



**REGULATIONS GOVERNING  
GOVERNMENT DEBT  
SECURITIES [GDS] MARKET**

**OF**

**KARACHI STOCK EXCHANGE LIMITED**

**(As amended on January 31, 2014 and sent for Gazette Notification)**

## THE REGULATIONS GOVERNING GOVERNMENT DEBT SECURITIES (GDS) MARKET OF KARACHI STOCK EXCHANGE LIMITED

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**1. PREAMBLE:**

Karachi Stock Exchange Limited, in exercise of its powers conferred under Section 34 (1) of the Securities & Exchange Ordinance, 1969 (XVII of 1969), and with the prior approval of the Securities and Exchange Commission of Pakistan, hereby makes these Regulations.

**2. SHORT TITLE:**

These Regulations shall be known as “The Regulations Governing Government Debt Securities (GDS) Market of Karachi Stock Exchange Limited”.

**3. COMMENCEMENT:**

These Regulations shall come into force on the day of their publication in the official gazette of Pakistan.

**4. DEFINITIONS:**

In these Regulations, unless there is anything repugnant in the subject or context:

- a. **“BATS”** means Bond Automated Trading System introduced by the Exchange, which is governed under the Bond Automated Trading System Regulations of the Exchange (BATS Regulations), as amended from time to time;
- b. **“Board”** means the Board of Directors of the Exchange;
- c. **“Broker”** means a Trading Right Entitlement (TRE) Certificate Holder of the Exchange engaged in the business of executing transactions in Securities for his own account or on account of his clients and is registered with the Commission as a Broker under the Brokers and Agents Registration Rules, 2001;
- d. **“Buying Capacity”** means the confirmation received from a Clearing Participant identifying the right (capacity) of an Eligible Client to acquire Government Debt Securities to the extent laid down in that confirmation;
- e. **“Central Depository Company (CDC)”** shall have the same meaning as ascribed thereto under the Securities and Exchange Ordinance, 1969 (XVII of 1969);
- f. **“Clearing Participant”** means a Commercial Bank or a Central Depository Company maintaining cash account with Bank(s) authorized by the Exchange in accordance with procedure laid down in clause 7 of the regulations to facilitate settlement of trades in Government Debt Securities;
- g. **“Commission”** means the Securities and Exchange Commission of Pakistan.
- h. **“Commercial Bank”** means a Banking Company as defined in the Banking Companies Ordinance, 1962.
- i. **“Custody Position”** means the confirmation received from a Clearing Participant identifying availability of Government Debt Securities in the IPS Account of an Eligible Client as its right to sell such securities to the extent laid down in that confirmation;

- j. **“Designated Product for GDS Market”** means any of the Government Debt Securities quoted on the Exchange for trading in its GDS Market and declared eligible for market making by the Exchange;
- k. **“Designated Broker”** means a Broker performing market making activities on behalf of a Commercial Bank being Trading or Clearing Participant through a bilateral arrangement between them, who shall make available two ways RFQ orders either sequentially or simultaneously in the Designated Product for GDS Market;
- l. **“Eligible Client”** mean customers having IPS Accounts with any Clearing Participants for holding portfolio of Government Debt Securities for trading through GDS Market at the Exchange.
- m. **“Exchange”** means Karachi Stock Exchange Limited;
- n. **“Government Debt Security”** means a debt security such as Treasury Bill (T-Bill), Pakistan Investment Bond (PIB), Government of Pakistan (GOP) Ijara Sukuk and any other debt instrument issued by the Federal Government, Provincial Government, Local Government/Authority and any other statutory bodies;
- o. **“IPS Account”** means Investor Portfolio Securities Account enabling customers to maintain their Pak Rupee (Rs.) denominated Government Debt Securities with Primary Dealers, Commercial Banks and CDC who are authorized by SBP to have SGLA with SBP;
- p. **“Market Maker for GDS Market”** means a Trading Participant appointed by the Exchange to undertake Market Making in Designated Product under clause 14 of these Regulations;
- q. **“Market Making Agreement for GDS Market”** means an agreement executed between the Market Maker for GDS Market and the Exchange to perform Market Making activities under these Regulations;
- r. **“Market Making Order/Quote”** means continuous tender of two-way quotes by a Market Maker for the purchase and sale in the Designated Products with such his rights and obligations as may be specified under a Market Making Agreement for GDS Market under these Regulations;
- s. **“Proprietary IPS Account”** means an account in which a Commercial Bank being Trading Participant or CDC holds only those securities it is holding on its own behalf;
- t. **“RFQ”** means a Request For Quote which is a functionality available in the BATS as ascribed under clause 11 of the BATS Regulations;
- u. **“RTGS System”** means Real Time Gross Settlement (RTGS) System provided by SBP to the Commercial Bank/Central Depository Company or any other financial institution, which is a mechanism that enables participants to make payments and/or transfer Government Debt Securities to one another electronically on real-time;
- v. **“SBP”** means the State Bank of Pakistan;

