



PROCEDURES FOR DIRECT SETTLEMENT SERVICE

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Table of Contents

1. INTRODUCTION	3
2. MARKETS COVERED	3
3. DSS SUBSCRIPTION	3
4. DSS WEB PORTAL	4
5. DSS ACTIVATION – ROLE OF TREC HOLDER	4
6. ACTIVATION OF BENEFICIAL TREC HOLDER (BTH)	4
7. EARMARKING INSTRUCTION (EI)	4
7.2 EARMARKING INSTRUCTION FOR AVAILABLE CASH BALANCE / SECURITIES	5
7.3 EARMARKING INSTRUCTION - INITIATION	5
7.4 EARMARKING INSTRUCTION - RELEASE	6
7.5 EARMARKING INSTRUCTION - TRACKING	6
7.6 EARMARKING INSTRUCTION – NON EXCLUSION OF LIABILITY.....	6
<i>CDC will not be responsible or liable to affirm or settle trades executed in breach of any requirements prescribed under these Procedures pertaining to Earmarking Instruction.</i>	6
8. PRE-MATCHING OF EXECUTED TRADES	6
9. AFFIRMATION / REJECTION OF TRADES	7
10. SETTLEMENT OF TRADES	7
11. REPORTS & ACTIVITIES	8
12. ALERTS & NOTIFICATION	8
13. DISPUTE HANDLING TRANSACTIONS	8
14. BROKER’S COMMISSION	8
15. PAYMENT MECHANISM	8
15.1 PAYMENT TO CDC.....	8
15.2 PAYMENT INTIMATION TO CDC.....	9
15.3 PAYMENT TO IAS ACCOUNT HOLDER	9
15.4 CAPITAL GAIN TAX.....	9
15.5 PROFIT PAYMENT ON CASH BALANCE	9
16. TARIFF	9
16.1 DSS FEE.....	9
17. DESIGNATED TIME SCHEDULE	10
17.1 FOR PLACING INSTRUCTIONS THROUGH WEB PORTAL.....	10
17.2 FOR PAYMENT TO IAS ACCOUNT HOLDERS	10

1. INTRODUCTION

- 1.1 Direct Settlement Service (DSS) is a web based service through which DSS subscribed IAS Account Holder may avail DSS functionality via CDC access web portal for the submission of Earmarking Instruction.
- 1.2 Subscription of DSS enables the IAS Account Holder to settle their trades executed at Stock Exchange directly through their respective IAS Account and thus eliminates the current mandatory requirement of maintaining sub account with TREC Holder (Brokers of Stock Exchange) for settlement of trades. However, for the execution of trades, investor will establish contact with the TREC Holder as per the existing practice/mechanism.

2. MARKETS COVERED

Trades executed in Ready, Negotiated Deal, Odd Lot & Spot Markets.

3. DSS SUBSCRIPTION

DSS is an optional service and this facility is only available for IAS Account Holder. There are no restriction for subscription and un-subscription of DSS service.

- 3.1 DSS subscription form duly filled and signed by all the joint holders is required in case of individual IAS account. For non-individual IAS account, the form should be signed by the authorized signatory(ies) as per the operating instructions along with affixation of corporate rubber stamp. .
- 3.2 IAS account holder needs to provide the Bank Mandate Details, valid Mobile Number and email address to be updated in the respective IAS account, if not provided earlier.
- 3.3 IAS account holder subscribing to DSS must ensure to submit the revised power of attorney as per the prescribed format covering DSS activities where the power of attorney is already submitted for the operations of IAS account.
- 3.4 Non-individual IAS Account Holders must ensure the submission of new board resolution as per the prescribed format.
- 3.5 Apart from the details mentioned on DSS subscription form, all other account details including operating instructions will be considered same as provided by the IAS account holder(s) to CDC in the Investor Account Opening Form and any changes made therein subsequently.

4. DSS WEB PORTAL

After subscription of DSS Service, IAS Account Holder will be able to login on DSS Web Portal www.cdaccess.com.pk for executing instruction to TREC Holder and CDC for handling processing of instructions.

5. DSS ACTIVATION – ROLE OF TREC HOLDER

- 5.1 Based on subscription of DSS service and upon client(s) instruction, respective TREC Holder needs to issue the new Back Office ID for the purpose of settlement of trades directly with IAS Account.
- 5.2 TREC Holder to add IAS Account Holder Back Office ID under the category of “IAS” in UIN Registration functionality of National Clearing & Settlement System (NCSS).
- 5.3 TREC Holder to tag the IAS Account No. with Back Office ID for performing transactions through DSS. In case if IAS Account is not tagged, IAS Account Holder will not be able to execute trade and settle it through IAS Account.

6. ACTIVATION OF BENEFICIAL TREC HOLDER (BTH)

- 6.1 Under DSS Web Portal, DSS Subscribed Account Holder will be required to add a BTH(s) which can be updated anytime.
- 6.2 Upon adding BTH, combination of two PIN codes will be generated through SMS & eAlert. Upon entering both PIN codes, system will validate and add the BTH
- 6.3 DSS Subscribed Account Holder will be able to select the BTH to initiate Earmarking Instruction for execution of trade
- 6.4 DSS Subscribed Account Holder can define multiple BTH to execute the trade.

