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**KARACHI STOCK EXCHANGE LIMITED**

Stock Exchange Building, Stock Exchange Road, Karachi-74000

UAN : 111-001-122, Fax (021) 32462640

KSE/N- 3403**July 1, 2015****NOTICE FOR ALL TRE CERTIFICATE HOLDERS/BROKERS****OFF MARKET (NDM) TRANSACTIONS VERIFICATION PROCEDURES**

All TREC Holders are hereby informed that in line with international best practices, the Exchange with prior approval of SECP has incorporated stringent verification procedures in the functioning of off market trading at the Exchange, besides prescribing a minimum quantitative threshold for such transactions.

The primary purpose of off market transactions' verification is to ensure its authenticity and to close the loophole of misusing the client's assets through these transactions, in support of our statutory objectives of maintaining confidence in stock market and enhance market discipline.

In view of above, the Exchange is pleased to announce that the restrictions on Off Market (NDM) Transactions communicated to market participants vide our Notice No.KSE/N-1834 dated April 04, 2014 shall be lifted subject to the strict adherence of under mentioned verification process for all off market transactions with effect from **July 13, 2015**

Minimum threshold for off market (NDM) transactions shall be the 10% of average daily volume of each security in ready market during last six month or Rs.10 million, whichever is lower. All off market C2C (inter Broker or Intra Broker) & House to House trades which are above the prescribed threshold shall not be subject to verification. However, in these cases, the Broker(s) shall be required to obtain and maintain with them a written authority on the prescribed Authority Form (annexure A) from the respective client/s, the same may be checked / verified by the Exchange during System Audit of respective Broker/s.

All other off Market (NDM) transactions above or below the specified threshold shall be subject to a verification process & procedure as described in the enclosed "**Annexure I**"

Haroon Askari
Head of Operations

Copy to:

01. The Director (SROD), SMD, SECP, Fax 051-9218595, E-mail: smd.notices@secp.gov.pk
02. The Managing Director, Karachi Stock Exchange Limited
03. The Managing Director, Lahore Stock Exchange Limited
04. The Managing Director, Islamabad Stock Exchange Limited
05. The Chief Executive Officer, Central Depository Company of Pakistan Limited
06. The Chief Executive Officer, National Clearing Company of Pakistan Limited
07. All Head of Departments-KSE
08. Notice Board
09. KSE Website

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Annexure-1**VERIFICATION PROCEDURES FOR OFF MARKET TRANSACTIONS*****1. Sub to Sub (Above Threshold) – Inter Broker or Intra Broker (C to C)***

All off market C2C trades which are above the prescribed threshold shall not be subject to verification. However, the Broker(s) shall be required to obtain and maintain with them written Authorities from the respective clients, the same may be checked / verified during System Audit of respective Brokers.

- i. The Broker shall enter the transaction in Off Market (NDM) transaction window of KATS.
- ii. The Broker then shall have to fill an Authority Form which can be downloaded from Broker's NCHS Terminal, (copy of Authority Form is enclosed herewith as **Annexure-A**) the Broker will then:
 - a. Select the Option
 - i. House account to Sub-account / Sub-account to House account
 - ii. Sub-account to Sub-account
 - b. Enter the Ticket No and system will fetch Client Code, UIN, Symbol, Price and Quantity of the transaction from order window of KATS. (Auto fill certain fields)
- iii. On the basis of aforesaid data, the KSE NCHS will generate an Authority form with auto-filled aforesaid information and a tracking number.
- iv. The Brokerage House will maintain with them the aforesaid Authority Form duly signed by his client.
- v. KSE may require the Broker(s) to submit such written Authority Forms where frequent transactions are executed from any client account of the Broker.

2. Sub-Account to House Account or House Account to Sub-Account (Above or Below Threshold) and Sub-Account to Sub-Account (Below Threshold) - Inter Broker or Intra Broker (C to C)

All Off Market (NDM) Transactions below the threshold between Sub-Account to Sub-Account and all NDM transactions between Sub-Account and House Account shall be sent to NCCPL for clearing & settlement only after their verification by the Exchange in the following manner:

- i. Follow Point No. 1-I to 1-IV of these procedures to fetch/download and print KSE prescribed Authority.
- ii. The Broker shall submit said Authority Form duly filled and signed by broker and his client to KSE, Clearing dept.
- iii. The Broker shall submit copy of CNIC or NICOP or Passport (whichever is applicable) of the client along with aforementioned Authority Form.
- iv. In case the client has authorized any other individual to transact on his/her behalf as an Authorized Representative and the Off Market deal is initiated by such authorized individual; the Broker shall submit to KSE the following additional documents:

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- a. Copy of CNIC/NICOP/POC/NAR of Authorized Individual; and
 - b. Copy of Standardized Account Opening Form of the client
- v. The Exchange shall perform verification of the Off Market (NDM) Transaction through following procedures for all such transactions:
 - a. Ensure that required fields in the Authority Form are properly filled in; and
 - b. Enter TICKET NUMBER(s) or UIN of Seller and Buyer in the specified interface based on the information provided in the Authority.
 - c. Match the client's/authorized representative's signature, as the case may be, on the written Authorities with the signatures on their CNIC/NICOP/POC/NAR;
 - d. The official of KSE Clearing Dept. Sign and Stamp the Authority after verification of documents and submit the same to the supervisor, who will post the same in the KSE Risk Management System for Accepting or Rejecting the transaction.
- vi. Exchange shall mark all verified off market NDM transactions as **"CONFIRMED TRANSACTION"** through a specified mechanism and the same shall automatically be forwarded to NCCPL for its settlement. Concerned Broker will also be able to see the status of its transaction on its Broker's NCHS Terminal.
- vii. Exchange shall mark all un-verified off market NDM transactions as **"REJECTED TRANSACTION"**, message of which shall also be available to the respective Broker on his NCIIS Terminal.
- viii. In case if the observation of any rejected transaction is rectified by the Broker and the Authority Form is re-submitted to the Exchange with required changes, the Clearing Dept. of KSE shall have option to revert such rejected deals for necessary action within the designated time.

