



PAKISTAN
MERCANTILE
EXCHANGE

Circular No: PMEX/COM/29-2011

August 22, 2011

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

Dear Sir/Madam,

Subject:- **Procedure for Recovery of Margin and debit balance**

One of the core functions of the Exchange is to provide efficient Clearing and Settlement operations. In order to provide these services under regulatory regime as per General Regulations 2007 of the Exchange, the Clearing and Settlement department is required to adjust margin calls and any realized and un-realized profits and losses from respective accounts of traders at each end of trading session or otherwise as tool of risk management regime which includes but not limited to avert any possible credit risk.

Please note that **Regulation 3.13 of General Regulations 2007**, states that the brokers are primary obligor of the Exchange and would be responsible for all of its own and clients' liabilities to the Exchange.

Regulation 7.4.1 states as under:-

"Every broker shall be fully responsible for all his commitments to the Exchange and his clients irrespective of whether one or more clients with whom he has dealings have defaulted".

Regulation 7.4.3 states as follows:- No broker shall fail to affect clearance, settlement or payment of margin or fail to pay damages to the Clearing House, or fail to effect or accept delivery merely on the ground of default of others including his clients.

Reiterate that in order to ensure orderly settlement of trades and to provide smooth clearing and settlement functions, it is incumbent upon the Exchange to recover at expiry of time stipulated & provided under due notice by the Exchange to the brokers any unpaid margin calls, realized or un-realized losses from brokers Clearing deposit or house account as the case may be. Please note that the said procedure is in line of regulatory framework provided under General Regulations of the Exchange whereby the broker are primary obligor of the Exchange and responsible for all of their own and clients liabilities.

Please note that the Exchange w.e.f. August 23, 2011 shall follow the following procedure to recover margin calls and debit balances (realized and un-realized losses):-

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1. Notice to be served to the concerned brokers for clearance of margin or debit balance (realized or un-realized losses) amount of their house or traders accounts within banking hours of same day.
2. Failure on part of broker to comply with notice requirements, the Exchange shall recover any margin shortfall & or debit balance either from house account or out of excess funds lying with clearing deposit account of the concerned broker immediately at expiry of banking hours.

All brokers are requested to take note of the same.

For & on behalf of the Exchange

Aamir Zareef Khan
Head of Compliance