

PROCEDURES TO OFFER SHARIAH-COMPLIANT SECURITIES TRADING (READ WITH CHAPTER 4A OF PSX REGULATIONS)

PSX is specifying these procedures under Chapter 4A of PSX Regulations which are required to be complied with for offering Shariah-Compliant securities trading:

1. ORDER INITIATION:

The Shariah-Compliant Securities Brokers shall offer Shariah-Compliant securities trading to its Shariah-designated customers, which are onboarded using the account opening forms, as mentioned under proviso to Clause 4.15.1 of PSX Regulations, by providing a dedicated Shariah-Compliant Trading Terminal or Counter to initiate a buy or sell order.

2. PRE-TRADE VALIDATIONS:

The Shariah-Compliant Securities Broker shall ensure that appropriate pre-trade validations are implemented to ensure the following:

(a) For buy orders:

- (i) Issuer of a listed security is included in the Shariah-Compliant list, as notified by the Exchange or disclosed by any other authorized person under Regulation 11 of the Shariah Governance Regulations, 2023; and
- (ii) Financing may only be done through Murabahah Share Financing or other Shariah-based mode of financing as notified by the Exchange or the NCCPL with the approval of the Commission.

(b) For sell orders:

- (i) Validate the availability of relevant securities in the account of the seller adjusted for the sale transaction(s) in the same security;
- (ii) Sale shall be allowed upon settlement of the buy order evidencing availability of shares in CDC; and
- (iii) Shares are free from pledge, lien, freeze, blockage or any other encumbrance restricting disposal of such securities before the time of delivery of such shares.

(c) The following orders shall not be allowed:

- (i) Short Sales;
- (ii) Blank Sales;
- (iii) Sale of unsettled purchases;
- (iv) Trading of preference shares or subscription rights;
- (v) Derivative Contracts; and
- (vi) Interest-based financing and leverage-based trading with the exception of Murabahah Share Financing or other Shariah-based mode of financing as notified by the Exchange or the NCCPL with the approval of the Commission;

Provided that the Shariah-Compliant Securities Broker may dispose- off the securities which have become Shariah non-compliant for divestment purpose, under the guidance of its Shariah advisor.

3. TRADING, CLEARING, SETTLEMENT AND RISK MANAGEMENT:

The Shariah-Compliant Trading Terminal or Counter, as the case may be, shall also incorporate the following:

(a) Trading:

Once an order successfully passes through the pre-trade validation, it shall route to the Trading System of the Exchange, matched as per the Queue Priority and traded through the Ready Delivery Contract Market.

(b) Clearing, Settlement and Risk Management:

Clearing and settlement shall be done on T+1 settlement cycle through the NCCPL, and the risk management shall be governed in accordance with the NCCPL Regulations. During the period between trade execution and its settlement:

- (i) purchased securities shall remain restricted from onward sale; and
- (ii) sale shall qualify as Shariah-Compliant trade only upon actual credit of shares into the buyer's CDC account.

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