- w. **“SGLA”** means Subsidiary General Ledger Account opened by the Commercial Banks or Central Depository Company with SBP to facilitate operations of IPS Accounts for holding of Government Debt Securities for their Proprietary Accounts and investors/customers;
- x. **“Shut Period”** means a duration during which Government Debt Security is blocked for movement from one IPS Account to other IPS Account as prescribed by SBP;
- y. **“Tick Size”** means the minimum price increase or decrease at which RFQ can be made in GDS Market on BATS;
- z. **“Trading Participant”** means a Broker or Banking Company authorized by the Exchange in accordance with procedure laid down in clause 6 of these regulations to trade in Government Debt Securities through BATS;
- aa. **“Trading Workstation”** means such trading workstation provided to Trading Participants by the Exchange;
- bb. **“Unique Identification Number (UIN)”** shall have the same meaning as ascribed thereto in the NCCPL Regulations.

**5. GOVERNMENT DEBT SECURITIES ELIGIBLE FOR TRADING UNDER THESE REGULATIONS:**

The following Government Debt Securities shall be eligible to be quoted for trading on GDS Market of the Exchange;

- a. Treasury-Bill (T-Bill)
- b. Pakistan Investment Bond (PIB)
- c. GOP Ijara Sukuk
- d. Any other Government Debt Security authorized by SBP and allowed for trading by the Exchange with the approval of the Commission from time to time.

**6. TRADING PARTICIPANTS:**

The following shall be eligible to become Trading Participants to trade in Government Debt Securities in GDS Market on BATS through Trading Work Stations provided by the Exchange:

- a. All Brokers who meet the criteria as specified in **SCHEDULE 1**, are eligible to participate in the GDS Market of the Exchange for trading in their Proprietary Accounts or in the accounts of the Eligible Clients having IPS Accounts and/or Cash Accounts with any Clearing Participant;
- b. All Commercial Banks who fulfill the criteria developed by the SBP for this purpose and are approved by the Commission for Proprietary trading in Government Debt Securities.

**7. CLEARING PARTICIPANTS:**

The following shall be eligible to become Clearing Participants to settle trades in Government Debt Securities in GDS Market on BATS:

- a. The Commercial Bank who is authorized by the SBP and permitted by the Commission.

- b. The Central Depository Company.

