



Trading System Update – Mock Trading

All brokers are hereby informed that Exchange will make the following changes in PMEX trading system with effect from Monday December 31, 2012 only after successful 2 days mock trading sessions (27th – 28th December 2012) as per given schedule in the circular.

1. Market and Stop Loss Market Orders

The following modifications have been made in order matching rules for market and stop loss market orders:

- Market orders shall be matched only with best bid/offer price up to the market maker available quantity and balance unfilled quantity shall be expired.
- Stop loss market order shall be matched upon triggering with best bid/offer price up to the market maker quantity and unfilled balance quantity shall be expired. The unfilled quantity shall not be re-queued in trading system.

2. Auto Liquidation Threshold (% based) Auto Adjustment during Gazetted Holidays

Brokers using percentage based auto liquidation may opt in TAMS for auto adjustment of clients' auto liquidation threshold percentages during the gazetted holidays. This option will remain irrevocable during holiday period once opted.

The client threshold levels would be reduced in proportion to number of VaR days margin before start of trading session. The adjusted threshold levels would be increased to its original threshold values gradually until VaR days value equals to 1.

Purpose of this change is to prevent increase in threshold level as a result of increase in Exchange margins during holidays. Without implementing this change, threshold values go up with Exchange margins and wrong liquidations can take place.

Initially this option we will be assigned to brokers on case to case basis and later interface will be provided to brokers in TAMS to exercise this option.

3. Default Margin Exception Setup

Brokers can define default margins setup at commodity level for auto creation of margins exceptions for their clients with the following provisions:

- This option defines contract margins exceptions only for newly registered clients against assigned commodities provided client has been marked for application of broker's default margins.



PAKISTAN MERCANTILE EXCHANGE

- At the start trading session, system also updates clients' margin exception for upcoming month contract(s) as per default margins % values provided broker has marked the client account for application of default margin.
- Any changes in broker's default margin percentages values will be effective for new clients and upcoming month contract(s) and will not update existing clients' margin exceptions at contract level.

4. Broker Client Messaging Option on NEXT Trading terminal

Brokers can send messages to their client(s) individually through messaging option available on trading terminal. These messages will be delivered only to those clients logged onto trading system. Off-line mode messaging is not available.

Mock Trading Sessions (2 Days)

Mock trading will be conducted on Mock trading system from 27 December 2012 to 28 December 2012 according to the following schedule.

PMEX Mock trading website: <http://www.pmex.com.pk/mock-trading.php>

Session	Start Time	End Time	Session Objectives
1	03:00:00 PM	03:15:00 PM	Normal Orders/GTC Orders placement and ensure integrity of trading system.
2	03:16:00 PM	05:00:00 PM	Normal Trading and Execution of Test cases specified in Annexure "B"
3	05:00:00 PM	06:00:00 PM	Exchange related activities include EOD and PMEX margins updates. Broker must check Trade details, order details and positions summary report available on trading terminal during EOD session 2 and ensure that it is being updated as per trading activities.
4	06:00:00 PM	02:00:00 AM	Normal Trading and Execution of Test cases specified in Annexure "B"

Members are advised to participate actively in the mock trading session to check the connectivity and system performance along with system functional testing in order to avoid any problems in the live environment.

Upon successful completion of the mock trading, upgraded systems would be implemented with effect from **Monday, December 31, 2012.**



Brokers may please note that the trades resulting from mock trading will not attract any obligation for pay-in and pay-out and do not create any rights and liability on brokers and their clients.

System configuration and settings are specified in **Annexure A**.

Mock trading procedures and system testing guidelines are specified in **Annexure B**.

In case the exchange finds any issues in the new system, the system will be reverted back to the previous version of the system. Following procedure will be followed in that case:

- Market will be stopped for about 120 minutes and then started again.
- All working orders will be cancelled by the Exchange.
- All trades will remain in the system until the time of reversion.

Exchange reserves the right to cancel trades executed due to any system errors and/or issues.

Brokers are requested to inform Exchange if any malfunctioning or other issues arise during live trading. Please take snapshot of the said error and send at support@pmex.com.pk for its resolution.

