

SECP-KSE Meeting Discuss Risk Management Measures

Press Release

Islamabad – September 28, 2006: KSE management team led by Managing Director Mr. M.A. Lodhi had extensive discussions with SECP Chairman, Commissioner Securities Market, and SMD team at Islamabad on various implementation issues with respect to risk management measures announced by SECP vide its letter dated September 13, 2006. KSE management requested further time for an orderly implementation of the said risk management measures and for a smooth transition to the new system. SECP, taking a pragmatic view, considered KSE's request and decided to revise the implementation schedule with a view to safe and orderly transitions of the market to the new Risk Management system.

It has been decided that:

- From 9/10/06 onward all shares financed under current CFS procedures shall be held in Blocked Account with CDC. All outstanding CFS trades, which are not kept in Blocked Account, shall be forced released on 03/11/06.
- From 6/11/06 the following will be implemented:
 - New netting regime (except for client level netting which shall be implemented from 01/02/07).
 - New VaR based margin regime.
 - New VaR based haircut regime.
 - All In-house badla will be banned.
- CFS Cap shall be enhanced as follows:

○	30.0 bn	on	06/11/06
○	37.0 bn	on	13/11/06
○	45.0 bn	on	20/11/06
○	55.0 bn	on	27/11/06
- Special Margins shall be based on 26 weeks moving average price and shall be applied in the following phases.

- 50% of special margin shall be collected from 06/11/06
- 75% of special margin shall be collected from 05/02/07
- 100% of special margin shall be collected from 04/06/07

- CFS financed scrips shall be enhanced to 40 scrips from 06/11/06
- Outstanding In-house badla as at 03/11/06 will be phased out by 30/11/06
- Short selling in deliverable futures contract shall be permitted from November contracts subject to member wide limit of 0.5% of each scrips Free Float.

- VaR based margin has been revised and 111 scrips shall have a margin of less than 20%.

This press release is being issued to keep the members and the market participants fully aware and updated on the latest development taking place in the implementation of risk management system.