 30 and/or 7 days. The 30 and 90 days' contracts shall expire on the last Friday of the respective month of the Contract whereas the 7 days contracts shall start on each Monday or first trading day of the week and shall expire on each Friday (or last working day of the week). ~~No overlapping period is allowed in the CSF Contracts.~~	
14.2.10. In a 90 days CSF Contract, the CSF Contract Multiplier will be adjusted for corporate actions like bonus issue or right issue in the underlying scrip. The adjustment will take effect from the day on which trading in Ready Delivery Contract Market commences on ex-entitlement basis. For example; when the CSF Contract Multiplier is 500 and there is a 1-for-2 bonus share issue (i.e. for every 2 existing shares, the holder gets one additional share), the CSF Contract Multiplier will be adjusted to 750 (500 x 3/2). When the Contract Multiplier is adjusted, the price of each share in the Contract will correspondingly be adjusted by the Exchange. In the above example, in case of bonus issue, the price of each share in the Contract will be adjusted to 2/3 of its Closing Price of the trading day which is just preceding to the day on which trading in Ready Delivery Contract Market commences on ex-entitlement basis. For instance, if the price was Rs 150 it would be Rs 100 (150 x 2/3). Similarly, when there is a 1-for-2 right issue, the CSF Contract Multiplier will be adjusted to 750 (500 x 3/2) on the ex-right date. When	14.2.10. In a 90 days CSF Contract, the CSF Contract Multiplier will be adjusted for corporate actions like bonus issue or right issue in the underlying scrip. The adjustment will take effect from the day on which trading in Ready Delivery Contract Market commences on ex-entitlement basis. For example; when the CSF Contract Multiplier is **100** ~~500~~ and there is a 1-for-2 bonus share issue (i.e. for every 2 existing shares, the holder gets one additional share), the CSF Contract Multiplier will be adjusted to **150** ~~750~~ (**100** ~~500~~ x 3/2). When the Contract Multiplier is adjusted, the price of each share in the Contract will correspondingly be adjusted by the Exchange. In the above example, in case of bonus issue, the price of each share in the Contract will be adjusted to 2/3 of its Closing Price of the trading day which is just preceding to the day on which trading in Ready Delivery Contract Market commences on ex-entitlement basis. For instance, if the price was Rs 150 it would be Rs 100 (150 x 2/3). Similarly, when there is a 1-for-2 right issue, the CSF Contract Multiplier will be adjusted to **150** ~~750~~ (**100** ~~500~~	Consequential changes due to proposed change in CSF Contract multiplier from 500 to 100.

Chapter 14: CASH-SETTLED FUTURES CONTRACT MARKET REGULATIONS

EXISTING REGULATIONS	PROPOSED AMENDMENTS	RATIONALE
the CSF Contract Multiplier is adjusted, the CSF Contract price ruling on the ex-right date will correspondingly be increased by the exercise price per share multiplied by 250. The adjusted price per share of the CSF Contract would increase, decrease or remain same, depending upon whether the right shares have been offered at a premium, discount or par respectively, to its Closing Price of the trading day which is just preceding to the day on which trading in Ready Delivery Contract Market commences on ex-right basis. The adjustment of CSF Contract Multiplier shall be applicable only to the CSF Contracts that are trading as of the corporate action date. When the next new Contract is traded its CSF Contract Multiplier shall be reinstated to the original lot size determined by the Board. (No mark to market differences by virtue of such adjustments shall be payable or receivable on the ex-entitlement date).	x 3/2) on the ex-right date. When the CSF Contract Multiplier is adjusted, the CSF Contract price ruling on the ex-right date will correspondingly be increased by the exercise price per share multiplied by ~~2~~50. The adjusted price per share of the CSF Contract would increase, decrease or remain same, depending upon whether the right shares have been offered at a premium, discount or par respectively, to its Closing Price of the trading day which is just preceding to the day on which trading in Ready Delivery Contract Market commences on ex-right basis. The adjustment of CSF Contract Multiplier shall be applicable only to the CSF Contracts that are trading as of the corporate action date. When the next new Contract is traded its CSF Contract Multiplier shall be reinstated to the original lot size determined by the Board. (No mark to market differences by virtue of such adjustments shall be payable or receivable on the ex-entitlement date)	
NEW INSERTION	**14.2.12 A Securities Broker shall be allowed to rollover its or its clients' existing net-buy or net-sale position from one contract to another contract of different maturity in the same security through an Inter-Month Spread Transaction Window.** **Provided that the normal rollover for selling and buying separately in two different Deliverable Futures Contracts shall continue as per current practice.**	PSX shall introduce 'Inter-Month Spread Transaction Window" to allow brokers to roll over their or their clients' positions (Long or Short) in expiring months to further-out month using the prevailing liquidity without the need to have the same counterparty.

