



PROCEDURE FOR MURABAHA SHARE FINANCING

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

Procedure for Murabaha Share Financing

These Procedures have been prepared for the purpose of managing Murabaha Share Financing (MSF) mechanism and related matters in CDS.

Murabaha Share Financing Regime (MSF) has been developed and implemented by NCCPL, with effect from September 02, 2019. Consequently, CDC has also made necessary system level changes in light of requirements prescribed under Regulation 7E of NCCPL Regulations and amendments made in CDC Regulations as a separate Chapter 9E.

1. **Establishment of MSF ID in CDS**

- 1.1. Broker Clearing Member who is admitted as MSF Buyer or MSF Seller by the Clearing House, and opts to provide MSF services to its customers either through arranging funds and /or provide funding from its own resources, may apply to CDC for the admission to the CDS MSF Account Holder by submitting an application on a format prescribed in Annexure A or Annexure B (as applicable).

Upon receipt of an application under Regulation 9E.1A.1, an Account Holder is admitted to the CDS as MSF Account Holder, CDC will establish Main Account, a MSF Account in the name of MSF Account Holder under the MSF ID and where the Account Holder is MSF Buyer, an MSF Additional House Account under the MSF ID of such Account Holder will also be established. Where MSF Account Holder is Broker Clearing Member and admitted as MSF Buyer by the Clearing House, may also establish MSF Sub-Account(s) for keeping MSF Eligible Securities of MSF Sub-Account Holder in light of MSF Transaction.

- 1.2. Non-Broker Clearing Member who is admitted as MSF Seller by the Clearing House and opts to provide MSF services to the Broker Clearing Member or to the customers of Broker Clearing Member, may apply to CDC for the admission to the CDS as MSF Account Holder by submitting an application on a format prescribed in Annexure C. Upon receipt of an application under Regulation 9E.1A.1 and an Account Holder is admitted to the CDS as MSF Account Holder, CDC will establish a Main Account and MSF Account in the name of MSF Account Holder under the MSF ID.

2. **Murabaha Share Financing Client Account.**

- 2.1. Where MSF Account Holder is Broker Clearing Member, and it may establish Sub-Account under the MSF ID, 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). Moreover, Registration Details and other information in respect of MSF Sub Account will be same as reflected in the CDS in respect of normal Sub-Account of MSF Buyer and no manual updation in Registration Details of such MSF Sub-Account will be allowed. However, any updation made in Registration Details of the normal sub account will be automatically copied in the corresponding MSF Sub-account of MSF Buyer.

3. Closure of MSFC

- 3.1. If the customer wishes to close his MSF Sub-Account, the open position in the MSF Sub-Account shall be Nil. Moreover, a system check is built that normal Sub-Account can only be closed once the mirrored MSF Sub-Account (if exists) is closed.

4. Handling of Corporate Action Pertaining to MSF financed Securities

As per CDC Procedure made under the CDC Regulations, the holder of the securities is recognized as the Beneficial Owner of the securities irrespective of the nature of the transaction / trade due to which securities are transferred and to which resultant entitlements due to corporate action, as and when announced, are calculated in favor of account holders in whose name the securities are appearing in the CDS account at the end of the day before the start of the book closure date.

The same will also be applicable in case of MSF Regime.

The MSF Account Holder in whose account the MSF Eligible Securities are held will be entitled if any entitlement on such securities arises due to corporate action; Normal CDS account of holder of MSF Eligible Securities should be recorded in entitlement list.

In case of MSF Sub-Account, entitlement will have to be recorded for MSF Buyer normal sub-Account and for MSF Account / MSF Additional House Accounts under MSF ID, the entitlement will have to be recorded against House Account of Normal (Non-MSF) ID of the Participant/Account Holder.

