



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
International Affairs, Communication & Coordination (IACC) Dept

PRESS RELEASE

Islamabad, June3, 2010: The draft Securities (Margin Financing, Lending, Borrowing and Pledging) Rules, 2010 (the Draft Rules) which were submitted by Securities and Exchange Commission of Pakistan (SECP) for approval of the Federal government, earlier this year, have been received after their vetting by the Law & Justice Division. The said Draft Rules have been made available on the official website of SECP (www.secp.gov.pk) and published in the official gazette of Pakistan for seeking comments. The comments can be mailed directly to mf@secp.gov.pk, latest by **Monday, July 5, 2010**.

A major part of the Draft Rules is based on a concept paper on “Margin Financing” which was finalized by SECP after following an extensive consultation process with the relevant stakeholders including the State Bank of Pakistan, Mutual Funds Association of Pakistan, Pakistan Banks Association, Investment Banks Association of Pakistan, Leasing Association of Pakistan, Modaraba Association of Pakistan, the three stock exchanges, Central Depository Company of Pakistan Limited, and the National Clearing Company of Pakistan Limited.

The new Draft Rules have been developed considering international best practices and provide a regulatory framework i.e., Margin Financing, Securities Lending and Borrowing (SLB) and Pledging of clients’ securities.

One of the distinct features of margin financing under these Draft Rules is the identification of the counter-party which will enable financiers to assess the credit worthiness of financees thereby minimizing any possible systematic risk and interruptions to the smooth functioning of capital markets. In addition to offering investment flexibility whereby financiers be able to choose scrips for financing based on their analysis of fundamentals and liquidity position, the requirement of maintaining minimum equity participation ratio by the financee will ensure better sharing of risk between the parties. The SLB model envisages the Authorized Intermediary to act as a facilitation agent between borrowers and lenders of securities and provide an automated platform whereby SLB contracts will be executed between the parties. Further, as per the existing practice, clients’ securities are pledged for a variety of reasons by brokers including pledges in favor of exchanges and the clearing company in respect of margin requirements and pledges in favor of financial institutions for financing arrangements. The Draft Rules seek to provide conditions and requirements that will govern the pledging mechanism and also restrict/ prohibit pledges which are executed in contravention thereof.

These Draft Rules are not only expected to introduce effective disclosure requirements to ensure greater transparency but also to cater for the financing needs of capital markets while providing retail investors with an easy access to financing against shares. These Rules will be promulgated by the Federal Government after completion of the consultative process.

For TV Tickers:

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