

## TABLE OF CONTENTS

<b>PREAMBLE</b>		Preamble – 1
<b>CHAPTER 1:</b>	<b>SHORT TITLE AND COMMENCEMENT</b>	
1.1	Short title.....	1-1
1.2	Commencement.....	1-1
<b>CHAPTER 2:</b>	<b>INTERPRETATION AND DEFINITIONS</b>	
2.1	General principles of interpretation.....	2-1
2.2	Headings.....	2-1
2.3	Conduct, acts and omissions.....	2-1
2.4	Regard to be had to purpose or object of Regulations.....	2-2
2.5	Examples.....	2-2
2.6	Notice, notification and service of documents.....	2-2
2.7	Defect, irregularities and deficiencies.....	2-5
2.8	Deposit of Securities in the CDS.....	2-5
2.9	Withdrawal of Securities from the CDS.....	2-5
2.10	Book-entry Securities of an Issuer.....	2-5
2.11	Definitions.....	2-6
<b>CHAPTER 3:</b>	<b>THE CENTRAL DEPOSITORY</b>	
3.1	Establishment and commencement of the CDS.....	3-1
3.2	Functions of the CDC.....	3-1
3.3	Powers of the CDC.....	3-2
3.4	Delegation of functions and powers.....	3-4
3.5	Binding effect of the Regulations.....	3-4
3.6	State of Emergency Regulations.....	3-5
3.7	Procedures.....	3-6
3.8	CDC fees and charges.....	3-7
3.9	Designated Times Schedule.....	3-7
3.10	CDC Indemnity.....	3-8
3.11	Specific exclusion of liability provisions.....	3-10
3.12	Exclusion of other liabilities.....	3-11
3.13	Intellectual property.....	3-11
3.14	Dispute resolution between CDS Elements.....	3-12
3.15	Complaints against CDS Elements.....	3-13
3.16	Complaints against the CDC.....	3-13
3.17	Settlement of Securities transactions in the CDS.....	3-13
3.18	Reports available in the CDS.....	3-15
3.19	Verification of statements by the CDC.....	3-16
<b>CHAPTER 4:</b>	<b>APPLICATIONS FOR ADMISSION AND ADMISSION CRITERIA</b>	
4.1	Application for admission to the CDS as Participant.....	4-1
4.2	Admission as Participant.....	4-1
4.3	Application for admission to the CDS as Account Holder.....	4-2
4.4	Admission as Account Holder.....	4-2

4.5	DELETED.....	4-3
4.6	DELETED.....	4-3
4.7	Application for admission to the CDS as Eligible Pledgee.....	4-3
4.8	Recognition as Eligible Pledgee.....	4-4
4.9	Requirements for applications for admission to the CDS.....	4-4
4.10	Postponement or waiver of the Admission Requirements.....	4-4
4.11	Technical and performance requirements.....	4-5
4.12	Capacity requirements.....	4-5
4.13	Business integrity requirements.....	4-6
4.14	Execution of agreements with the CDC.....	4-7
4.15	DELETED.....	4-7
4.16	Non-acceptance of an application .....	4-7
4.17	Account Holder Warranties and Indemnities .....	4-8
4.18	Participant Warranties and Indemnities .....	4-9
4.19	Participants to segregate client Securities .....	4-9
<b>CHAPTER 5:</b>	<b>ELIGIBLE SECURITIES</b>	
5.1	Declaration of Securities as Eligible Securities .....	5-1
5.2	Pre-commencement Testing .....	5-4
5.3	Suspension and revocation of CDS Eligibility .....	5-4
5.4	Effects of suspension .....	5-8
5.5	Effects of revocation .....	5-9
5.5A	Revocation of CDS Eligibility of Securities in Certain Special Cases and Consequent Cancellation of Corresponding Entries in Holdings.....	5-11
5.6	Transfer Agents .....	5-12
5.7	Notice to the CDC of changed circumstances .....	5-12
5.8	Declaration of Securities of the CDC as Eligibly Securities....	5-12
<b>CHAPTER 6:</b>	<b>ESTABLISHMENT, MAINTENANCE AND OPERATIONS OF ACCOUNTS AND SUB-ACCOUNTS</b>	
6.1	Establishment of Accounts .....	6-1
6.1A	Establishment of Accounts for the Clearing Company.....	6-2
6.2	Establishment and maintenance of Sub-Accounts .....	6-2
6.2A	Sending of Holding Balance statements to Sub-Account Holders .....	6-4
6.2B	Participants to send statements to their clients.....	6-4
6.3	Board to prescribe Registration Details .....	6-4
6.4	Maintenance of Accounts and Sub-Accounts .....	6-4
6.4A	Prohibition on parking of Book-entry Securities in Main Account at the End of Day.....	6-5
6.4B	Tagging of Accounts and Sub-Accounts with the Clearing Company.....	6-5
6.5	Opening Accounts for Eligible Pledgees .....	6-5
6.6	CDC not Liable.....	6-5
6.7	Operations of Sub-Accounts.....	6-5
<b>CHAPTER 7:</b>	<b>COMMUNICATIONS IN THE CDS</b>	
7.1	Communicating with the CDC .....	7-1