For and on behalf of
Pakistan Mercantile Exchange Limited - PMEX

Shehzad Hussain Makhani
Head of Operations



PAKISTAN
MERCANTILE
EXCHANGE

System Configuration and Settings

Annexure "A"

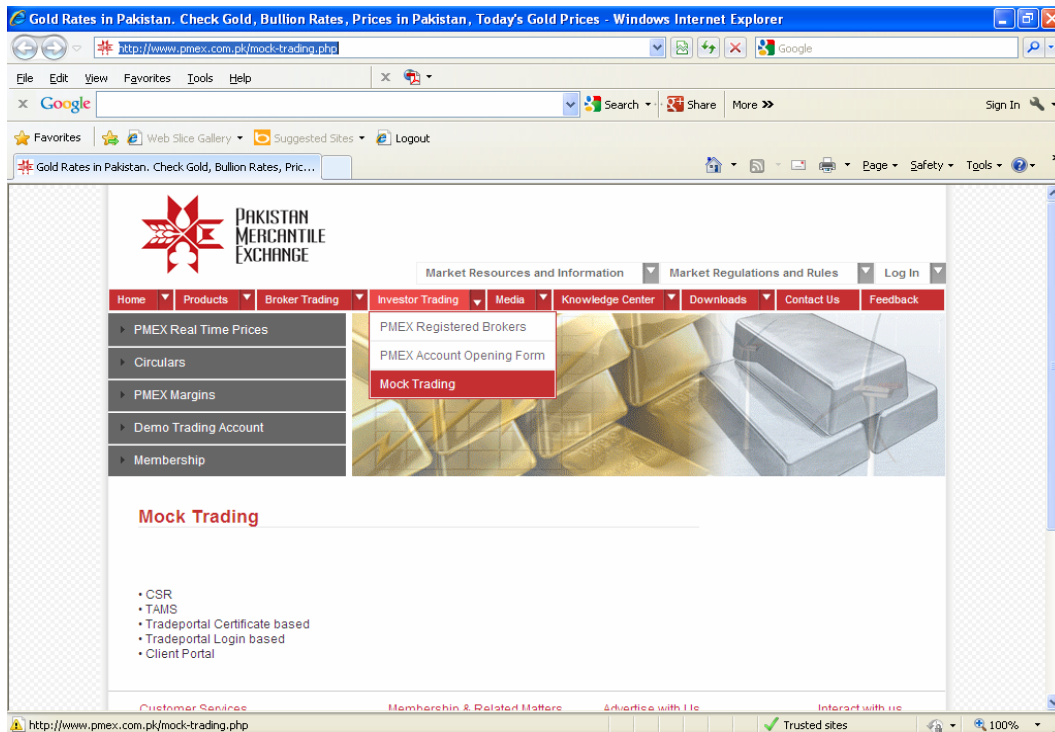
Please ensure the following configuration and setting before logging into PMEX web based trading terminal for trading:

1. In Internet Explorer add PMEX trading website (DR) in trusted website zone. Setting Menu path is as follows:

- Open Internet options in Internet Explorer Tool Menu;
- Click on Security Tab and select Trusted Sites and then click on Sites button;
- Add PMEX Mock Trading Websites addresses in trusted site list i.e. (103.14.231.125)
- Enable data sources across domains option in security settings of trusted sites. Security zone setting Path>Custom level>Setting>Miscellaneous> Access data sources across domain

2. Download and Install PMEX root certificate from PMEX website.

3. PMEX Mock Trading System Website: <http://www.pmem.com.pk/mock-trading.php>





Mock Trading Procedures

Annexure “B”

During mock trading brokers are requested to perform at least the following tests. If any changes are made like position limits, margins, fund allocation, new trader creation etc. your trading should not be affected. This is just a test session.

Before you start trading – Please check:

Futures trading accounts

- Match trader’s positions as appearing on trading terminal with CSR position summary report.
- Match trader’s Net Liquidity at the start of trading as appearing in General ledger or daily Statement CSR and trading terminal.
- Check trader margin requirements as per PMEX / Broker margin exceptions on trading terminal.

MINIGOLD trading Account

- Match trader’s TOLA/MINIGOLD positions and Net Liquidity at the start of trading as appearing in CSR and Trading terminal.
- Check MINIGOLD trader margin requirements as per PMEX / Broker margin exceptions for buyer’s only. No Seller Margin requirements should be calculated on trading terminal.
- Reverse TOLAGOLD delivery and ensure that vault position has been updated in trading system after reversal.