**8. PROCEDURE FOR ADMISSION OF TRADING PARTICIPANT AND CLEARING PARTICIPANT:**

- a. A broker which is eligible to become a Trading Participant in accordance with regulation 6 above shall apply to the Exchange as per the format prescribed by the Exchange from time to time.
- b. Commercial Bank which is eligible to become a Trading Participant in accordance with regulation 6 above shall apply to the Exchange on a standardized form as set out in Annexure-A along with an unconditional undertaking to the Exchange as set out in Annexure-B.
- c. CDC or any other Commercial Bank which is eligible to, become Clearing Participant in accordance with regulation 7 above, shall enter into a Service Level Agreement with the Exchange on the format prescribed by the Exchange from time to time.
- d. On completion of all the relevant requirements;
  - i. The Broker shall be allowed to become Trading Participant for trading in its Proprietary Account or on behalf of Eligible Clients having IPS Accounts and/or Cash Accounts with any Clearing Participant
  - ii. The Commercial Bank which has applied for Trading Participant shall be allowed to become Trading Participant for its Proprietary Account in GDS Market of the Exchange .
  - iii. The Commercial Bank which has applied for Clearing Participant shall be allowed to become Clearing Participant for its IPS Account holders including its proprietary IPS Account.
  - iv. CDC shall be allowed to become Clearing Participant for its IPS Account holders including its Proprietary IPS Account.

**9. TRANSMISSION OF INFORMATION BETWEEN THE EXCHANGE AND CLEARING PARTICIPANT:**

The Exchange shall enter into a Service Level Agreement with its Clearing Participant for exchanging the following information of Eligible Clients between the Exchange and Clearing Participant relating to trading and settlement of trades in GDS Market:

- a. Clearing Participant will transmit one day before the execution of trade the details pre-existing interest of their Eligible Clients including Buying Capacity of an Eligible Client, who intends to buy any Government Debt Security or Custody Position of an Eligible Client, who intends to sell any Government Debt Security in GDS Market through BATS on next Trading Day;
- b. The Exchange will upload such information on its BATS trading platform against UIN accounts of the respective buyer or seller of Government Debt Securities before opening of market on Trade Day (T+0);
- c. Trading Participant except those Commercial Banks who fulfill the criteria developed by the SBP for Trading Participants on the Exchange, will be

restricted to enter RFQ on BATS for selling up to the maximum Custody Position and for buying upto the maximum Buying Capacity of a respective UIN uploaded in BATS trading platform in accordance with the procedures.

- d. The Exchange will transmit executed trades to the respective Clearing Participant on real-time basis.

**10. RIGHTS & OBLIGATIONS OF TRADING PARTICIPANT, CLEARING PARTICIPANT AND ELIGIBLE CLIENT:**

- a. A Clearing Participant shall enter into a Tripartite Agreement with an Eligible Client and its Broker admitted as Trading Participant by the Exchange specifying the rights and obligations of all parties to the Agreement for sharing of information between with the Exchange and Clearing Participant, executing trades in the specified Government Debt Security by the Eligible Client through a Broker Trading Participant and settlement of such trades by the Clearing Participant without obtaining trade details from its Eligible Client.
- b. Trading or Clearing Participants would be allowed to perform their respective functions subject to these regulations;
- c. Trading Participant may apply to the Exchange to acquire Trading Workstation on such terms and condition as may be prescribed by the Exchange from time to time;
- d. In accordance with the Tripartite Agreement, a Clearing Participant shall be responsible for the clearing and settlement obligations of all trades of Eligible Clients executed by the Trading Participant based on the information exchanged with the Exchange by such Clearing Participants subject to initiation / affirmation by the counter Clearing Participant in RTGS System. The Clearing Participant shall provide to the Exchange details of all Eligible Clients in accordance with the procedures prescribed by the Exchange.
- e. The Brokers as Trading Participants shall ensure that order instructions required under relevant regulations and procedures of the Exchange dealing with the manner of giving order by the clients to the Broker are obtained from the Eligible Clients before placement of same on the GDS Market and shall maintain relevant record or documents with regard to the fulfillment or otherwise of the orders.
- f. The Brokers as Trading Participants shall make available to their Eligible Clients the order confirmation in the manner prescribed by the Exchange in accordance with General Regulations of the Exchange.
- g. All Trading Participants shall be responsible for the accuracy of orders entered into the GDS Market.
- h. Whenever a Trading Participant puts an order in GDS Market on BATS on behalf of an Eligible Client it shall enter the client code duly tagged with the UIN of such client.