7. EARMARKING INSTRUCTION (EI)

- 7.1 Earmarking Instruction to CDC means the irrevocable instruction given by the IAS Account Holder prior to the execution of trade by the respective BTH in order to:
 - (i) Block on a Business day the specific number of Securities / cash balances as per the Earmarking Instruction of the IAS Account Holder so that such Securities / cash balances will not be available to the IAS Account Holder for any further transaction;
 - (ii) Disclose the Securities / cash balances earmarked as per para (i) above to the relevant Beneficial TREC Holder, on CDS; and

- (iii) Settlement of trade(s) by CDC, if initiated by the concerned Beneficial TREC Holder within the designated time, provided that the trades executed are in accordance with and within the limits mentioned in the Earmarking Instructions.

7.2 EARMARKING INSTRUCTION FOR AVAILABLE CASH BALANCE / SECURITIES

Earmarking Instructions can be initiated to the extent of cash balances / securities available in respect of an IAS Account for buy / sell trades and such cash balance / securities will not be available to IAS Account Holder to perform any other transactions.

7.3 EARMARKING INSTRUCTION - INITIATION

IAS Account Holder is required to enter the following details for initiating Earmarking Instruction on the web portal:

7.3.1 IN CASE OF BUY TRANSACTION

- (i) Beneficial TREC Holder ID from the lookup
- (ii) Trade Direction (buy) from the lookup
- (iii) Amount to be Earmarked

7.3.2 IN CASE OF SELL TRANSACTION

- (i) Beneficial TREC Holder ID from the lookup
- (ii) Trade Direction (sell) from the lookup
- (iii) Security Symbol from the lookup
- (iv) Securities Volume

Upon successful submission of Earmarking Instruction, the respective Beneficial TREC Holder can view the earmarked cash balances/securities in the CDS.

7.3.3 IN CASE OF NDM TRANSACTION

Written request duly signed by authorized signatory(ies) will be required instead of earmarking instruction. Written request will contain the name of Beneficial TREC Holder, trade direction (buy / sell) name and number of securities, rate and date of settlement of NDM transaction through a duly signed letter of the authorized signatory(ies).

7.4 EARMARKING INSTRUCTION - RELEASE

Earmarking Instruction of cash balances/securities cannot be cancelled or modified by the IAS Account Holder, However, the Earmarking Instruction can be released by the respective BTH anytime.

In case of non-processing / partial processing of any Earmarking Instruction on any trade day, the unutilized earmarked cash balances/securities will be auto released by the system at the end of the same trade day.

7.5 EARMARKING INSTRUCTION - TRACKING

DSS Subscribed Account Holder will be able to track and view the status of Earmarking Instruction through DSS Web Portal on real time basis

7.6 EARMARKING INSTRUCTION – NON EXCLUSION OF LIABILITY

CDC will not be responsible or liable to affirm or settle trades executed in breach of any requirements prescribed under these Procedures pertaining to Earmarking Instruction.

8. PRE-MATCHING OF EXECUTED TRADES

Matching of executed trades received by CDC from NCCPL by way of IDS instruction(s) with the Earmarking Instruction(s).

Following are the details of the matching criteria:

8.1 IN CASE OF BUY

- (i) Execution of trade by the relevant Beneficial TREC Holder
- (ii) The aggregate value of the trade(s) is within the limit of cash balances earmarked through the Earmarking Instruction

8.2 IN CASE OF SELL

- (i) Execution of trade by the relevant Beneficial TREC Holder
- (ii) Name of security
- (iii) Quantity of security is within the limit of securities earmarked through the Earmarking Instruction

8.3 IN CASE OF NDM

All the applicable parameters are required to be matched as referred in para 7.3.3 above.

9. AFFIRMATION / REJECTION OF TRADES

- 9.1 Upon successful matching, Institutional Delivery System (IDS) on National Clearing & Settlement System (NCSS) will be affirmed for settlement purpose. In case Earmarking Instruction and trade details are not matched, CDC may reject such IDS instructions.
- 9.2 CDC may also reject the transactions in the following cases:
- (i) Earmarking Instruction is released by the concerned Beneficial TREC Holder before the affirmation of IDS Instruction by CDC.
 - (ii) Due to insufficiency of cash balances to recover the necessary fees and charges as specified under clause 16 of these Procedures.
 - (iii) If the relevant IAS account is blocked for any reason whatsoever, settlement of such trades will be the responsibility of respective TREC Holder.
- 9.3 Affirmation/rejection of Earmarking Instructions will be intimated to the respective IAS Account Holder through SMS / eAlert. Detailed report can be accessed through CDC web portal.

