



Circular No: PMEX/COM/25/2011

July 1, 2011

All Brokers of  
Pakistan Mercantile Exchange Limited  
(Formerly National Commodity Exchange Limited)

Dear Sir/Madam,

Clearing Limits breach and procedure to comply with Regulatory Requirements

Chapter 13 of Pakistan Mercantile Exchange Limited (formerly, National Commodity Exchange Limited) ("PMEX") deals with Clearing Limits for open position of the brokers, available to them based upon their contribution towards Settlement Guarantee Fund ("SGF") at the Exchange.

Vide Regulation 13.6 which authorizes the brokers to enhance their clearing limits however, in order to enhance the same; the brokers are required to make additional deposits to the SGF. Vide Regulation 13.8 which states that when gross open positions of the broker reaches to the clearing limit, the Exchange shall notify the same to the Broker immediately and upon receipt of said notification, the broker shall not present or cause to present any further transactions that would increase the aggregate monetary value of gross open positions until he has paid additional monies to enhance his limit.

In order to notify the brokers as per requirements of Regulation 13.8 of Clearing Limits, the Exchange has made available Broker Exposure Report under Operations Reports menu in CSR so that the brokers may take updates about their Clearing limits and gross open positions in order to restrict themselves to breach the Clearing Limits in compliance with regulatory requirements.

All brokers are hereby clarified that a broker whose position exceeds the applicable position limit at any time during the day without depositing additional monies in terms of Regulation 13.8 as mentioned above, is in violation of PMEX General Regulations 2007, even if the position is subsequently reduced to a level within the applicable limit during trading session or at the close of the market for that day.

Please note that Clearing Deposit breach cannot be treated in the same manner as Initial Margin Calls, where there is a certain time within which margin calls have to be paid. Clearing Exposure should never be allowed to breach the limit based on Clearing Deposit. Brokers are advised to actively monitor their clearing exposure using the new functionality so that an exposure limit breach can be avoided at all times. The report provides brokers with a tool to anticipate rising exposure so that they can provision for it in advance and thereby avoid a breach at all times."

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formerly National Commodity Exchange Limited

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All brokers are hereby requested to take note of the above regulatory requirements, in case of any breach of such Regulations, the Exchange as per its Fines Policy shall impose the same and shall further take action as per PMEX General Regulations. Following are the extracts of Fines Policy dealing with Clearing Limit:-

*'Fine @1.00 % per day to be computed on the amount outstanding from the day at which monies are due to be paid until the day all obligations including shortfall in deposits are fulfilled. (Subject to a Minimum of Rs.1, 000/- per instance). In case of continuous violation, the Exchange shall reserve its right to impose fine @ 2% per day to be computed as stated above and or to take strict disciplinary & regulatory action as laid down under General Regulations 2007 like closing out the open positions etc.'*

Strict Compliance of Clearing Limits is hereby solicited. Should you require any clarification in this respect, please feel free to contact undersigned.

For & on behalf of the Exchange

Aamir Zareef Khan  
Head of Compliance