Not all MSF transactions are forced released before the start of book closure period; therefore, in order to get corporate action benefit, following procedure shall be applicable:

- 4.1. CDC will facilitate automatic movement of MSF Eligible Securities parked under the umbrella of MSF ID to the respective MSF Designated Account, during the End of Day process on the day preceding the start of the Book Closure Date and subsequently the same securities will be Delivered back to the MSF Account or the MSF Additional House Account or MSF Sub-Account, as the case may be, in the same position bucket as originally were before the Delivery, at the beginning of Book Closure Date.
- 4.2. CDS to process the Delivery, on the basis of data transmitted by NCCPL in accordance with Point # 4.3 below. NCCPL to ensure using CDS Account Holder ID as CM ID in line with current practice.
- 4.3. NCCPL to transmit the following details in CDS, latest by 1 Business Day prior to the commencement of book closure period:
 - Account holder id (both for “from account” and “to account”)
 - UIN (both for “from account” and “to account”)
 - Account Number (both for “from account” and “to account”)
 - Security Symbol
 - Volume
- 4.4. These Procedures will only be applicable for book closures related to the following entitlements:
 - General Meetings

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- Cash Dividends
- Stock Dividends (including dividend in specie)
- Rights Entitlement

For other corporate actions like Merger/De-Merger, Split/Consolidation, etc., it would be the responsibility of NCCPL to force release all open MSF position transactions before the start of Book Closure period.

4.5. Automatic transfer will not be executed in following cases:

- Any restriction imposed on the movement of securities in CDS account(s) maintained under umbrella of MSF ID by any Court, Regulatory/Competent Authority etc.
- If MSF Eligible Securities are parked in the Main account of MSF Account Holder.

Consequently, entitlement will be issued/credited into MSF Account, MSF Additional House Account or MSF Sub-Account under MSF Account Holder ID. CDC will provide “failure report” to NCCPL at the start of book closure. NCCPL will arrange to deliver the entitlement pertaining to stock dividend (including dividend in specie) and Rights Entitlement to the entitled holder in its Normal account through a manual process in controlled environment though a valid inter Account free delivery mechanism. CDC will allow FD transaction based on instruction from the NCCPL and the respective MSF Account Holder.

5. Transfer of MSF Eligible Securities from Main Account

- 5.1. In case where any MSF Eligible Securities have been delivered into the Main Account of the MSF Account Holder pursuant to Regulation 9E.2.1, NCCPL will arrange to transfer such Securities either by way of a Balance Order Delivery Transaction or, through a manual process in controlled environment though a valid inter Account free delivery mechanism. CDC will allow FD transaction based on instruction from the NCCPL and the respective MSF Account Holder.

Note: the term Account Holder for the purposes of these Procedures also includes Participant account.

Dated: _____

Annexure A

Head of Operations & Customer Support Services

Central Depository Company of Pakistan Limited

CDC House, 99-B, Block “B”, SMCHS,

Main Shakra-e-Faisal,

Karachi-74400

Dear Sir,

APPLICATION FOR ADMISSION OF MSF ACCOUNT HOLDER FOR THE PURPOSE OF MURABAHA SHARE FINANCING (MSF) TRANSACTIONS – BROKER CLEARING MEMBERS ONLY (AS MSF SELLER)

We have been admitted as an MSF Seller by the National Clearing Company of Pakistan Limited (“NCCPL”) in accordance with the National Clearing Company of Pakistan Limited Regulations, 2003 (“NCCPL Regulations”) to enter into MSF Transactions in terms of the NCCPL Regulations. However, for this purpose, we are required under the NCCPL Regulations to open and maintain an additional Account with the Central Depository Company of Pakistan Limited (“CDC”) for receiving, holding and making Delivery of Book-entry Securities, being MSF Eligible Securities, to be handle from time to time through the MSF System of NCCPL by way of MSF Transactions.

Therefore, we hereby request you to kindly allow admission as MSF Account Holder and establish an Main Account for us pursuant to CDC Regulation 6.1.1 and a MSF Account under such Main Account under the same Main Account pursuant to CDC Regulation 9E.1A.3 along with authority to open MSF Sub-Accounts under the Main Account pursuant to Regulation 9E.1A.4 based on the information given below. Our Registration Details and operating instructions pertaining to these new MSF Accounts shall remain the same as for existing CDS ID mentioned below:

Name of Account Holder/Participant	
Existing/Normal CDS ID No. for the purpose of MSF Account	

We are fully aware that there will be certain restrictions and limitations on our ability to Handle securities entered in MSF Account, MSF Additional House Account (where applicable) and MFS Sub-Account (referred as “CDC Account(s)”) as provided (or may be provided) in the NCCPL Regulations and CDC

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Regulations. We hereby convey our acceptance of such restrictions and undertake to operate such MSF Account Holder established in our name subject to such restrictions and limitations.