3. House to House (Above or Below Threshold)

For all inter broker off market transactions below the threshold, broker from the sell side as well on the buying side shall have to submit the Authority Form duly filled and transaction shall only be sent to NCCPL for clearing after verification of the selling Broker Authority Form. However, NDM deals between House-to-House above the threshold shall not be subject to the said verification.

4. Designated Time Period:

- 1. For off market Client to Client transactions which are below the threshold and all Off Market (NDM) Transactions between House to Sub-Account or Sub-Account to House Account can be reported through KATS and respective written authorities shall be submitted to the Exchange as per following schedule.

Off Market (NDM) Transactions Reporting Timing for T+1 and above Settlement Cycle	
Reporting Through KATS	Submission of Authority Form
Throughout the market hours and up to 30 minutes after closure of Ready Market	Throughout the market hours and up to 60 minutes after closure of Ready Market

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Off Market (NDM) Transactions Reporting Timing for T+0 Settlement Cycle	
Reporting Through KATS	Submission of Authority Form
From Opening of Market till 10:30 a.m.	From Opening of Market till 11:15 a.m.

II. In case if Broker fails to submit the aforesaid information to the Exchange within designated time the same shall be treated as rejected.

A. KSE INDEMNITY

KSE assumes the information submitted by the Broker(s) to KSE for verification of Off Market (NDM) Transactions shall be complete, correct and true as per the undertaking given by the Broker in the Authority. KSE or any other person or entity associated with KSE shall have no liability whatsoever for any losses, damages, claims, legal costs or other expenses that a Sub-Account Holder may suffer or incur, whether directly or indirectly as a result of verification undertaken by KSE on the basis of furnished information.

B. DISCIPLINARY ACTIONS AGAINST BROKERS

In case intentional misrepresentation, and submission of false or misleading information by the Broker to KSE in respect of client Authorities, the KSE shall take necessary disciplinary action(s) against such Broker according to the current laws and regulations of the Exchange.

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Annexure-A

KSE Tracking No. _____

Date: AUTO FILL

SPECIFIC AUTHORIZATION FORM FOR OFF MARKET (NDM) TRANSACTIONS

(This Authorization shall be valid only for the Date mentioned above)

I, THE SELLING PARTY, do hereby certify that I am the exclusive lawful owner of the below mentioned securities and confirm that the securities are free from any claim, lien, pledge, charge, dispute, or any other encumbrance of any kind.

I/We authorize the below mentioned Broker(s) to execute the deal(s) under Off Market (NDM) Transactions Market on the date mentioned above as per the following details, the risk of which is on counter party basis:

DETAILS (All fields are mandatory)					
Buying Party Broker Name: AUTO FILL		Selling Party Broker Name: AUTO FILL			
Buying Party Broker Code: AUTO FILL		Selling Party Broker Code: AUTO FILL			
Account Title:		Account Title:			
Client Code(s):	AUTO FILL	Client Code(s):	AUTO FILL		
House/ Sub-Account Number:	AUTO FILL	House/ Sub-Account Number:	AUTO FILL		
Unique Identification Number (UIN):	AUTO FILL	Unique Identification Number (UIN):	AUTO FILL		
E-mail:		E-mail:			
Mobile Number:		Mobile Number:			
Telephone Number:		Telephone Number:			
Reason/ Rationale:					
S.#	Ticket Number	Scrip Name	Volume	Price	Settlement Date
1		AUTO FILL FROM ORDER ENTRY			
2		AUTO FILL FROM ORDER ENTRY			
3		AUTO FILL FROM ORDER ENTRY			

We, THE BUYING PARTY AND SELLING PARTY, shall indemnify the KSE for any losses, damages, claims, legal costs or other expenses that may be incurred in consequence of aforementioned assertions.

Buying Party		Selling Party	
Account Holder	Authorized Representative	Account holder	Authorized representative
Name: _____	Name: _____	Name: _____	Name: _____
Address: _____	Address: _____	Address: _____	Address: _____
*CNIC No. _____	*CNIC No. _____	*CNIC No. _____	*CNIC No. _____

* CNIC/NICOP/POC/NAR

Signature of Client (Seller)

Signature of client (Buyer)

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I hereby confirm that all the information furnished above is true and correct to the best of my knowledge and belief. In case any of the above information is found to be untrue or false or misleading or misrepresenting, I am aware that I may be held liable for it.

Signature & Rubber Stamp of Buying Brokerage House

Signature & Rubber Stamp of Selling Brokerage House

Enclosures: Copy/ies of CNIC of clients.

FOR OFFICIAL USE ONLY

Signature Matched	<input checked="" type="checkbox"/>	Signature Not Matched	<input checked="" type="checkbox"/>
Copy of Required Identity Attached	<input checked="" type="checkbox"/>	Accepted Transaction	<input checked="" type="checkbox"/>
Rejected Transaction	<input checked="" type="checkbox"/>		
_____ Sign of Official Conducted Verification		_____ Sign of Official Posted deal on System	

As