Chapter 14: CASH-SETTLED FUTURES CONTRACT MARKET REGULATIONS		
EXISTING REGULATIONS	**PROPOSED AMENDMENTS**	**RATIONALE**

ANNEXURE-A

CONTRACT SPECIFICATION FOR CASH-SETTLED STOCK FUTURES CONTRACT

CSF Contract Multiplier	~~500~~ **100** shares, subjected to changes when adjustments are made in respect to corporate actions. CSF Contract value = Futures price x CSF Contract Multiplier
Position Limits	As prescribed under NCCPL Regulations, as amended from time to time.
Daily Price Limits	As provided under chapter 19 of these Regulations as amended from time to time.
Period of Contract	90, 30 or 7 days
Opening of Contract	~~First Trading day of the next week following the close of the contract.~~ **First Trading day after the last Friday of each calendar month.**
~~Overlapping Period~~	~~None~~
Expiration Date / Last Trading day	Last Friday of the calendar month/week, if last Friday is not a trading day, then immediate preceding trading day.
Final Settlement	Cash settlement on T+1 basis.
Final Settlement Price	As defined in these Regulations.
Daily Settlement Price	As defined in these Regulations.
Margin Requirements	VaR based Margins as prescribed under NCCPL Regulations.

Rationale: Reducing Contract Size to 100 may help market makers to take hedging positions. It may also help improve the volumes in the Futures Market by allowing small investors to take positions.

Chapter 17: STOCK INDEX FUTURES CONTRACT MARKET REGULATIONS		
EXISTING REGULATIONS	**PROPOSED AMENDMENTS**	**RATIONALE**
17.2. TRADING: **NEW INSERTION**	**17.2. TRADING:** **17.2.10 A Securities Broker shall be allowed to rollover its or its clients' existing net-buy or net-sale position from one contract to another contract of different maturity in the same security through an Inter-Month Spread Transaction Window.** **Provided that the normal rollover for selling and buying separately in two different Deliverable Futures Contracts shall continue as per current practice.**	PSX shall introduce 'Inter-Month Spread Transaction Window" that will allow brokers to rollover positions (Long/Short) in expiring month to further-out month using prevailing liquidity without need to have same counterparty.

ANNEXURE-A
CONTRACT SPECIFICATIONS

Underlying Index	**KSE-30 INDEX**
SIFC Multiplier	Rs. 5.00 per index point or any other amount as may be determined by the Exchange from time to time with the prior approval of the Commission.
Minimum Fluctuation (Tick Size)	One Index Point
Maximum Fluctuation (Tick Size)	N/A
Position Limits	As prescribed under NCCPL Regulations, as amended from time to time.
Period of Contract	90 days
Opening of Contract	~~First trading day of the next week following the close of the contract.~~ **First Trading day after the last Friday of each calendar month.**
~~**Overlapping Period**~~	~~None.~~
Expiration Date/ Last Trading day	Last Friday of the calendar month ~~in which the contract is to expire~~, if last Friday is not a Trading Day, then immediately preceding Trading Day.

Final Settlement	Collection of Losses on T+0 basis, and disbursement of profit on T+1 basis through NCCPL's Pay & collect system.
Contract Unit	The contract unit shall be the numerical value of the underlying stock index
SIF Contract Value	The value of the Contract at the time of making the Contract shall be the price agreed to by the parties at that time multiplied by the SIF Contract Multiplier and expressed in Pakistani Rupees
Final Settlement Value	Final Settlement Price of the Stock/Sector Index Futures Contract shall be the price calculated based on a set of 121 reading of 15 second intervals (price points) of the underlying index levels taken between the last half an hour of trading. The highest and lowest 20 price points will be ignored and the closing price computed as an average of the remaining 81 price point will be the Final Settlement Price for the settlement of the contract.
Daily Settlement Value	Volume Weighted Average value of last half hour of trading in the relevant Stock Index Futures Contract for cash settlement, multiplied by the SIF Contract Multiplier and expressed in Pakistani Rupees
Margin Requirements	As prescribed under NCCPL Regulations, as amended from time to time.

