

August 26, 2019

Dear Participants,

We are pleased to inform you that the Securities and Exchange Commission of Pakistan (SECP) has accorded approval in the CDC Regulations with respect to Murabaha Share Financing (MSF) with effect from Monday, September 02, 2019 (copy enclosed).

In this respect, we are commencing MOCK Testing related to Murabaha Share Financing (MSF) jointly with NCCPL with effect from **August 28, 2019** for a period of three days. For said purpose, please find below the link to the MOCK testing setup:

[http://mock-ecds.cdcpak.com:8987/WebStartCDC\\_ADMIN.html](http://mock-ecds.cdcpak.com:8987/WebStartCDC_ADMIN.html)

For obtaining access to the MOCK Testing setup i.e. User ID and Password, you will need to email CDC with the following particulars at [CDSMOCK@cdcpak.com](mailto:CDSMOCK@cdcpak.com):

- a. Participant ID (Existing)
- b. Participant Name
- c. Contact Person Name, Email and Mobile Number

Furthermore, for performing the MOCK Testing, you need to perform the following steps:

1. Click on the above link to access the CDS MOCK exclusive testing setup.
2. The Application shall take a while to download therefore, kindly download the application a day prior to the commencement of MOCK testing i.e. **August 27, 2019** in order to avoid any inconvenience.
3. After the application is downloaded, a login page will be displayed for login into MOCK testing setup.
4. During the mock testing period, establish VPN and login by providing credentials i.e. User ID and Password on the login page. Please use the User ID & Password provided by CDC in response to your email for logging into the MOCK system.
5. Upon provision of correct credentials, you will successfully login into the application.
6. Further, your existing Participant ID will also be available on MOCK setup. Please note that you will be able to log-in by providing credentials i.e. User ID and Password of live eCDS that you were using on August 22, 2019. Password if changed after August 22, 2019 would be invalid.

During the MOCK Testing, you will be able to perform all MSF related activities as test cases.

**Please note that any Live activities, if performed on the MOCK Testing system will not be reflected on the current eCDS Live setup.**

Should you have any queries or concerns, please feel free to call our Customer Support Services at 0800-CDCPL (23275).

Regards,

**Abdul Basit Kothari**

Senior Manager-Operations & Customer Support Services

**Amendments in CDC Regulations in respect of Murabaha Share Financing**

Amendments Proposed by CDC	Amendments recommended for Approval by PRDD-SMD
<p>1. A proviso shall be inserted at the end of first proviso of Regulation 6.2.2 as under</p> <p>A Sub-Account of a Sub-Account Holder shall be established by a Participant only on the basis of Sub-Account Opening Form duly signed by such Sub-Account Holder. No other form or document whatsoever shall be used by a Participant for the purpose of establishment of a Sub-Account in the CDS. Provided that where the Participant is an Authorized Intermediary, the Participant shall use the Customer Relationship Form and the KYC Application Form (in the manner prescribed under the CKO Regulations, 2017) for the purpose of opening of Sub-Account in the CDS.</p> <p>Provided further that in case of establishment of an MF Sub-Account in the CDS, the relevant Tri-partite Agreement (as referred to in the NCCPL Regulations) pertaining to the Holder of such MF Sub-Account shall be used in place of Sub-Account Opening Form or, as the case may be, the Customer Relationship Form and/or the KYC Application Form and the copy of such Tri-partite Agreement shall be provided to CDC in accordance with the Procedures.</p> <p><b><u>Provided further that in case of establishment of an MSF Sub-Account in the CDS, the relevant Master Murabahah Agreement (as prescribed under the NCCPL Regulations) pertaining to the Holder of such MSF Sub-Account shall be used in place of Sub-Account Opening Form or, as the case may be, the Customer Relationship Form and/or the KYC Application Form.</u></b></p>	Recommended for approval
<p>2. The existing clause (o) of Regulation 9.1.1 shall be substituted with the following new clause (o) as under:</p> <p><b><u>o) pertains to transfer of Book-entry Securities represented by bonus shares, dividend in specie or Rights Entitlements by an Account Holder to the relevant person in discharge of his obligations under a relevant agreement or contract pertaining to Margin Financing (as defined in the NCCPL Regulations), Margin Trading (as defined in the NCCPL</u></b></p>	Recommended for approval