Further, in consideration of your accepting the request made in this letter of request, we hereby unconditionally authorize CDC and irrevocably instruct (hereinafter referred to as “Instructions”) CDC to Deliver Book-entry Securities represented by MSF Eligible Securities from time to time to and from CDC Account(s) maintained under our MSF Account Holder with CDC in accordance with the NCCPL Regulations, the CDC Regulations and the Procedures made thereunder.

We hereby confirm that the Instructions are irrevocable and if we give you notice revoking the same, CDC shall have the right to deregister us as an Eligible MSS Seller and/or MSF Buyer of NCCPL in the CDS in accordance with the Procedures.

We undertake to indemnify CDC and its Directors and employees and to keep them and every one of them indemnified in respect of any damages, costs and expenses incurred by CDC or its Directors and employees on account of opening of additional Accounts in our name pursuant to this request and/or arising from any breach of the provisions of the CDC Regulations or the NCCPL Regulations and which limits our authority to Handle the MSF Eligible Securities entered in CDC Account(s) maintained under our MSF Account Holder , and/or your acting on the Instructions contained hereinabove.

The terms “Handle” as used above shall have same meaning as assigned thereto in the Central Depositories Act, 1997 (XIX of 1997).

Yours faithfully,

Authorized Signatory

Authorized Signatory

Dated: _____

Annexure B

Head of Operations & Customer Support Services

Central Depository Company of Pakistan Limited

CDC House, 99-B, Block “B”, SMCHS,

Main Shakra-e-Faisal,

Karachi-74400

Dear Sir,

APPLICATION FOR ADMISSION OF MSF ACCOUNT HOLDER FOR THE PURPOSE OF MURABAHA SHARE FINANCING (MSF) TRANSACTIONS – BROKER CLEARING MEMBERS ONLY (AS MSF SELLER AND MSF BUYER)

We have been admitted as an MSF Seller and Buyer by the National Clearing Company of Pakistan Limited (“NCCPL”) in accordance with the National Clearing Company of Pakistan Limited Regulations, 2003 (“NCCPL Regulations”) to enter into MSF Transactions in terms of the NCCPL Regulations. However, for this purpose, we are required under the NCCPL Regulations to open and maintain an additional Account with the Central Depository Company of Pakistan Limited (“CDC”) for receiving, holding and making Delivery of Book-entry Securities, being MSF Eligible Securities, to be handle from time to time through the MSF System of NCCPL by way of MSF Transactions.

Therefore, we hereby request you to kindly allow admission as MSF Account Holder and establish an Main Account for us pursuant to CDC Regulation 6.1.1 and a MSF Account under such Main Account and an MSF Additional House Account (only in case where MSF Account Holder is TREC Holder and is also admitted as MSF Buyer by the Clearing House) under the same Main Account pursuant to CDC Regulation 9E.1A.3 along with authority to open MSF Sub-Accounts under the Main Account pursuant to Regulation 9E.1A.4 based on the information given below. Our Registration Details and operating instructions pertaining to these new MSF Accounts shall remain the same as for existing CDS ID mentioned below:

Name of Account Holder/Participant	
Existing/Normal CDS ID No. for the purpose of MSF Account	

We are fully aware that there will be certain restrictions and limitations on our ability to Handle securities entered in MSF Account, MSF Additional House Account (where applicable) and MFS Sub-Account

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(referred as “CDC Account(s)”) as provided (or may be provided) in the NCCPL Regulations and CDC Regulations. We hereby convey our acceptance of such restrictions and undertake to operate such MSF Account Holder established in our name subject to such restrictions and limitations.

Further, in consideration of your accepting the request made in this letter of request, we hereby unconditionally authorize CDC and irrevocably instruct (hereinafter referred to as “Instructions”) CDC to Deliver Book-entry Securities represented by MSF Eligible Securities from time to time to and from CDC Account(s) maintained under our MSF Account Holder with CDC in accordance with the NCCPL Regulations, the CDC Regulations and the Procedures made thereunder.