**11. DEALINGS ON THE GDS MARKET:**

- a. Trading on the GDS Market of the Exchange shall be allowed only through approved Trading Workstation(s) of a Trading Participant.

- b. Each Trading Participant shall be assigned a participant identification code by the Exchange and the same shall be used to log on (sign on) to BATS for accessing GDS Market.
- c. The permission to use the Trading Workstation shall be subject to payment of such charges as the Exchange may prescribe from time to time.
- d. A Trading Participant shall not have any title, ownership-rights or interest with respect to GDS Market, its facilities, software and the information/data generated by the GDS Market.
- e. A Trading Participant shall not, by itself or through any other person on its behalf, publish, supply, show or make available to any other person or reprocess, retransmit, store, manipulate or use the facilities of the GDS Market or the information provided by the Exchange except with the explicit approval of the Exchange and in the ordinary course of business to complete the transactions on the Exchange.
- f. The Exchange shall provide its services on a best effort basis. However the Exchange shall not be liable for:
  - i. Failure of the system or for any loss, damage, or other costs arising in any way out of telecom network or system failure including failure of ancillary or associated systems, or fluctuation of power, or other environmental conditions;
  - ii. Accident, loss in transportation, neglect, misuse, errors, frauds of the Trading Participant or its employees or agents or any third party;
  - iii. Any fault in any ancillary or associated equipment (either supplied by the Exchange or approved by the Exchange) which forms or does not form part of the Trading Workstation installation; or
  - iv. Act of God, fire, flood, war, act of violence, or any other similar occurrence; or any incidental, special or consequential damages including without limitation of loss of profit.
- g. Without prejudice to anything contained in clause (f) above, such failure shall not reduce, alter the liability of the Trading Participant in respect of any trade to which it is a party.
- h. No Trading Participant shall deal on or access the GDS Market or related facilities through or on behalf of another Trading Participant.
- i. The Exchange shall have a right to reject any application made under these Regulations or at any time withdraw any approval previously granted, or suspend a Trading Participant temporarily from having access to the system. Such suspension may be conditional and may be revoked on the fulfillment of condition specified, if any, to the satisfaction of the Exchange.

**12. REQUEST FOR QUOTATIONS (RFQ):**

- a. A Trading Participant shall initiate RFQ to any of the selected Trading participant(s) or to the whole market. The RFQ initiator shall have the right to accept or reject any or all bids or offers.

- b. Price Quotations: The price quotations shall be in the manner prescribed by the Exchange from time to time.
- c. **RFQ Marketable Lots:**  
The following will be Marketable Lots of Government Debt Securities for RFQ Orders through BATS:
  - i. T-Bills will be allowed at minimum of Face Value (FV) of Rs. 50,000/- with an increment of Rs. 5,000/- or its multiple thereof i.e., Marketable lots may be of FV Rs. 50,000/-, FV Rs. 55,000/-, FV Rs. 60,000/- so on and so forth.
  - ii. PIBs will be allowed at minimum of FV of Rs. 100,000/- or multiple thereof.
  - iii. GOP Ijara Sukuk will be allowed at minimum of FV of Rs. 100,000/- or multiple thereof.
- d. **RFQ Tick Size:**  
The Exchange shall prescribe the Tick Size in RFQ for all eligible Government Debt Securities from time to time

**13. TRADING HOURS OF GDS MARKET:**

The Exchange shall announce the Trading Hours in advance. The Exchange may extend, advance or reduce Trading Hours by notifying to all Trading Participants, Clearing Participants and Trading and Clearing Participants with the consents of the Clearing Participants, as and when it deems fit and necessary.

