REGULATIONS GOVERNING FUTURES CONTRACTS OF THE ISLAMABAD STOCK EXCHANGE (GUARANTEE) LIMITED

In terms of Section 34(1) of the Securities & Exchange Ordinance, 1969, the Islamabad Stock Exchange (Guarantee) Limited may, subject to the prior approval of the Commission make Regulations consistent with the rules to carry out the purposes of Securities & Exchange Ordinance, 1969. The Islamabad Stock Exchange (Guarantee) Limited has framed the Rules & Regulations Governing the Futures Contract which shall come into force on the publication of this notification in the official gazette of Pakistan.

1. a) Futures Contract in shares on the Future Contract Market of the Exchange shall be conducted under the following Rules & Regulations of the Exchange with such modifications, alternations and additions as may be made from time to time by the Board of Directors of Islamabad Stock Exchange with prior approval of Securities and Exchange Commission of Pakistan.

b) Trading in Futures Contracts shall take place through the Islamabad Stock Exchange Computerized Trading System (ISE-ETS).

c) There shall be separate Clearing House Section and exposure deposits for the Futures market. The clearing House shall have the right to adjust any surplus lying in cash counter section of the brokers to offset any shortfalls in the Futures' counter section and vice versa.

2. Any Member of the Exchange can enter into Futures Contracts under the said Regulations if he notifies to the Exchange in writing of such desire and deposits Rs. 50,000/- as basic deposit for trading in the Futures Contracts market. This deposit any along with any return earned on it is to be kept separate and can not be used for purposes other than by the Clearing House to meet any obligations of the Member(s) in the Futures market.

3. a) Deposit against exposures as prescribed in the Regulations Governing Members' Exposure shall be paid in advance in cash and approved Securities as defined below:-

"Approved securities" means Government securities such as T-bills, FIBs, Dollar bonds etc with zero margin; and/or securities which are eligible for trading under these Regulations with 20% margin; and/or CDC based listed Term Finance Certificates (TFCs) not below the ranking of (BBB) graded by a credit rating company with 10% margin. However, such deposit will comprise at-least 50% in cash and balance in securities defined herein before. In case where the exposure is due to sale of shares of a particular company, the shares of that company upto the extent of net sale can be deposited as exposure against 50% cash deposit. However, the deposit against exposure upto Rs.10 million may be accepted in "Approved Securities" which will be defined from time to time.

b) No sale position in excess of 0.1% of the free float of a scrip will be allowed in the Deliverable Futures Market to a member (his proprietary position) or an individual or corporate/institutional investor (hereinafter called "investor") on a UIN basis, unless there is a pre-existing interest of the investor on a UIN basis, as defined below:

"Pre-existing interest" means

- There is an earlier purchase on the same Exchange in the same Future Contract or an earlier Future Contract which will settle prior to the settlement of the sale.

- There is an earlier purchase on the same Exchange in the Ready Market which will settle prior to the settlement of the sale.

- There is a second ticket buy open position in the CFS market on the same Exchange.

- There is an unencumbered holding available in the CDS Account in the investor's own or joint account.

Note: Pre-existing interest in order to remain qualified for this purpose, should continue to exist until the sale position in the Future Deliverable Market is squared off or settled at the conclusion of the contract. The investor responsible for selling beyond 0.1% of free-float of the scrip, without preexisting interest in the Futures Deliverable Market shall be held responsible and penalized accordingly.
In case of non-compliance of the said regulation by the investor, penalties would include:

* For first violation, 5% of the value of selling without pre-existing interest or Rs.500,000 whichever is higher, plus confiscation of profits made on blank sale, plus in case of a member, suspension of trading upto three months and in case of all other investors, they shall be barred from trading / investing on the stock market for a period upto three months;

* For subsequent violation, 10% of the value of selling without pre-existing interest or Rs.2,500,000 whichever is higher, plus confiscation of profits made on blank sale, plus penalty equal to 3 times of the profits earned on blank sale, plus in case of a member suspension of trading upto a year and in case of all other investors, they shall be barred from trading /investing on the stock market upto a year.

The Exchange shall be responsible for monitoring compliance with this regulation. If the investor is not a member of stock exchange, then the Exchange, after carrying out necessary investigation, shall forward the case to the Commission for prosecution of the investor

c) Deposits against Members exposure would be payable as under:

Exposure Limits	Deposit payable
Upto Rs.10 million	5.0% of the exposure amount
Over Rs.10 million and upto Rs.20 million	Rs. 0.5 million + 7.5% of the amount exceeding Rs.10 million.
Over Rs.20 million and upto Rs.50 million	Rs. 1.25 million + 10% of the amount exceeding Rs. 20 million.
Over Rs.50 million	Rs. 4.25 million + 20% of the amount exceeding Rs.50 million

Initial Margin/Deposit payable must be taken in advance. The Clearing House shall immediately, without notice, switch off the terminal of brokers who fail to deposit the margin or cross the limit.

d) Only those members shall be allowed to trade who have deposited the required deposit against exposure and losses as indicated in these Regulations.

e) The listed Corporate Brokerage Houses will not be allowed to deposit their own company's shares as exposure/loss deposit.

f) In case a member delays any payment to the Exchange beyond specified time thrice in a calendar year, his Initial Margin (Deposit Payable) will be doubled for a period 3 months. In case delay in payment has occurred for 4 times in a calendar year, the Initial Margin (Deposit Payable) of that Member will be equal to the amount of exposure taken for a period of 6 months.

