

Press Release

SEC Issues Draft Clearing Companies (Registration & Regulation) Rules

Islamabad – December 29, 2004: The Securities and Exchange Commission of Pakistan (SEC) has issued the draft Clearing Companies (Registration and Regulation) Rules, 2004, in consultation with the National Clearing Company of Pakistan Limited.

The draft Rules have been placed on the SEC's website for soliciting public opinion within 60 days. The Rules are aimed at effectively governing and regulating the affairs of a clearing company as well as providing for an integrated national clearing system for settlement of trades executed in respect of companies in the Central Depository System (CDS) on all three stock exchanges.

Under the Rules, a person starting business as a clearing company will be eligible for registration subject to fulfillment of specified criteria. The SEC will be authorized to give or refuse registration. Similarly, the SEC may suspend or cancel registration if a clearing company is not discharging its functions in accordance with law, or neglects to so act, or otherwise fails to carry on its business in the interests of the capital market.

A clearing company will be empowered to call for information, undertake inspections and conduct inquiries and audits of its clearing members in relation to the performance of its functions, under the regulations and procedures made under the Rules.

A clearing and settlement fund will be set up with an initial contribution of Rs. 100 million by the clearing company. The fund will be utilized towards settling a clearing member's obligation to clearing company in case of default of such member. The clearing company will make regulations with prior approval of the SEC.

The draft Rules are available on the SEC website, www.secp.gov.pk.