**14. APPOINTMENT OF MARKET MAKER AND ANCILLARY MATTERS THEREOF:**

- a. A person shall be eligible to apply for appointment as a Market Maker if such person is,
  - i. A Broker admitted as Trading Participant who is a member of the Financial Market Association of Pakistan;
  - ii. A Commercial Bank being a Trading Participant.
  - iii. A financial institution which satisfies the eligibility criteria devised by the Exchange with prior approval of the Commission. In such case, the application shall be accompanied with prior written consent from Designated Broker
- b. The Exchange shall invite applications from eligible Market Maker (hereinafter referred to as the "Applicants") who are desirous to act as Market Makers for any Government Debt Security.
- c. The Applicant shall provide to the Exchange the following, along-with the application:
  - i. Application for appointment as a Market Maker as per form prescribed by the Exchange from time to time; and
  - ii. Undertaking to comply with these regulations and to adhere to Market Making Agreement as per form prescribed by the Exchange;



- d. The Applicant shall provide to the Exchange the following along-with the application:
  - i. Name(s), address (es), qualification(s) and contact detail(s) of Market Maker's agent(s) and/or trader(s) authorized for Market Making activities;
  - ii. In case of a financial institution, prior written consent of the Designated Broker;
  - iii. Name(s), address(es), qualification(s) and contact detail(s) of staff members having at least three years of relevant experience of trading in Government Debt Securities.
- e. Approved Market Makers shall be required to enter two-way prices within the spread limits and minimum order size as prescribed by the Exchange from time to time, in line with Rules Governing Primary Dealer System of SBP. For Designated Product for GDS Market, the maximum spread limits & minimum order size shall be as mentioned in the Market Making Agreement executed between the Exchange and the Market Maker in line with above said SBP rules subject to change, if required, in minimum order /marketable lot size based on an agreement between the Exchange and SBP.
- f. The Applicant shall be obliged to provide any missing or additional information within such time as may be specified by the Exchange. In case the Applicant fails to comply with the requirements of these Regulations and/or provide the required information/ documents within the specified time or any extension thereof, the application shall stand rejected.
- g. The Exchange may require the Applicant to demonstrate to its satisfaction that it is suitably qualified to make a market in the Designated Product in respect of which the application is made. Further, the Exchange may conduct the on-site inspection to ensure the availability of requisite infrastructure of the Applicant, other than the Commercial Bank who fulfills the criteria developed by SBP to act as Trading Participant on the Exchange.
- h. If the Exchange is satisfied that the Applicant is eligible to carryout Market Making activities and the requisite documents including Market Making Agreement have been submitted as required under these regulations, the Exchange shall appoint such Applicant as Market Maker for a period of one year renewable every financial year and communicate the same in writing to the Market Maker specifying the date and time of commencement of its term as Market Maker.

Provided that in case of a Commercial Bank who fulfills the criteria developed by the SBP for Trading Participant, the tenure of its Market Making Agreement as a Market Maker shall be in accordance with Rules Governing Primary Dealer System of SBP.

- i. A Market Maker may resign after three months of commencement of its term by providing the Exchange at least two months' prior written notice along with the reasons for resignation and specifying the effective date of resignation, provided that a substitute Market Maker in the Designated

Product acceptable to the Exchange is ready to take the outgoing Market Maker's role and responsibilities for the remaining period of the said term.

- j. In case of renewal of a Market Making Agreement, the Market Maker shall submit request for reappointment at least two months prior to the expiry of previous appointment and the Exchange shall decide such renewal request before one month of expiry of its tenure. Alternatively where a Market Maker does not wish to continue as Market Maker, it shall have to inform the Exchange about its intention before the commencement of last quarter of its tenure. The market shall be intimated about a new appointee, 30 days prior to its formal functioning as a Market Maker.

Provided that in case of a Commercial Bank who fulfills the criteria developed by SBP for Trading Participant, requirement relating to prior notice of its intention for discontinuance as Market Maker in GDS Market shall be in accordance with Rules Governing Primary Dealer System of SBP.

