



***CENTRAL DEPOSITORY COMPANY OF PAKISTAN
LIMITED***

***PROCEDURES FOR CREATION AND REDEMPTION OF
ETF UNITS IN CDS***

Following procedures would apply for the Creation and Redemption of ETF units in the Central Depository System:

1- Creation of ETF units

- An Authorized Participant (AP) will submit a creation of ETF's unit request (as per standard format) with AMC, either for its own account or on behalf of its Sub-Account holder(s) and in return they will deliver the basket of securities to the Trustee.
- A dedicated Reason Code is made available in Inter Participant Free Delivery (FD) Functionality in CDS i.e. '*P061- Transfer Pursuant to issuance of ETF Units*'. The Reason Code shall be solely used for ETF declared eligible in CDS which will enable the AP to transfer the Securities from the House Account or Sub-Accounts with respect to which such creation request was initiated to the designated CDS Trustee Account through Inter Participant FD Functionality.
- Along with creation of ETF units' request, the AP will transfer the "Basket of Securities" from respective House Account or Sub-Accounts to the designated CDS Trustee Account through Inter Participant FD Functionality using the above reason code.
- AP will then forward the creation of ETF units request form along with securities movement report (generated from CDS) to the AMC.
- On the basis of documents, the AMC/its Registrar Transfer Agent will upload the details of investors such as, CDS Account # (in which ETF units is to be credited), volume of ETF units etc. for approval of creation of ETF Units in CDS into respective account. Further the AMC/its Registrar Transfer Agent will forward the request form along with securities movement report (generated from CDS) to the Trustee.
- After verification of quantity of securities received from AP and the request initiated in CDS by AMC/its Registrar Transfer Agent and the completion of all necessary requirements by the Trustee, the Trustee will approve the request for creation of ETF units into CDS for crediting in the respective CDS House Account or Sub Accounts with respect to which such creation request was initiated.

2- Redemption of ETF Units

- An Authorized Participant (AP) will submit duly filled redemption of ETF's unit request (as per Redemption Form) with AMC either for its own account or on behalf of its Sub-Account holder(s). Simultaneously, the AP will also process (save and post) the redemption request in CDS by entering the details of the investors such as, CDS Account # (in which ETF units is to be cancelled), volume of ETF units etc. for cancellation of ETF units in CDS.
- The redemption request form along with CDS post printout will be forwarded to the AMC for further processing.
- After verification of particulars, the AMC / its Registrar Transfer Agent shall approve the request for redemption and the ETF units will be cancelled in the respective CDS House Account or Sub-Account in respect of which such redemption request was initiated. Further the AMC will forward the



redemption request form along with 'Redemption Approval/Rejection Report' (generated from CDS) to the Trustee.

- Accordingly the Trustee will settle the said redemption by transferring the "Basket of Securities" through Inter Participant Free Delivery Functionality using the below mentioned reason code made available in CDS i.e. "*P062- Transfer Pursuant to cancellation of ETF Units*".
- The above dedicated Reason Code will be solely used for ETF declared eligible in CDS which will enable the Trustee to transfer the Securities from the designated CDS Trustee Account to the House Account or Sub-Accounts with respect to which such redemption request was initiated through Inter Participant FD Functionality.

Notes

- 1- For all issuance/redemption related to investors, transactions would be performed through AP (Broker) and for this purpose investor would be required to have a Sub-Account with the AP.
- 2- Normal movement of ETF units as a result of Market trade would be executed through normal BO settlement process of NCCPL.
- 3- There would be no impact on CDS Corporate actions processing due to ETF and corporate entitlements would be credited as per normal CDS mechanism in the respective account in which securities are parked at the time of Book Closure.
- 4- The process of eligibility and induction of ETF in CDS will follow the same process as currently applicable for all security being inducted in CDS.