



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

Press Release

SECP approves regulations governing market-making for Pakistan Mercantile Exchange Limited

ISLAMABAD, January 31: In line with best international practices, and to promote liquidity and efficiency in the commodity futures market, the SECP has approved regulations governing market making for the Pakistan Mercantile Exchange Limited (PMEX).

Market-makers play an important role in the capital market by promoting liquidity in the market through buying and selling commodity future contracts in return for a bid/ask spread. Several contracts having good potential for hedging have not been trading actively due to lack of liquidity in these and the market has grown. It was therefore considered essential to encourage market makers to provide liquidity in such contracts under a regulated environment benefiting hedgers and investors.

The regulations broadly cover qualification criteria for a market-maker, roles and obligations of market makers, market-making agreement (a key document agreed and signed between the market-maker and the exchange), powers, functions and obligations of PMEX and disciplinary actions that may be taken by it. These regulations will promote investors' confidence in the commodity futures market through enhanced profitability, reduced volatility in prices and efficient execution of orders.

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