Underlying Index	**OIL AND GAS SECTOR, BANKING SECTOR**
SIF Contract Multiplier	Rs. 5.00 per index point or any other amount as may be determined by the Exchange from time to time with the prior approval of the Commission.
Minimum Fluctuation (Tick Size)	One Index Point
Maximum Fluctuation (Tick Size)	N/A
Position Limits	As prescribed under NCCPL Regulations, as amended from time to time.
Period of Contract	90 days
Opening of Contract	~~First trading day of the next week following the close of the contract~~. **First Trading day after the last Friday of each calendar month.**
~~**Overlapping Period**~~	~~None~~
Expiration Date / Last Trading day	Last Friday of the calendar month ~~in which the contract is to expire~~, if last Friday is not a Trading Day, then immediately preceding Trading Day.

Final Settlement	Collection of Losses on T+0 basis, and disbursement of profit on T+1 basis through NCCPL's Pay & collect system.
Contract Unit	The contract unit shall be the numerical value of the underlying stock index.
SIF Contract Value	The value of the Contract at the time of making the Contract shall be the price agreed to by the parties at that time multiplied by the SIF Contract Multiplier and expressed in Pakistani Rupees.
Final Settlement Value	Final Settlement Price of the Stock/Sector Index Futures Contract shall be the price calculated based on a set of 121 reading of 15 second intervals (price points) of the underlying index levels taken between the last half an hour of trading. The highest and lowest 20 price points will be ignored and the closing price computed as an average of the remaining 81 price points will be the Final Settlement Price for the settlement of the contract.
Daily Settlement Value	Volume Weighted Average value of last half hour of trading in the relevant Stock Index Futures Contract for cash settlement, multiplied by the SIF Contract Multiplier and expressed in Pakistani Rupees.
Margin Requirements	As prescribed under NCCPL Regulations, as amended from time to time.

PROPOSED AMENDMENTS	RATIONALE

LEVY COLLECTED FROM SECURITIES BROKERS AS CONTRIBUTION TO THE CCPF

Market Name	Rate in Rupee	Basis	Mode	Collection Date
Ready Market Trade	0.67084	Per Rs100,000/- value	Through Payment Order	On Every Settlement Day
Odd Lots Market Trade	0.93809			
Deliverable Futures Contract Market-contract	0.93809			
Futures Trading in Provisionally Listed Securities Market	0.93809			
Cash-Settled Futures Contract Market-contract	~~0.93809~~ **0.67084**			
Stock Index Futures Contract Market-contract	~~0.93809~~ **0.67084**			
Squaring-Up Market-trade	0.93809			
Negotiated Deals Market- transaction	Nil			
Debt Market – Trades	Nil			
Trade Rectification-transaction	100% of the fee collected under point (b) of Trade Rectification Market as provided under 'Schedule for Trading Fee' of the 'Deposit, Fee, Contribution And Other Sums Schedule' notified through PSX website.	Value of Rectified Trade		On Month End

RATIONALE:

Currently no revenue is generated from these products.
It is proposed to bring CCPF Levy for DFC and CSFC in line with Ready Market to promote these contracts which may also help in revival of these contracts.