	<p><b><u>MSF Sub-Account</u></b> means a Sub-Account of a Customer of an MSF Account Holder, who is admitted by the Clearing House as the MSF Buyer, maintained with such MSF Account Holder for keeping the MSF Eligible Securities Delivered in to such Sub-Account pursuant to a MSF Transaction in MSF Blocked Status;</p> <p><b><u>MSF Blocked Status</u></b> shall have the same meaning as ascribed thereto in the NCCPL Regulations;</p> <p><b><u>MSF Transaction</u></b> shall have the same meaning as ascribed thereto in the NCCPL Regulations;</p>	
<p><b>9E.1A</b></p> <p><b>9E.1A.1</b></p> <p><b>9E.1A.2</b></p> <p><b>9E.1A.3</b></p>	<p><b><u>Procedures for admission as MSF Account Holder and opening of MSF Account and MSF Sub-Accounts</u></b></p> <p><b><u>An Account Holder who is eligible under the NCCPL Regulations may apply to the CDC for admission to the CDS as an MSF Account Holder by an application on a format prescribed by CDC in the Procedures.</u></b></p> <p><b><u>Upon receipt of an application under Regulation 9E.1A.1, CDC may admit the Account Holder to the CDS as an MSF Account Holder in accordance with the Procedures.</u></b></p> <p><b><u>CDC shall establish, forthwith after an Account Holder is admitted to the CDS as an MSF Account Holder, an MSF Account in the name of the MSF Account Holder</u></b></p>	<p>Recommended for approval</p>

<p>9E.1A.4</p> <p>9E.1A.5</p>	<p><u>under the MSF ID of such Account Holder, provided that, where the Account Holder is admitted by the Clearing House as the MSF Buyer, CDC shall also establish an MSF Additional House Account in the name of the MSF Account Holder under the MSF ID of such Account Holder.</u></p> <p><u>Subject to the second proviso to Regulation 6.2.2 and Regulation 9E.1A.5, an MSF Account Holder who is a TRE certificate holder, may establish MSF Sub-Account(s) as part of its Account Family under MSF ID and for this purpose, notwithstanding anything to the contrary contained in these Regulations, the requirement of Sub-Account Opening Form or, as the case may be, the Customer Relationship Form and/or the KYC Application Form, shall not be applicable in respect of establishment of such Sub-Account(s).</u></p> <p><u>The Registration Details and other information in respect of MSF Sub-Account shall be same as reflected in the CDS in respect of normal Sub-Account of such MSF Sub-Account Holder;</u></p>	
<p>9E.2</p> <p>9E.2.1</p> <p>9E.2.2</p>	<p><u>Delivery and transfer of MSF Eligible Securities</u></p> <p><u>Where, pursuant to a Balance Order Delivery Transaction, any MSF Eligible Securities are Delivered by the Clearing House in to an MSF Account or the Main Account (due to blocking of the MSF Account) of an MSF Account Holder in MSF Blocked Status, such Securities shall not be Handled by the MSF Account Holder. Provided that where any Book-entry Securities represented by bonus shares, dividend in specie or Right Entitlements have been credited in such Main Account, the MSF Account Holder may Transmit a Valid Inter Account Free Delivery Transaction to CDC for transfer of such Securities in accordance with the Procedures.</u></p> <p><u>Where any Valid Balance Order Delivery Transaction is Transmitted by the Clearing House to the CDC in respect of any MSF Eligible Securities Delivered in to an MSF Account of an MSF Account Holder pursuant to Regulation 9E.2.1, such Securities shall, subject to these Regulations, be Delivered from such MSF Account to a Target Holding specified in the Balance Order Delivery Transaction Transmitted by the Clearing House pursuant to this Regulation 9E.2.2 in MSF Blocked Status.</u></p>	<p>Recommended for approval</p>

<p><b><u>Provided that, where any MSF Eligible Securities have been Delivered into the Main Account of the MSF Account Holder pursuant to Regulation 9E.2.1, such Securities may be transferred either by way of a Balance Order Delivery Transaction Transmitted by the Clearing House to the CDC or, in accordance with the Procedures, on the basis of a Valid Inter Account Free Delivery Transaction Transmitted by the MSF Account Holder to CDC.</u></b></p> <p><b><u>Provided further that where the Target Holding specified in the:</u></b></p> <p>(a) <b><u>Balance Order Delivery Transaction Transmitted by the Clearing House or,</u></b>  (b) <b><u>Valid Inter Account Free Delivery Transaction Transmitted by the MSF Account Holder,</u></b></p> <p><b><u>as the case may be, Transmitted to the CDC pursuant to this Regulation 9E.2.2 is blocked or closed or where the access to such Target Holding has been Restricted for whatsoever reason, then the Securities comprised in such Balance Order Delivery Transaction or the Valid Inter Account Free Delivery Transaction, as the case may be, shall be Delivered in the Main Account of the Account Holder who had controlled or is controlling such Target Holding.</u></b></p>	
<p><b>9E.2.3</b> <b><u>Where any MSF Eligible Securities have been Delivered pursuant to Regulation 9E.2.2 in to an MSF Additional House Account or an MSF Sub-Account, such Securities shall be transferred [on the basis of Valid Balance Order Delivery Transaction(s) Transmitted by the Clearing House to the CDC] to the Target Holding under normal ID as specified in the Balance Order Delivery Transaction(s).</u></b></p> <p><b><u>Provided that where any MSF Eligible Securities have been Delivered into the Main Account of the MSF Account Holder pursuant Regulation 9E.2.2, such Securities may be transferred to a Target Holding under normal ID either by way of a Balance Order Delivery Transaction Transmitted by the Clearing House to the CDC or, in accordance with the Procedures, on the basis of a Valid Inter Account Free Delivery Transaction Transmitted by the MSF Account Holder to CDC.</u></b></p> <p><b><u>Provided further where the Target Holding specified in this Regulation 9E.2.3 is blocked or closed or where the access to such Target Holding has been Restricted for</u></b></p>	Recommended for approval



