



Procedure for Controlling Acquisition Limits

Operations & Customer Support Services

|CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

|CDC HOUSE, 99-B, BLOCK B, S.M.C.H.S, MAIN SHARAH-E-FAISAL, KARACHI|



1. INTRODUCTION

This procedure has been made in accordance with CDC Regulations in respect of Acquisition Limits.

To ensure effective compliance of regulatory restrictions, PSX, NCCPL and CDC has put in place necessary system-based mechanism to ensure that the Acquisition Limit, respectively prescribed under the applicable laws, are not breached.

In light of the above, Pakistan Stock Exchange Ltd (PSX) is implementing necessary mechanism at trade level to restrict acquisition of shares of listed banking companies and PSX to breach of the prescribed limits, while CDC will place restriction at custody level.

This procedure will govern the restriction to be in place by CDC in the CDS.

2. TRANSACTIONS RESTRICTED AT CDC END

CDC has made necessary system-based controls according to which, following transactions will be restricted on breach of the prescribed limits:

Transactions	Restriction on action of	
	Participant	Issuer/RTA
Free Delivery Transactions	√	-
Deposit of Physical Shares	√	√
Credit of securities in lieu of Right offer and all type of further issue including other than Right offer, conversion of debt/loan/redeemable debt instruments in to shares, specie dividend etc.	-	√

2 (a) Transactions that do not come under the purview of this restriction:

CDC would not apply restriction on following types of transactions in CDS:

- All market based BO related transaction (including BO transactions pertaining to the Leveraged Market)
- Transactions to be executed in pursuance of court order or directive of any competent authority
- Transactions pertaining to transmission (including transfer of shares to Nominee)
- Pledge Call Transactions
- Change of position due to Amalgamation / Merger of Companies
- Acquisition of shares / Treasury Stocks



3. CONTROLLING ACQUISITION LIMIT OF SHARES IN LISTED BANKING COMPANY

As per Circular No. 13 of 1999 dated June 14, 1999 issued by Securities Exchange Commission Pakistan (“**SECP**”) and Circular No. 28 of 1999 dated July 02, 1999 issued by State Bank of Pakistan (“**SBP**”), no person shall acquire 5% or more shares of a banking company without prior written approval of SBP.

To ensure compliance of regulatory restrictions w.r.t acquisition of shares in a listed bank, CDC has implemented a system-based Acquisition Limits mechanism to restrict movement of banking shares in CDS beyond the acceptable threshold i.e. 4.99% for various types of transactions at custody level. The mechanism adopted by CDC to restrict certain transactions have already been defined above in the section “Transactions restricted at CDC end”

Note: Above restrictions will not apply on transactions of shareholder(s) whose shares have already been frozen in the CDS pursuant to BPRD-SBP Circular No. 04 of 2008 dated May 22, 2008 (i.e. “Happy UINs”), where it will be construed that such UINs have prior approval of SBP. However, CDC shall freeze all future acquisition of banking shares made by such UINs through any means.

3 (a) Process Flow:

CDS will generate error message restricting the transactions at post action, where target account holding balance of shares of listed banking company exceeds the Acquisition Limit. However, to proceed with the transactions pertaining to 5% or more shares of a listed banking company following steps need to be followed:

1. The relevant Participant or Issuer through a covering letter shall submit client’s request along with SBP’s written approval to CDC for execution of transactions pertaining to 5% or more shares of a listed banking company.
2. Client will also be required to submit NOC (refer annexure “A”) duly signed by an authorized signatory(ies) for freezing of shares pursuant to BPRD Circular No. 4 dated May 22, 2008 issued by the Banking Policy & Regulations Department of the State Bank of Pakistan.
3. Subject to 1 & 2 above, CDC will allow the transaction(s) under controlled environment.



4. CONTROLLING ACQUISITION OF SHARES OF PSX:

As per the Stock Exchanges (Corporatization, Demutualization & Integration) Act, 2012 and the regulations made thereunder by SECP, different limits have been prescribed for different classes of persons on acquiring shares of Pakistan Stock Exchange Limited as mentioned below:

S.No.	UIN Category	Applicable Position Limit
1	Foreign individual + Foreign Corporates	Aggregate 20%
	Foreign Individual	1% of the total outstanding shares
	Foreign Corporate	5% of the total outstanding
2	Overseas Pakistanis	1%
3	Individuals	1%
4	Broker Proprietary Trading	1%
5	Companies	1%
6	Other Organizations	1%
Financial Institutions		
7	Banks/DFIs	5%
8	NBFC	5%
9	Insurance Companies	5%
10	Mutual Funds	5%

In view of above restrictions on acquisition of PSX shares, CDS will restrict execution of transactions that breaches the above limits in the manner prescribed in Section 2 “Transactions restricted at CDC end” above.

Note: UIN are categorized on the basis of details provided by NCCPL.

The mechanism adopted by CDC to restrict certain transactions have already been defined above in the section “Transactions restricted at CDC end.”



5. REPORT FOR MONITORING OF HOLDINGS BY ISSUERS

5 (a) For Shares of Listed Banking Companies:

Report reflecting UIN wise details of clients holding 3% or more shares of listed Banks is available to RTAs for monitoring of Shareholding limits. In case of joint account, each UIN is treated as 100% owner of the holding in such joint account, e.g. if 3.0% of the paid-up capital is held in a joint account having 4 UINs, then it is construed that each joint holder owns 3.0% individually.

5 (b) For Shares of Pakistan Stock Exchange:

In case of shares of PSX, report will reflect UIN wise details of clients holding 0.50% or more shares of PSX is available to RTAs for monitoring of Shareholding limits. In case of account maintained by more than one Individuals (Joint Account), entire Position would be accounted for only on the basis of Principal holder's UIN.

Table below illustrate the methodology used in the reports for provisioning of information:

Table A				
Paid up capital (no. of shares)	2,500,000			
Quantity of Shares in an account	100,000			
Number of Joint Holders	4			
	Methodology for PSX	%	Methodology for listing Banking Co.	%
Title Account Holder	100,000	4	100,000	4
Joint Holder 1	0	0	100,000	4
Joint Holder 2	0	0	100,000	4
Joint Holder 3	0	0	100,000	4



Dated _____

The Chief Compliance & Risk Officer
Central Depository Company of Pakistan Limited
 CDC House, 99-B, Block 'B',
 S.M.C.H.S., Main Shahr-e-Faisal,
Karachi-74400

Dear Sir,

FREEZING OF SECURITIES

Pursuant to BPRD Circular No. 4 dated May 22, 2008 issued by the Banking Policy & Regulations Department of the State Bank of Pakistan, **we have no objection whatsoever over freezing of our following Securities by the Central Depository Company of Pakistan Limited** such that no movement, pledge and withdrawal of shares of _____ **[Security name]** _____ held therein in our name shall be allowed without prior permission in writing of the State Bank of Pakistan:

A/c Title	Participant ID No.	Account No.	No. of shares

The said Securities may remain frozen till further instructions from the Central Bank. In this regard, we hereby authorized CDC, unconditionally, to freeze our securities in the aforesaid manner with further authority to freeze any bonus or right shares credited in our account from time to time including securities subsequently acquired by us through any means specified in the aforesaid circular.

 Authorized Signatory

 Authorized Signatory