PROPOSED AMENDMENTS

<u>DEPOSIT, FEE, CONTRIBUTION AND OTHER SUMS SCHEDULE</u>

SCHEDULE FOR TRADING FEE

<table>
<tr><th>Market Name</th><th>Rate in Rupees</th><th>Basis</th><th>Mode</th><th>Collection Date</th></tr>
<tr><td>Ready Market Trade</td><td>2.78916</td><td rowspan="10">Rs100,000/- value trade</td><td rowspan="11">Through Payment Order</td><td rowspan="10">On Every Settlement Day</td></tr>
<tr><td>Odd Lots Market Trade</td><td>3.50191</td></tr>
<tr><td>Deliverable Futures Contract Market-contract</td><td>3.50191</td></tr>
<tr><td>Futures Trading in Provisionally Listed Securities Market</td><td>3.50191</td></tr>
<tr><td>Cash-Settled Futures Contract Market-contract</td><td>~~3.50191~~ **2.78916**</td></tr>
<tr><td>Stock Index Futures Contract Market-contract</td><td>~~3.50191~~ **2.78916**</td></tr>
<tr><td>Squaring-Up Market-trade</td><td>3.50191</td></tr>
<tr><td>Negotiated Deals Market- transaction</td><td>2.785</td></tr>
<tr><td>Debt Market</td><td>2.80</td></tr>
<tr><td>Trade Rectification-transaction</td><td>One side of fee applicable to Original Trade.</td></tr>
<tr><td>Sale Modification in DFC Market due to erroneous selection of sale order windows (F5 and F8)</td><td>One side of modified sale at twice the fee applicable to original trade subject to a minimum of Re. 1 per transaction.</td><td>Value of Rectified Trade</td><td>On Month End</td></tr>
</table>

<u>The Exchange may, if it deems necessary in the interest of market, reduce or waive Trading Fee for any of the above markets for such period of time as notified by the Exchange.</u>

RATIONALE

Currently no revenue is generated from CSF & SIFC markets.

It is proposed to bring these charges in line with Ready Market to help revival of these markets.

Moreover, it is also proposed that to promote the trading activity in futures markets, PSX may have power to reduce/ waive Trading Fee for a certain period of time.

<u>Note:</u> Due to above prosed amendments, the existing numbering of clauses shall be renumbered and updated accordingly.

PROPOSED AMENDMENTS

~~UNIFORM~~ FUTURES MARKET CRITERIA FOR SELECTION OF SECURITIES ELIGIBLE FOR TRADING IN DELIVERABLE FUTURES CONTRACT (DFC) AND CASH SETTLED FUTURES CONTRACT (CSF) MARKETS

BASIS OF SELECTION	PROPOSED CRITERIA FOR DFC AND CSF MARKETS		RATIONALE
Maximum Number of Securities	Top 200 book-entry securities 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 "review period" and same will be filtered based on the following criteria:		Segregation into Category A and B should be removed. Scrips should be only termed as 'Futures Eligible Scrips'.
	~~**CATEGORY A**~~	~~**CATEGORY B**~~	
1. Impact Cost	~~Securities that have an average daily Impact Cost of less than 1% during the review period.~~	~~Securities that have an average daily Impact Cost of less than 2% during the review period.~~	Around 40% of the sample size meets the defined criteria. (114 companies from sample of 200 fail to meet the 2% Impact Cost Criteria in review period of May 2019.) Internationally, the liquidity measure used is 'Turnover/ Traded Value' and besides Pakistan, India is the only country that uses Impact Cost. It will help increase the sample size.
	Securities that have an average daily Impact Cost of less than 3% during the review period.		
2. Turnover	~~Securities that have average daily turnover of 0.25% of total average volume of book-entry eligible securities during the review period.~~	~~Securities that have average daily turnover of 0.10% of total average volume of book-entry eligible securities during the review period.~~	The prime reason of reducing the turnover ratio to 0.05% is to nullify the impact of recent amendment of increasing
	Securities that have average daily turnover of 0.05% of total average volume of book-entry eligible securities during the review period.		

PROPOSED AMENDMENTS			RATIONALE
			the sample size to 200 from 100. The earlier weight of 0.10% is now harder to meet as the denominator is increased (Turnover of the Scrip / Turnover of the 200 Sample Size). The filter is also already used in sampling of 200 scrips and is used only one time in other Jurisdictions.
~~3. Public Float~~	~~Securities that have Free Float of more than 35% of issued capital or 60 million Free Float shares.~~	~~Securities that have Free Float of more than 25% of issued capital or 40 million Free Float shares.~~	The impact of Free Float shares is fully incorporated in the selection of 200 sample size when 50% weight of Free Float Adjusted Market Capitalization is used for ranking of 200 scrips.
3. Trading History	~~Securities that have been traded at least 90% of the trading days during the review period.~~	~~Securities that have been traded at least 70% of the trading days during the review period.~~	All scrips should have been traded at least 70% of the trading days during the review period.
	Securities that have been traded at least 70% of the trading days during the review period.		
4. Listing History	~~Securities that have been officially listed at the Exchange earlier than last six months period.~~	~~Securities that have been officially listed at the Exchange earlier than three years period.~~	All scrips should meet the criteria of at least 6 months of listing history.
	Securities that have been officially listed at the Exchange earlier than last six months period.		