10. SETTLEMENT OF TRADES

- 10.1 In case of Buy transaction, required securities will be delivered to the buyer's account and cash will be moved out through instructions of NCSS.
- 10.2 In case of Sell transaction required securities will be delivered out and securities will be settled through "Balance Order" instructions of NCSS.
- 10.3 Settlement of pending trade in respect of blocked accounts shall be made in the following manner where CDC has blocked IAS Account due to any order, directive or instruction received from a court or any other competent authority.
- (i) In case of buy transaction where Earmarking Instruction is processed and IDS instruction is also affirmed, then securities will be received in the CDC's Temporary Account in blocked form.
 - (ii) In case of sell transaction, no movement shall be performed and the settlement would fail.
- 10.4 As there is no requirement of earmarking of funds / securities in case of NDM trade, therefore, the NDM trade will be settled subject to the availability of required funds / securities.

11. REPORTS & ACTIVITIES

- a) DSS Subscribed Account Holder will have the provision to access various DSS reports including:
 - i. Client end Earmarking Reports
 - ii. Cash & Securities Netting Reports
 - iii. Balances & Activities Reports

- b) BTH will also have access to various DSS reports, such as:
 - i. Broker end Earmarking Reports
 - ii. Cash & Securities Netting Report

12. ALERTS & NOTIFICATION

DSS Subscribed Account Holder shall be notified through SMS & eAlerts pertaining to DSS Transactions. For updated list of events, kindly refer to our website www.cdcpakistan.com

13. DISPUTE HANDLING TRANSACTIONS

It is responsibility of DSS Subscribers regarding selection of BTH for the purpose of trading or dealings and enter into mutually agreed upon terms and conditions. CDC in any case will not be responsible or liable for any such dealings/trading or matters taking place between the DSS Subscriber and the BTH.

14. BROKER'S COMMISSION

DSS Subscribed Account Holder shall pay broker's commission for trading of securities directly to the respective BTH.

15. PAYMENT MECHANISM

15.1 PAYMENT TO CDC

15.1.1 Payment to CDC can be made via following modes in the designated bank account of CDC by the title holder:

- a) Online / electronic fund transfer.
- b) Deposit of physical instrument.

Detail of CDC designated bank accounts are specified in Annexure "A"

Credit will be given to the respective IAS account with CDC upon realization of sale proceeds in CDC's designated settlement bank account. No cash payment exceeding Rs. 5,000/- will be accepted.

15.2 PAYMENT INTIMATION TO CDC

DSS subscribed IAS Account Holder needs to immediately intimate the details of payment to CDC through the registered email address at dss@cdcpak.com or duly signed letter along with proof of payment.

15.3 PAYMENT TO IAS ACCOUNT HOLDER

15.3.1 Subject to these Procedures, payments of sale proceeds will be made to IAS Account Holder through online / electronic fund transfer mechanism.

15.3.2 All payments will be made to client's designated bank account as available in CDC's record as bank / dividend mandate after the deduction of applicable charges.

15.4 CAPITAL GAIN TAX

Capital gains tax (CGT), where applicable will be deducted from the respective IAS accounts subject to the availability of funds as per the CGT report provided by National Clearing Company (NCCPL) on a monthly basis. For necessary details relating to CGT, please refer to NCCPL Regulations & their website www.nccpl.com.pk . Further CDC will not be liable for computation of CGT amount and CDC will make funds available to NCCPL.

15.5 PROFIT PAYMENT ON CASH BALANCE

Any profit earned on IAS Account Holders' funds available with CDC will be passed on to the IAS Account Holders accordingly. Distribution of profit will be on a quarterly basis and distributed for the amount exceeding Rs.100.

16. TARIFF

In addition to normal IAS Tariff, following tariff will be applicable for availing DSS:

16.1 DSS FEE

RATE	BASIS
0.1 %	Value of transaction
Other Charges	On Actual

17. DESIGNATED TIME SCHEDULE

17.1 FOR PLACING INSTRUCTIONS THROUGH WEB PORTAL

Investor may submit an Earmarking Instruction on CDC's web portal on any trade date as per the following time schedule:

<u>Monday to Friday</u>
Starting Time : 09:00 am Closing Time : As per the close of trading time of KSE*

* For updated trading timings, kindly visit Karachi Stock Exchange website www.kse.com.pk

17.2 FOR PAYMENT TO IAS ACCOUNT HOLDERS

Following are the timing for making payments to IAS Account Holders with respect to sale proceeds:

Service	Transaction Cut-off time
Online /Electronic Fund Transfer	On settlement date subject to the timely availability of funds from NCCPL, otherwise on the next business day

For further clarification, you may call our Customer Support Services at toll free number **0800-CDCPL (23275)** or visit our website www.cdcpakistan.com for more information.

CDC Designated Banks Account Details

Title of Account:	Central Depository Company of Pakistan Limited
Account Number:	215089836
Bank Name:	United Bank Limited
Branch Name & code:	Karachi Stock Exchange Branch (0682)

Title of Account:	Central Depository Company of Pakistan Limited
Account Number:	00357900098001
Bank Name:	Habib Bank Limited
Branch Name & code:	Karachi Stock Exchange Branch (0035)