



**REGULATIONS FOR FUTURES TRADING  
IN PROVISIONALLY LISTED  
COMPANIES (FTPLC), 2002**

**OF**

**THE KARACHI STOCK EXCHANGE  
(GUARANTEE) LIMITED**

**(As amended on September 07, 2011 and sent for Gazette Notification)**

**REGULATIONS FOR FUTURES TRADING IN PROVISIONALLY LISTED  
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**PREAMBLE**

WHEREAS in order to avoid kerb trading and to protect the interest of investors, it is desirable that listing is done simultaneously with the publication of the prospectus, which requires regulations to regulate such trading.

AND WHEREAS in order to regulate future trading in securities in the process of Provisional Listing, it is expedient to make new regulations for provisionally listed securities.

NOW THEREFORE, the Karachi Stock Exchange (Guarantee) Limited in exercise of the powers conferred by sub-section 1 of section 34 of the Securities & Exchange Ordinance, 1969 (XVII of 1969) makes, with the prior approval of the Securities and Exchange Commission of Pakistan, the following Regulations namely:

1. **SHORT TITLE & COMMENCEMENT**

- a) These Regulations may be called the "Regulations for Futures Trading in Provisionally Listed Companies (FTPLC), 2002"
- b) These Regulations shall come into force with immediate effect and shall replace the existing "Regulations for Trading in Provisionally Listed Companies"

2. **DEFINITIONS**

In these regulations, unless the subject or context otherwise requires:

- a) **"Board"** means the "Board of Directors of the Exchange";
- b) **"Broker"** means, "Any member of the Exchange engaged in the business of executing transactions in securities for the account of others and for his own account and is registered with the Commission under the Brokers and Agents Registration Rules, 2001."
- c) **"Clearing Day"** means the clearing day fixed by the Exchange from time to time;
- d) **"Clearing House"** means the Clearing House of the Exchange
- e) **"Closing Price"** has the same meaning as defined in Regulations Governing Risk Management of Karachi Stock Exchange, as amended from time to time.
- f) **"Commission"** means the Securities and Exchange Commission of Pakistan.
- g) **"Exchange"** means "The Karachi Stock Exchange (Guarantee) Limited";
- h) **"Exposure"** shall have the same meaning as defined in Regulations Governing Risk Management of Karachi Stock Exchange, as amended from time to time.
- i) **"General Regulations"** means "General Regulations of the Exchange in force and as may be amended from time to time";
- j) **"Mark-to-Market Loss or MtM Loss"** shall have the same meaning as defined in Regulations Governing Risk Management of Karachi Stock Exchange, as amended from time to time.
- k) **"Mark-to-Market Profit or MtM Profit"** shall have the same meaning as defined in Regulations Governing Risk Management of Karachi Stock Exchange, as amended from time to time.
- l) **"Member"** means "Member of the Exchange";
- m) **"NCCPL"** has the same meaning as defined in Regulations Governing Risk Management of Karachi Stock Exchange, as amended from time to time.
- n) **"NCSS"** has the same meaning as defined in Regulations Governing Risk

Management of Karachi Stock Exchange, as amended from time to time.

- o) **“Provisionally Listed Companies”** means “Companies provisionally listed under these Regulations on the Exchange”.
- p) **“Unique Identification Number (UIN)”** has the same meaning as defined in the Karachi Automated Trading System (KATS) Regulations of the Karachi Stock Exchange.

### 3. **TRADING & ELIGIBILITY CRITERIA**

- (i) Trading shall take place through the Karachi Automated Trading System (KATS) and shall be conducted under these regulations.
- (ii) A company shall be eligible for trading under these Regulations if it satisfies the following conditions:
  - (a) The approved public offer shall not be less than Rs. 500 million, inclusive of Pre-IPO (offer of shares) placements through Book Building process as defined and prescribed under Listing Regulations of the Exchange. Provided that the minimum IPO limit shall be Rs. 250 million.
  - (b) The company's prospectus has been cleared by the Exchange and the company has been notified by the Exchange to be provisionally listed for trading under these Regulations from the date of publication of prospectus or a date as may be specified by the Exchange.

Provided that in the event of non-holding of ballot for the allotment of the shares due to under subscription of the issue / offer or in the event the number of applications received for subscription of shares is less than two thousand five hundred, then trading in shares of a company which is provisionally listed shall be suspended by the Board till the time the company is formally listed in the Ready Market.

NOTWITHSTANDING such suspension of trading, the transactions executed before such suspension shall be deemed to be valid and remain binding on the parties concerned.

#### (iii) **Contract Trading**

While opening trading on the provisionally listing contract, the Exchange shall notify the name of the company, date of opening of such contract, the market lot for trading, clearing and settlement schedule, maximum number of shares that can, at the close of any business day, remain outstanding in that scrip in any Member's account, the date of removal of the company from the Futures Contract in provisionally listed companies and other relevant details governing such contracts.

PROVIDED that the Exchange may extend the date of settlement if the company has not delivered the shares physically and/or credited the shares into Central Depository System (CDS) as per agreed time schedule.

#### iv) **Basic Deposit**

- (a) Any member of the Exchange can enter into trading in the Company(ies) listed under these Regulations if he notifies to the Exchange in writing of such desire and sends a cheque of Rs.100, 000/- as basic deposit for each scrip to be traded. This deposit along with any return earned on it is to be kept separate by the Exchange and cannot be used for purposes other than to meet any obligations of the member to the Exchange arising from the Futures Trading in Provisionally Listed Companies Market.

Provided that the basic deposit paid by a broker under these Regulations may be utilized against exposure margin of such broker in the Futures Trading in Provisionally Listed Companies Market during the trading hours. However, the basic deposit, so utilized, shall be replenished by the broker at the end of each trading day.