<table>
<tr><th>PROPOSED AMENDMENTS</th><th>RATIONALE</th></tr>
<tr><td>

5. Auditors Opinion	Securities of the companies that do not have negative/qualified opinion in Auditor's report on the Company's most recent audited annual Financial Statements which may lead to suspension in trading of shares of such company.	~~Same as Category A~~
6. Investigation	Securities of the Companies against which any investigation/enquiry has been concluded with adverse findings of mismanagement shall not be eligible.	~~Same as Category A~~
7. Defaulters' Segment	Securities of the companies that have not been quoted on the defaulters segment of the Exchange during the review period.	~~Same as Category A~~
~~8. Interim Review of Securities~~	~~Clause No. 1, 2, 4, 6, 7 & 8 of the criteria shall be reviewed after each 45 days. Such review shall be carried out at the same frequency and simultaneously with the interim review carried out for SLB eligible securities and Margin Eligible Securities and any security which does not meet any of these criteria shall be excluded from the list after giving notice of at least 60 days to market participants.~~ ~~Provided that in case outgoing security is qualified for category-B, such security shall be included in Category B security as per notice period.~~	~~Clause No. 1, 2, 4, 6, 7 & 8 of the criteria shall be reviewed after each 45 days. Such review shall be carried out at the same frequency and simultaneously with the interim review carried out for SLB eligible securities and Margin Eligible Securities and any security which does not meet any of these criteria shall be excluded from the list after giving notice of at least 30 days to market participants.~~ ~~Provided that in case security is qualified for category-A, such security shall be included in Category A security as per notice period.~~

</td><td>Segregation of securities into category A and B is proposed to be removed.

There should be a more frequent review (on a quarterly basis) of eligible scrips so that the relevance of numbers does not deviate much.</td></tr>
</table>

PROPOSED AMENDMENTS			RATIONALE
8. ~~Final~~ Review for Securities	~~The list of MT Eligible Securities will be reviewed in the first 15 days of January and July every year 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 SLB eligible securities, MF eligible securities and Margin Eligible Securities.~~	~~Same as Category A~~	The criteria are proposed to be prescribed exclusively for DFC and CSF Markets, hence the references relating to MTS Market are proposed to be deleted.
	The list of securities eligible for trading in DFC and CSF Contract Markets shall be reviewed each quarter based on the previous 6-month data on rolling basis. Securities will be included or excluded based on that review from the opening of immediate next available Futures Contracts subject to a minimum notice period requirement. **Securities excluded based on quarterly review will be available for trading in existing contracts traded till respective expiries.**		Securities should be included and excluded based on quarterly review. Excluded scrips will still be available for exposure/rollover for existing two contracts maturing in 30 & 90 days.
9. Notice Period	**Any inclusion / exclusion in/from the list of eligible securities based on the revised list of securities eligible for trading in DFC and CSF Contract Markets shall be notified within 10 days from the close of each quarter, which shall be made effective from first immediate 90-day Contract opening.**		.
10. Review for Criteria	The Company may review and change the eligibility criteria as and when required with prior approval of the Commission and notify the change in it, if any, to the market participants.	~~Same as Category A~~	
11. ~~Profit before tax and/ or~~ Equity	~~Profit before tax as per standalone audited financial statements in any two of the last three years of commercial operations.~~ ~~In case of a company having operating history of less than three years, the company must have~~	~~The Company's equity containing paid-up-capital, reserves and accumulated profits and losses is not negative as per the latest half yearly accounts or annual audited accounts.~~	Fundamental factor should only be linked to positive equity in recent half/full year.