- k. The Exchange may, from time to time, prescribe or modify the following:
  - i. The evaluation criteria for evaluation of application for appointment of Market Maker; and
  - ii. The criteria for evaluation of performance of the Market Maker(s).

**15. RISK MANAGEMENT OF TRADES IN GOVERNMENT DEBT SECURITIES UNDER THESE REGULATIONS:**

All trades in Government Debt Securities under these regulations shall be subject to a pre-verification by the Exchange as provided in regulation 16(b)(ii) below and shall not be subject to any margin requirements. The counter-Trading Participants to these trades shall prescribe their own procedures for managing settlement risk of trades executed or settled between them without any exposure to the Exchange.

**16. TRADING, CLEARING AND SETTLEMENT PROCEDURES:**

- a. **Settlement Cycle:**

All trades in GDS Market shall be settled on T+0 basis or as per the Settlement Cycle notified by the Exchange with the consents of the Clearing Participants and prior approval of the Commission, from time-to-time.
- b. **Trade Execution Process:**
  - i. All Eligible Clients and the Brokers admitted as Trading Participants shall authorize under the Tripartite Agreement, their Clearing Participants to disclose to the Exchange their Custody Position in Government Debt Securities and/or Buying Capacity (cash position) available with such Clearing Participant at the end of Trading Day-1 (T-1).
  - ii. All RFQ bids/offers through Brokers as Trading Participants shall be subject to a pre-verification by the Exchange for good funds and / or good security at order level on the basis of information received from the Clearing Participants.
  - iii. All executed trades by the Brokers as Trading Participants for their Proprietary Accounts or on behalf of their Eligible Clients shall be transmitted by the Exchange to their respective Clearing Participant on real-time basis.

c. **Trade Settlement Process:**

All trades on GDS Market shall be settled on trade-for-trade basis and shall not be subject to any margin requirements.

i. **Intra Clearing Participant Settlement Process:**

All trades executed between two Eligible Clients having their IPS Accounts with the same Clearing Participant and all trades executed between Proprietary IPS Account of a Clearing Participant and Eligible Clients having IPS Account with such Clearing Participant shall be cleared and settled by intra accounts movement of Government Debt Security in their respective IPS Accounts and cash in their respective bank accounts.

ii. **Inter Clearing Participant Settlement Process:**

All trades executed between two Eligible Clients having their IPS Accounts with two different Clearing Participants shall be settled by their respective Clearing Participants on Delivery-Verses-Payment (DVP) basis through RTGS System. Similarly, trade executed between Proprietary IPS Account of one Clearing Participant and Proprietary IPS Account of other Clearing Participant or an Eligible Client having IPS Account with such other Clearing Participant, or vice versa, shall be settled by their respective Clearing Participants on Delivery-Verses-Payment (DVP) basis through RTGS System of SBP.

d. **Deal Ticket Confirmation Process:**

i. Respective Trading Participants will confirm all trades in the Government Debt Securities executed in GDS Market by the Eligible Clients on the basis of Deal Ticket of the executed trade generated through GDS Market having all trade settlement related information as per trade confirmation procedure of the Exchange.

ii. Respective Clearing Participant will confirm all trades settled through them to their respective Eligible Clients as per their confirmation procedure.

17. **SHUT PERIOD:**

The Exchange may announce a Shut Period during which trading of specified Government Debt Security will remain suspended on the GDS Market of the Exchange.

18. **INITIAL DEPOSIT, TRADING FEE AND OTHER CHARGES:**

The Exchange shall prescribe, from time to time, initial deposit payable by the Trading Participants, trading fee on the value of the transaction and other charges payable by such Trading Participant on services provided by the Exchange.

19. **OVERRIDING EFFECT:**

The provision of these Regulations shall have overriding effect and nothing contained in any other regulations of the Exchange for the time being in force shall be applicable in so far as these Regulations are concerned.