	<u>whatsoever reason, the MSF Eligible Securities comprised in such Balance Order Delivery Transaction or, as the case may be, the Valid Inter Account Free Delivery Transaction, shall be Delivered in to the Main Account of the Account Holder who had controlled or is controlling such Target Holding.</u>	
9E.3	<u>Transactions in contravention of Regulation 9E.2 and authorizations for Delivery of MSF Eligible Securities under Regulation 9E.4</u>	Recommended for approval
9E.3.1	<u>CDC shall not permit the Transmission of any Transaction by an MSF Account Holder that is in contravention of the requirements of Regulation 9E.2.</u>	
9E.3.2	Every;  <u>(a) MSF Account Holder;</u>  <u>(b) Holder of MSF Sub-Account;</u>  <u>(c) Holder of MSF Account;</u>  <u>(d) Holder of MSF Additional House Account; and</u>  <u>(e) Every Holder of MSF Designated Account</u>  <u>shall be deemed to have authorized CDC for the movement of MSF Eligible Securities in terms of Regulation 9E.4.1 and all such movements shall be deemed to have been made respectively on behalf of persons referred to in clauses (a) to (e) of this Regulation 9E.3.2 pursuant to the authority given as aforesaid.</u>	
9E.3.3	<u>CDC shall not be responsible or liable in many manner or purpose whatsoever to any person referred to in clauses (a) to (e) of Regulation 9E.3.2 for movement of MSF Eligible Securities under Regulation 9E.4.1.</u>	
9E.4	<u>Delivery of MSF Eligible Securities from and to an MSF Account, an MSF Additional House Account or MSF Sub-Account consequent to any Book Closure Period</u>	Recommended for approval
9E.4.1	If:	

(a) an Issuer of any MSF Eligible Securities has given a notice to CDC of any Book Closure Period under Regulation 12.1.1; and

(b) such Book Closure Period has been notified by the said Issuer for the purpose of determining the entitlement of the holders of such Securities of the Issuer to attend any general meeting of the Issuer or to any bonus shares, dividend in cash or specie, Rights Entitlements etc. declared or to be declared by such Issuer,

then, notwithstanding anything to the contrary contained in these Regulations or the Procedures:

(c) the MSF Eligible Securities representing the Book-entry Securities of such Issuer entered in any MSF Account, MSF Additional House Account or as the case may be, MSF Sub-Account shall, subject to the Procedures and the data provided by the Clearing House in accordance with the NCCPL Regulations, be Delivered by CDC after the Designated Time on the day preceding the corresponding Book Closure Date to the respective MSF Designated Accounts, provided that, where any MSF Designated Account is blocked or closed or where the access to any MSF Designated Account has been Restricted for whatsoever reason, such MSF Eligible Securities shall, subject to the Procedures, be Delivered in to the Main Account of the Account Holder or the Participant, as the case may be, who had controlled or is controlling such MSF Designated Account; and

(d) the MSF Eligible Securities Delivered by CDC to the MSF Designated Account or to a Main Account, as the case may be, under paragraph (c) above shall be Delivered by CDC back to the MSF Account or MSF Additional House Account or, as the case may be, MSF Sub-Account [from which such Securities were Delivered to the MSF Designated Account or to a Main Account, as the case may be, under paragraph (c) above] at the beginning of the Book Closure Date in relation to the said Book Closure Period notified by the Issuer as referred to in paragraph (a) above.

<b>9E.4.2</b>	<b><u>CDC shall not be liable to any person referred to in clauses (a) to (e) of Regulation 9E.3.2 or to any other person whatsoever for the failure of CDC to Deliver any MSF Eligible Securities from any MSF Account, MSF Sub-Account or MSF Additional House Account to an MSF Designated Account under Regulation 9E.4.1(c) above on account of incorrect data provided by the Clearing House or because the parameters set forth in the Procedures were not met.</u></b>	
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