We hereby confirm that the Instructions are irrevocable and if we give you notice revoking the same, CDC shall have the right to deregister us as an Eligible MSS Seller and/or MSF Buyer of NCCPL in the CDS in accordance with the Procedures.

We undertake to indemnify CDC and its Directors and employees and to keep them and every one of them indemnified in respect of any damages, costs and expenses incurred by CDC or its Directors and employees on account of opening of additional Accounts in our name pursuant to this request and/or arising from any breach of the provisions of the CDC Regulations or the NCCPL Regulations and which limits our authority to Handle the MSF Eligible Securities entered in CDC Account(s) maintained under our MSF Account Holder , and/or your acting on the Instructions contained hereinabove.

The terms “Handle” as used above shall have same meaning as assigned thereto in the Central Depositories Act, 1997 (XIX of 1997).

Yours faithfully,

Authorized Signatory

Authorized Signatory

Dated: _____

Annexure C

Head of Operations & Customer Support Services

Central Depository Company of Pakistan Limited

CDC House, 99-B, Block “B”, SMCHS,

Main Shahra-e-Faisal,

Karachi-74400

Dear Sir,

APPLICATION FOR ADMISSION AS MSF ACCOUNT HOLDER FOR THE PURPOSE OF MURABAHA SHARE FINANCING (MSF) TRANSACTIONS – (NON-BROKER CLEARING MEMBER ONLY)

We have been admitted as an MSF Seller by the National Clearing Company of Pakistan Limited (“NCCPL”) in accordance with the National Clearing Company of Pakistan Limited Regulations, 2016 (“NCCPL Regulations”) to enter into MSF Transactions in terms of the NCCPL Regulations. However, for this purpose, we are required under the NCCPL Regulations to open and maintain an additional Account with the Central Depository Company of Pakistan Limited (“CDC”) for receiving, holding and making Delivery of Book-entry Securities, being Murabaha Share Financed Securities, to be financed by us from time to time through the MSF System of NCCPL by way of MSF Transactions.

Therefore, we hereby request you to kindly allow admission as MSF Account Holder and establish a Main Account for us pursuant to CDC Regulation 6.1.1 and a MSF Account under such Main Account pursuant to CDC Regulation 9E.1A.3 based on the information given below. Our Registration Details and operating instructions pertaining to these new MSF Accounts shall remain the same as for existing CDS ID mentioned below:

Name of Account Holder/Participant	
Existing/Normal CDS ID No. for the purpose of MSF Account	

We are fully aware that there will be certain restrictions and limitations on our ability to Handle securities entered in our MSF Accounts as provided (or may be provided) in the NCCPL Regulations and CDC

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Regulations. We hereby convey our acceptance of such restrictions and undertake to operate such MSF Account Holder established in our name subject to such restrictions and limitations.

Further, in consideration of your accepting the request made in this letter of request, we hereby unconditionally authorize CDC and irrevocably instruct (hereinafter referred to as “Instructions”) CDC to Deliver Book-entry Securities represented by MSF Eligible Securities from time to time to and from our MSF Account with CDC in accordance with the NCCPL Regulations, the CDC Regulations and the Procedures made thereunder.

We hereby confirm that the Instructions are irrevocable and if we give you notice revoking the same, CDC shall have the right to deregister us as an Eligible MSF Seller of NCCPL in the CDS in accordance with the Procedures.

We undertake to indemnify CDC and its Directors and employees and to keep them and every one of them indemnified in respect of any damages, costs and expenses incurred by CDC or its Directors and employees on account of opening of additional Accounts in our name pursuant to this request and/or arising from any breach of the provisions of the CDC Regulations or the NCCPL Regulations and which limits our authority to Handle the MSF Eligible Securities entered in our MSF Accounts, and/or your acting on the Instructions contained hereinabove.

The terms “Handle” as used above shall have same meaning as assigned thereto in the Central Depositories Act, 1997 (XIX of 1997).

Yours faithfully,

Authorized Signatory

Authorized Signatory