During Trading Session

1. Create and add new trader during trading session and check that new trader relationship with user established in trading system.
2. Assign and de-assign traders to user and check relationship update status in trading system.
3. Assign Commodity to New trader after creation of user/trader relationship.
4. Allocation funds to new and existing trader and check net liquidity in open position and risk watch report.
5. Place buy /sell market orders in illiquid contract – Orders should be rejected.
6. Place market order in absence of market maker in liquid order. (Order should be rejected)



PAKISTAN
MERCANTILE
EXCHANGE

7. Place Stop loss orders and check its effects as per defined Methodology
 - Place Stop Loss Buy Limit Order
 - Stop Loss Sell Limit Order
 - Stop Loss Buy Market Order
 - Stop Loss Sell Limit Order
8. Place Stop loss market orders above market maker order size with and without GTC flag and check its effects as per defined Methodology.
9. Ensure that unfilled stop loss market order quantity should not reload in next trading session if the order has been marked as GTC.

Risk Management – Testing

Margin Requirement Calculation – Pre-trade Futures Market

1. Place working orders in same commodity contract (Buy and Sell).
2. Change client contract margin exceptions.

Other Trader Risk Management Test

1. Change positions limits of trader in CSR and modify price and order size of existing working order to check position limit update in trading system.
2. Change the max order size of above trader and modify the above working order.
3. Set trader commodity limits lower than existing positions and check impact in trading system.
4. Suspend Trader and check that trading system should only allowed trader to place off-setting orders.
5. Activate Trader trading rights after suspension.
6. Test Client portal enable and disable function.

Auto Liquidation Threshold

1. Set percentage based Auto-liquidation value and ensure it is calculated on X % of PMEX margins on gross open positions.
2. Edit and delete trader Auto Liquidation threshold entry in TAMS and check update on trading terminal.
3. All working orders should be cancelled before triggering auto liquidation process.



4. Ensure expired contract margin has been released and position value set as zero. Expired contract PL will remain unrealized on last trading day after closure of contract.
5. Ensure that percentage based thresholds auto has been reduced on last day prior to holiday (H-1) based on number of VaR day(s) being applied during gazaetted holiday(s).

GTC orders Testing

1. Place GTC orders and check its existence in system at the start of next trading session.
2. ALL GTC orders should be loaded according to market status. Risk/ Matching engine rejects GTC orders permanently, if a contract is closed at the time of loading.
3. Ensure orders are retrieved on request by pressing refresh button on working orders window.
4. Ensure the working order retains its original values if order amendment has been rejected by the system.
5. Check GTC orders modification and cancellation; (Cancelled GTC orders should not load in next trading session.)
6. Cancel GTC orders through "Cancel All" option in working order window.
7. All GTC orders below and upper price limit should be rejected at start of next trading session.
8. All GTC orders breached commodity limits should be rejected by the risk engine at the start of trading session. (enter GTC order and reduce commodity limits to zero).
9. All GTC orders should be rejected if trader relationship with user breaks due to de-assignment of trader from user group.
10. All GTC orders should be rejected if trader does not have sufficient liquidity in his account.
11. All GTC orders should remain in system after 12:00 am (Day change effect).
12. All GTC orders entered after 12:00am should be loaded at the start of next trading session.
13. All GTC orders should be cancelled if trader auto-liquidation triggered.
14. GTC orders should appear in MBP of respective contract.
15. Offsetting GTC orders should not be rejected at the start of next trading session except in case of changing trader/user relationship and max order size.
16. Margin are correctly calculating and updating in trading system against GTC orders. (Change Contract margins exception and exchange margins to see impact)
17. GTC Stop loss orders should not appear in MBP after loading only appear in working order window.



PAKISTAN
MERCANTILE
EXCHANGE

Exchange Level Activities

During mock trading session, Exchange will perform the following activities and the same will be notified on trading terminal:

1. Change Exchange level Margins of notified commodity futures contract.
2. Update contract market timings.
3. Update contract price limits.
4. Suspension of Broker trading rights.
5. Cessation of Auto-Liquidation functions.
6. Release expiring contracts margins.
7. Change Exchange Position and Maximum Order Size Limits.
8. Reduce Clients % based Auto Liquidation Threshold values in proportion to number VaR of Days during holiday period.