

PRESS RELEASE
For Immediate Release

SECP Allows Relief to the MTS Market with Relaxed Cash Margin Requirements and Participation of Individual Investors as Financiers

Islamabad, December 28, 2011 : As part of the Securities and Exchange Commission of Pakistan's (SECP) continuous efforts to develop the capital market in the country and to support liquidity for encouraging trading activity and engendering investor confidence, amendments have been made in the Securities (Leveraged Markets and Pledging) Rules, 2011. The amended Rules now empower the regulator to prescribe reduced cash margin requirements and allow individual investors to participate as financiers in the Margin Trading System (MTS).

The Rules which were promulgated by the Federal Government earlier in February 2011 prescribe a broad regulatory framework for Margin Financing, Margin Trading, and Securities Lending & Borrowing. The purpose of introducing these leverage products has been to help boost trading activity in the market and to cater to the financing needs of the capital market while providing retail investors with an easy access to financing against shares.

The amended Rules relax the earlier mandatory condition of depositing at least 25% equity participation in the form of 'cash only' by the Financiers in MTS. The SECP will now prescribe reduced minimum cash margin requirement while allowing a certain portion of the equity participation to be acceptable in shares of selected companies with necessary haircut for improved risk management. Also, the restriction of only corporate bodies to act as financiers in the MTS has been waived and individuals meeting minimum eligibility requirements will be allowed to participate as financiers.

The amendments also remove the mandatory condition of prescribing minimum liquidity requirement for selecting securities eligible for Margin Financing (MF). This will encourage more securities to be available for funding under MF and generate more trading activity.

While considering the prevailing market conditions and liquidity needs, the SECP has endeavored to strike a balance between effective risk management and the relief needed by the market. It is expected that the inclusion of individual financiers will help to increase and make available financing much needed by the market. This while improving the liquidity will generate enhanced trading volumes that will boost investor confidence. The relaxations in the Rules will therefore serve as a much needed relief package to the capital market which is presently suffering from acute decline in the trading turnovers.