**For Approved Banks**

**FORM OF APPLICATION FOR TRADING PARTICIPANT OF THE EXCHANGE**

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The Managing Director  
Karachi Stock Exchange Limited.  
Stock Exchange Building  
KARACHI

Dear Sir,

We hereby apply to participate in the trading of Government Debt Securities Market as a Trading Participant of the Karachi Stock Exchange Limited to trade in our proprietary account.

We are enclosing herewith the following documents required for aforesaid the purpose:

- a. Memorandum and Articles of Association.
- b. An Unconditional undertaking under the Common Seal of the company duly signed on the prescribed format.
- c. copy of approval by Commission

We hereby undertake to abide by the Regulations Governing Government Debt Securities (GDS) Market of Karachi Stock Exchange Limited which are in force or may be amended from time to time by the Exchange.

Yours faithfully,

Name: \_\_\_\_\_

Dated: \_\_\_\_\_

Signature: \_\_\_\_\_

**FORM OF UNCONDITIONAL UNDERTAKING  
(For Trading Participant)**

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In pursuance to the Regulations Governing Government Debt Securities Market of the Karachi Stock Exchange Limited, we \_\_\_\_\_ having our registered office at \_\_\_\_\_ hereby undertake and bind ourselves as under:

1. That we undertake to comply with the Regulations Governing Government Debt Securities Market of the Exchange.
2. That we understand our Trading participant status at the Exchange does not confer any trading rights or responsibilities for equity related or any other market of the Exchange.
3. That we undertake to fulfill all our obligations as laid down under the Rules/Regulations of the Exchange, CDC as well as SECP and SBP as may be prescribed from time to time.

Yours faithfully,

\_\_\_\_\_  
Chief Executive/Authorized person

\_\_\_\_\_  
Common seal of

**FORM OF APPLICATION FOR APPOINTMENT AS MARKET MAKER**

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The General Manager  
Karachi Stock Exchange Limited  
**KARACHI**  
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**APPLICATION FORM FOR APPOINTMENT AS MARKET MAKER**

We hereby apply for the appointment of Market Maker at the Karachi Stock Exchange Limited in accordance with the Regulations Governing Government Debt Securities Market of Karachi Stock Exchange Limited. Our brief particulars are as under:

1. Complete company name (no abbreviations)
2. Company registration number
3. Name of the Designated Broker through which market making will be carried out (in the case of Market Maker is a financial institution).

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Name and Signature of Authorized Person

Date:

**CRITERIA FOR SELECTION OF STOCKBROKERS ELIGIBLE FOR TRADING OF  
GOVERNMENT DEBT MARKET**

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**The applicant must:**

1. be registered with the SECP as a Broker under the Brokers and Agents Registration Rules, 2001;
2. have net-equity of not less than of Rs. 20 million as per the latest audited financial statements at the time application to the Exchange for becoming its Trading Participant under the Regulations Governing Government Debt Securities Market of the Exchange. All Brokers being Trading Participants shall be required to furnish a statement to the Exchange on quarterly basis for maintaining that balance.
3. have adequate capital market and money market experience;
4. have adequate infrastructure available to carry out trading activities in government securities including functional website, internal control procedures and technological and human resources to facilitate the trading of government securities and an adequate risk management system to measure and manage risk emanating from trading in these securities;
5. not have been declared defaulter/ expelled or its TRE Certificate forfeited/cancelled due to noncompliance with any provision of the provisions relevant rules and regulations, directives and circulars of the SECP as amended from time to time and/ or not defaulted on the settlement of arbitration award in respect of investor claims;
6. The directors/sponsors/substantial shareholders of the applicant have not held the office of the directors or have been sponsors/substantial shareholders in any TRE Certificate Holder (or a Member prior to the date of demutualization), which had been declared defaulter or expelled or its TREC forfeited/cancelled by the Exchange.

**Explanation:** For the purpose of this Chapter the term “Substantial Shareholder” shall mean shareholder having more than 10% shareholding in the TRE Certificate Holder’s company.