



Securities and Exchange Commission of Pakistan Internal & External Communication Unit

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MEASURES FOR MARKET STABILIZATIONS

KARACHI – JULY 11, 2008: In view of the continuous declining trend of the Securities Market and consequent possibility of systemic risk resulting in disruption of timely and smooth settlement of trades, the Securities and Exchange Commission of Pakistan (SECP), on the recommendation of the Board of Directors of the Karachi Stock Exchange (KSE) had approved adoption of various market stabilization measures on June 23, 2008. As announced, those measures were of temporary nature and were to be reviewed again.

Accordingly, a meeting was held among officials of the SECP and the three stock exchanges on Friday, July 11, 2008 under the chairmanship of Mr. Razi-Ur-Rahman Khan, Chairman SECP, to review the market situation since the adoption of above-referred measures. All the three stock exchanges appreciated the initiatives taken on June 23, 2008 for providing necessary cooling period essential for the market to recover from the state of affairs at that time. After thorough deliberations and with the consensus of all the three stock exchanges, the following decisions were taken:

1. The upper and lower security-wise Circuit Breaker for each Market separately (except Stock Index Futures Market) shall revert back to 5% or Re. 1/-, whichever is higher from the Closing Price of the previous day, as specified in the Regulations governing Risk Management of the Exchange with effect from Monday, July 14, 2008.
2. Short sale will be allowed as per the Regulation governing Deliverable Futures Contract which includes short sale on “uptick” and “zero tick”. Additionally CFS buy positions will not be considered as pre-existing interest, unless such positions are released prior to making such sale. These changes will be implemented with effect from August futures contracts. It was also agreed that the members shall not be allowed to make Short Sale unless the trade is so declared at the time of placement of order through the automated trading systems of the stock exchanges in a special Short

Sale Order Window which will be available to market participants prior to the start of August Deliverable Futures Contract.

3. Short Sale will be allowed in Ready Market subject to meeting the pre-requisites as mentioned in the Regulations for Short Selling under Ready Market, 2002. In order to ensure that there is no market abuse of blank selling, short sale with pre-existing interest against purchase on another Exchange will only be allowed subject to implementation of inter-Exchange UIN regime.
4. Further, acceptance of Bank Guarantees from “A” and above rated banks have already been allowed as Collateral, subject to Board of Directors’ approval of the respective stock exchanges, in respect of Exposure Margins, Mark-to-Market Losses and where applicable Special Margins and the relevant Regulations have also been updated accordingly.
5. In addition to the above, the concept paper for the establishment of Equity Market Opportunity Fund (EMOF) has already been discussed with the Institutional Investors, who have in principle supported the concept and agreed to its need. As soon as the formal approval and financial commitment towards the said Fund is received from these Institutional Investors, the EMOF will be launched. The modalities/mechanics of operations of the EMOF were also discussed by the participants of the meeting and will be finalized after due deliberations.
6. There will be strict monitoring of market activity, especially with reference to blank sales in excess of allowed limit and other market manipulations, by the stock exchanges and the SECP.

Sd. Imran Ghaznavi (Head of Internal & External Communications/Official Spokesman)