4. a) The Contract size shall be determined by the Board from time to time before the opening of the contract. However, the contract size shall be similar to the marketable lot in the ready market.

b) When a buyer/seller accepts a bid/offer of a contract (quantity of shares) the contract as per format attached to these Regulations shall be deemed to have taken place between buyer/seller.

5. All offers/bids made may be accepted for upto the limit of the offer/bid and the member making an offer/bid shall be bound to buy or sell such quantity as is agreed to be taken up.

6. a) Contract shall be for the period specified by the Exchange through a Notice but shall be for a period not less than one calendar month. Contract for different months shall trade simultaneously.

b) While opening any Contract the Stock Exchange shall notify the name of the company and the date of opening of such Contract, the date of settlement of the said Contract and other relevant details governing such Contract. Removal of any company from the Futures Contract shall be done by giving a reasonable notice.

c) New contract period shall start at least two days before the close of the old contract period.

7. Cheques and Pay Order shall be delivered to the Exchange upto 11:30 a.m. on the day of the settlement specified by the Exchange.

8. Payments upto Rs.2,500,000/- for the purpose of Clearing or deposit shall be accepted by cheque. Members will have to submit pay orders for amount exceeding Rs2,500,000/-.

9. In case of default of delivery/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.

10. In the event of declaration of dividend, bonus, right and privileges appertaining to scrips being traded in the Futures contract Market for which the Share Transfer Books of the Company are to be closed during the pendency of the settlement, the Exchange shall predate the last date of business and the delivery date of that particular scrip

11. The Clearing House shall receive payments from members on settlement days upto 11:30 a.m. as per the Rules and Regulations of the Exchange. In case any member fails to make any payment to Clearing House by 11:30 a.m. the Management of the Exchange in its discretion may switch off the terminal and initiate necessary action against such Member as per Regulations of the Exchange.

12. a) The variation margin (mark to market difference/loss) shall be calculated at the end of each trading day at the closing rate of the day and all the losses in the accounts of the members shall be settled in cash.

b) In case of losses, members shall be required to pay the Clearing House 100% of the amount of the losses in cash with basic exemption of Rs.100,000/-. Further in case of sale, losses arising out of fluctuations in a particular scrip exceeding 30% of the opening rate of contract, members may deposit shares actually sold. Losses at the end of each trading day shall be paid to the Clearing House in cash before the opening of the market on the next day. In case the next day is Saturday, the deposit against losses shall be deposited by 12'o clock on Saturday.

c) There shall be weekly clearing on every Friday at the closing rate of the day and all the profits and losses in the accounts of the members shall be settled in the cash. However, the distribution of profits arising out of fluctuations in a particular scrip exceeding 30% of the opening rate of the contract shall be held by the Exchange until the settlement of the contracts. The distribution of profits upto 30% will be paid on weekly basis on every Friday.

d) In case of price fluctuation of 5% or Rs.1.00 whichever is higher within a day, a special clearing will be effected and trading in that particular scrip shall be suspended until such time the outstanding profits and losses are settled in cash. In case the price fluctuates to the above extent during first session, the trading will reopen in second session after recovery of differences. Similarly, in case the price fluctuates in the second session, the trading will reopen on next day after the differences have been settled.

13 The Members' Default and Procedure for Recovery of Losses Regulations shall also apply to the trading and settlement of Futures Contracts.

14 It shall be obligatory upon the members involved in Futures Contracts Trading under these regulations to :-

a) Take margins from their clients in accordance with the rates prescribed by the Exchange. The Exchange shall ensure compliance of this requirement through appropriate procedure of auditing and inspection of records.

b) Identification of clients for effective risk management by the Clearing House.

15. The Clearing House Members shall be entities that are separate and distinct from trading members. The Exchange shall specify capital adequacy requirements both for Clearing House and Trading Members from time to time with the prior approval of the Securities and Exchange Commission.

16. Banks and financial institutions shall be allowed to become Clearing House members in accordance with the criteria and procedure as may be determined by the Exchange for the purpose.

17. The Board may with the prior approval of the Securities & Exchange Commission make changes in these regulations after giving reasonable notice.

18. In addition to the Regulations mentioned in 1 to 17 above, the Exchange may in its wisdom impose further risk mitigating conditions to protect the interest of the Exchange as well as to provide comfort to investors both local as well as international.