PROPOSED AMENDMENTS			RATIONALE
	~~completed one year of commercial operations and shown profits before tax as per its latest standalone audited financial statements throughout operating history.~~		A company in loss but with a positive outlook should be given a chance to trade on futures counter provided it has shown the desired level of liquidity in the ready market, as filtered through turnover and impact cost.
	The Company's equity containing paid-up capital, reserves and accumulated profits and losses is not negative as per the latest half yearly financial statements or annual audited financial statements.		
12. Eligibility of companies with principal activity in investment/ trading of securities	Securities of listed asset management companies, mutual funds, brokerage houses and companies whose principal activity includes short term investment/trading in securities shall not be eligible. ~~For the MT Market, a Financee can not avail financing in any scrip where he is a director or sponsor or such scrip is an associated company or associated undertaking of such Financee. Trading Financier shall not provide financing in scrip where such Trading Financier is a director or sponsor or such scrip is an associated company or associated undertaking of such Trading Financier.~~ ~~It shall be the responsibility of Financee and Trading Financier to ensure compliance of above said restriction at their end.~~	~~Same as Category A~~	The criteria are proposed to be prescribed exclusively for DFC and CSF Markets, hence the references relating to MTS Market are proposed to be deleted.

End of Proposed Amendments

"ANNEXURE B"

PROPOSED AMENDMENTS RELATING TO INTRODUCTION OF STANDARD RANGE/ SCALE OF BROKERAGE COMMISSION

Chapter 4: TRADING RIGHTS ENTITLEMENT (TRE) CERTIFICATE		
EXISTING REGULATIONS	**PROPOSED REGULATIONS**	**RATIONALE**
NEW INSERTION	**4.29 STANDARD RANGE/ SCALE OF BROKERAGE COMMISSION:** **The Securities Brokers shall charge and collect the brokerage commission from their customers upon the execution of orders for the purchase or sale on their accounts as per the standard range/ scale of brokerage commission prescribed in Annexure-III to this Chapter.** **NOTE: The aforesaid range/ scale of brokerage commission is prescribed by the Exchange after seeking the exemption from the application of Section 4 of the Competition Act, 2010 granted by the Competition Competition of Pakistan untill February 28, 2020 in pursuance of the powers confererred to it by Section 5 read with Section 9 of the Competition Act, 2010.**	To prescribe the minimum and maximum range of brokerage commission.

ANNEXURE - III

STANDARD RANGE / SCALE OF BROKERAGE COMMISSION ON DIFFERENT TYPES OF TRANSACTIONS

SR.#	TRANSACTION TYPE	* RATE	REMARKS
1	Ready Delivery Contract Market ("Ready Market") – Normal	3p or 0.15% whichever is higher	On every buy and sell transaction which is not squared during the trading day
2	Ready Market – Intra-Day Squared	3p or 0.15% whichever is higher	On one side – either on buy side or sell side trade
3	Ready Market to Futures Arbitrage	3p or 0.15% whichever is higher	On one side – if bought in ready market, sold in DFM by same client, same security on same trading day, otherwise on both sides.
4	MTS Financed Ready Market Trade	3p or 0.15% whichever is higher	Commission on ready market purchase or sale only. No minimum commission on MTS market transaction.
5	DFM – Squared Transaction	3p or 0.15% whichever is higher	On one side – If transaction is squared-up in DFM either through offsetting transaction or rollover.
6	Proprietary Trade and trades of Sponsors and Directors of the Securities Broker and their **immediate family members	Nil	No Commission.

** The prescribed range is from 3 Paisa per share or 0.15% of the transaction value, whichever is higher, up to 2.5% of the transaction value in the above mentioned transactions.*

***Immediate family member means spouse, children and parents.*

NOTES:

1. Commission is exclusive of levies.
2. Rates in each type of transaction can be scaled up within the minimum and maximum ranges.

Chapter 23: SYSTEM AUDIT [REGULATORY COMPLIANCE] REGULATIONS		
EXISTING REGULATIONS	**PROPOSED REGULATIONS**	**RATIONALE**
Schedule-A **Scope of Audit** **12. General Obligations of the Broker** The Auditor shall also check the compliance in respect of the following: **NEW INSERTION**	**Schedule-A** **Scope of Audit** **12. General Obligations of the Broker** The Auditor shall also check the compliance in respect of the following: **12.7 The Securities Broker has charged and collected the brokerage commission from their customers as per the range/ scale of brokerage commission prescribed by the Exchange in Annexure-III to Chapter 4 of these Regulations.**	To ensure compliance with the minimum brokerage commission through System Audit of Brokers.

End of Proposed Amendments