Provided further that in case of Member's default, this deposit shall be utilized in accordance with the Members' Default Management Regulations of the Exchange.

- (b) In case a member delays any payment to the Exchange beyond specified time, his Initial Margin requirement (deposit payable) will be doubled.

Provided that the enhanced amount of basic deposit shall not be utilized against the exposure margin of such Member.

- v) Futures Trading in Provisionally Listed Companies Contracts shall be conducted under these Regulations in addition to the Regulations Governing Risk Management, Members' Default Management Regulations and all other relevant Regulations of the Exchange, with such modifications, alterations and additions as may be made from time to time by the Board with prior approval of the Commission.
- vi) When a buyer / seller accepts offer / bid of a contract (quantity of shares) the contract with the specifications as mentioned in Annexure I attached to these Regulations shall be deemed to have taken place between buyer/seller.
- vii) All offers/bids made may be accepted for up to the limit of the offer/bid and the member making an offer/ bid shall be bound to buy or sell such quantity of contracts as is agreed to be taken up.
- viii) All trades in the provisionally listed companies under the said Regulations shall be conducted by Brokers for and on behalf of their clients or for their own proprietary position under registered Client Codes duly mapped with UIN as defined in KATS Regulations of the Exchange. Relevant regulations pertaining to UIN shall be applicable on all trades executed under these regulations.
- ix) **Circuit Breakers**  
Circuit breakers shall be applicable as provided under the Regulations Governing Risk Management of the Exchange.
- Notwithstanding anything mentioned hereinabove, no trading in the company listed under these regulations shall be allowed beyond the price fluctuation of 100% or Rs.50, whichever is lower, from the first day of closing rate till such time the company is formally listed.
- x) Maximum up to 3% of shares offered to the General Public including Pre-IPO placement through Book Building Process can remain outstanding at the close of any business day in a Member's account and 1-1/2% in a single UIN's account in a company listed under these Regulations.

#### 4. **DEPOSITS & MARGINS**

- (a) Trading in Provisionally Listed Securities Contracts shall be subject to collection of Margins at the Pre-trade level (Order entry level) in the manner and form as prescribed under Regulations Governing Risk Management of the Exchange.
- b) The Exchange may allow an appropriate return to members on the cash amount deposited as margin with the Clearing House.
- c) All deposits for particular scrip shall be subject to first lien for payments to be made against transactions outstanding in that scrip.

#### 5. **RISK MANAGEMENT AND FINAL CLEARING & SETTLEMENT**

- i) The Mark-to-Market Losses shall be calculated at the end of each trading day in the manner as prescribed under Regulations Governing Risk Management of the Exchange.
- ii) The related MtM losses, calculated at the end of each trading day, shall be paid by the Members in cash, to the Exchange/NCCPL through NCSS.

- iii) The related MtM Profits, arising from fluctuations in price in particular scrip shall be withheld by the Exchange/NCCPL until the final settlement of the contract(s).
- iv) There shall be Final Clearing on last day of the Contract Period at the weighted average rate of the trades of respective members on T+3 settlement basis.
  - (a) The scrip-wise outstanding positions of Members' proprietary and his client(s) will be revalued at respective Weighted Average Price and shall be transferred to the NCCPL for settlement in accordance with its Regulations and Procedures.
  - (b) The system shall consider such revalued amounts as the traded values, based on which Exposures will be calculated".
  - (c) Total MtM Losses collected up to the Final Settlement Day on account of a particular company listed under these Regulations will be transferred to NCCPL for adjustment against money obligation of the Members on that day.
- v) The management of the Exchange, if so desire, may announce a special clearing in particular scrip. In case special clearing is announced, trading in the scrip shall be suspended until such time the outstanding MtM Losses are settled in cash and the market shall open after the differences have been settled with the Exchange/NCCPL through NCSS.

6. **REFUSAL OF FORMAL LISTING**

In the event of formal listing of the company being refused by the Exchange, for whatever reason, all transactions shall stand null and void. In such eventuality, all deposits and clearings, received by the Exchange/NCCPL shall be refunded to the respective Members.

7. **MEMBERS' DEFAULT**

- i) In case of default of delivery or payment by the seller or buyer, only such portion as has not been delivered/paid for shall, at the risk and account of the defaulting Member, be bought from or sold in the open market through the Exchange/NCCPL.
- ii) In case of default by any Member, default proceedings shall be undertaken by the Exchange and/or the NCCPL, pursuant to their respective Regulations.

8. **FURTHER AMENDMENTS IN THE REGULATIONS**

- i) The Board may, with the prior approval of the Securities and Exchange Commission, make changes in these Regulations after giving reasonable notice.
- ii) In addition to the provisions mentioned in Clauses 1-7 above, the Exchange may in its wisdom impose further risk mitigating conditions to protect the interest of Exchange as well as to provide comfort to investors both local and international.

**Contract Specifications of Futures Trading in Provisionally Listed Companies**

<i>Company Name</i>	Valid Company Name approved by the Exchange
<i>Company Code</i>	Valid Company code assigned by the Exchange
<i>Contract Size</i>	Number of Shares
Maximum Price Fluctuation	Rs.50 or 100%, whichever is lower from the first day Closing Price
Regular Trading Hours	As prescribed in the KATS Regulations and notified by the Exchange from time to time.
Daily Price Limits	As applicable under the Regulations Governing Risk Management of the Exchange.
Opening of Contract	Valid Date
Expiration Date/ Last trading day	Valid Date
Settlement	Valid Date
Date of Removal of Company from Futures Contract	Valid Date
Maximum No. of shares that can remain outstanding	The no. of shares that could remain outstanding at the close of any business day in any Member's Account or in a single UIN's Account.
Exposure Margins	As applicable under the Regulations Governing Risk Management of the Exchange.