7.2	Technical and Performance Requirements .....	7-1
7.3	Validation of Transactions .....	7-2
7.4	Source of a Transmission on the CDS .....	7-3
<b>CHAPTER 8:</b>	<b>DEPOSIT AND WITHDRAWAL OF SECURITIES</b>	
8.1	Deposit of Registered-Form Eligible Securities into the CDS ..	8-1
8.2	Duties of the Depositing Account Holders in connection with deposit of Registered-Form Eligible Securities into the CDS ..	8-2
8.3	Duties of an Issuer in connection with deposit of Registered-Form Eligible Securities into the CDS .....	8-3
8.3A	Rejection of Transfer of Eligible Securities into the Name of CDC in certain cases .....	8-4
8.4	Duties of the CDC in connection with deposit of Registered-Form Eligible Securities into the CDS .....	8-5
8.5	Withdrawal of Registered-Form Eligible Securities from the CDS .....	8-6
8.6	Duties of Withdrawing Account Holder withdrawing Registered-Form Eligible Securities from the CDS .....	8-6
8.7	Duties of an Issuer in connection with withdrawal of Registered-Form Securities from the CDS .....	8-7
8.8	Duties of the CDC in connection with withdrawal of Registered-Form Securities from the CDS .....	8-9
8.8A	Cancellation of Redeemable Securities from the CDS.....	8-11
8.9	Issuer Warranties and Indemnities .....	8-12
8.10	Depositor warranties and indemnities .....	8-13
8.11	Compulsory appointment of Transfer Agent.....	8-13
<b>CHAPTER 8A:</b>	<b>DEPOSIT OF NEW ISSUES OF REGISTERED FORM ELIGIBLE SECURITIES INTO THE CDS</b>	8A-1
<b>CHAPTER 8AA</b>	<b>RIGHTS ISSUES</b>	
8AA.1	Rights Entitlements .....	8AA-1
8AA.2	Declaration of CDS Eligibility of Rights Entitlements.....	8AA-1
8AA.3	Credit of Rights Entitlements.....	8AA-1
8AA.4	Regulations.....	8AA-3
8AA.5	Subscription of Rights Entitlements.....	8AA-3
8AA.6	Allotment of Securities.....	8AA-4
8AA.7	Freezing of Rights Entitlements.....	8AA-4
8AA.8	Cancellation of Rights Entitlements.....	8AA-4
8AA.9	Issuer Warranties and Indemnities.....	8AA-5
<b>CHAPTER 8B:</b>	<b>DEPOSIT OF REGISTERED FORM ELIGIBLE SECURITIES INTO THE CDS PURSUANT TO OFFER FOR SALE OF SECURITIES</b>	8B-1
<b>CHAPTER 8C:</b>	<b>AMALGAMATION OF COMPANIES</b>	
8C.1	Complete Amalgamation, Cancellation of CDS Eligibility and of entries in certain Holdings .....	8C-1

8C.2	Issuance of Securities by the Transferee Company .....	8C-1
8C.3	CDS Eligibility of the Securities of the Transferee Company ..	8C-3
8C.4	Pledge of Book-entry Securities entered in any Holdings under Regulations 8C.2 or 8C.5.....	8C-3
8C.5	Partial Amalgamation and cancellation of part of entries in certain Holdings.....	8C-4
<b>CHAPTER 8D: CONSOLIDATION OR SUB-DIVISION OF SECURITIES</b>		
8D.1	Consolidation or sub-division of CDS Eligible Securities.....	8D-1
8D.2	Creation of Consolidated or Sub-divided Shares by the Issuer	8D-1
8D.3	Pledge of Book-entry Securities entered in any Holdings under Regulations 8D.2.....	8D-3
8D.4	CDS Eligibility.....	8D-3
<b>CHAPTER 8E: UNITS OF OPEN-END SCHEME</b>		
8E.1	Issuance of New Units in CDS.....	8E-1
8E.2	Cancellation of Entry in Respect of Redeemed Units.....	8E-1
8E.3	Transfer of Units.....	8E-2
8E.4	Miscellaneous.....	8E-3
<b>CHAPTER 8F: ENTERING OF CERTAIN SECURITIES IN ACCOUNTS/SUB-ACCOUNTS IN CDS</b>		8F-1
<b>CHAPTER 9: FREE DELIVERY OF BOOK-ENTRY SECURITIES</b>		
9.1	Intra Account Deliveries .....	9-1
9.2	Inter Account Free Deliveries .....	9-3
9.3	DELETED.....	9-5
9.3A	Delivery of Book-entry Securities under Balance Order Settlement.....	9-7
9.4	Delivery of Book-entry Securities to a Holding in Blocked Status and Retrieval of such Securities.....	9-8
9.4A	Delivery of Book-entry Securities by the Clearing Company from the NCC-Retrieval Account to a Holding of or under the control of an Account Holder who is a Clearing Member.....	9-9
9.4B	Delivery of Book-entry Securities by an Account Holder, who is a Clearing Member, to the NCC-Squaring-up Account .....	9-10
9.5	Delivery of Book-entry Securities by the Clearing Company from the NCC-Squaring-up Account to a Holding of or under the control of an Account Holder who is a Clearing Member..	9-10
9.6	DELETED .....	9-11
9.7	Clearing Company Warranty and Indemnity.....	9-11
9.8	Warranty and Indemnity of Clearing Member Account Holder.	9-12
<b>CHAPTER 9A: CFS FINANCED SECURITIES &amp; RELATED MATTERS</b>		
	THE ENTIRE CHAPTER 9A HAS BEEN DELETED	9A-1
<b>CHAPTER 9B: CFS Mk-II FINANCED SECURITIES &amp; RELATED</b>		

**MATTERS**

	THE ENTIRE CHAPTER 9B HAS BEEN DELETED	9B-1
<b>CHAPTER 10:</b>	<b>DvP DELIVERY OF BOOK-ENTRY SECURITIES</b>	
	THE ENTIRE CHAPTER 10 HAS BEEN DELETED	10-1
<b>CHAPTER 11:</b>	<b>PLEDGE OF BOOK-ENTRY SECURITIES</b>	
11.1	Pledge of Book-entry Securities .....	11-1
11.2	Pledge Releases .....	11-2
11.3	Pledge Calls .....	11-4
11.3A	DELETED.....	11-5
11.4	Pledge Groups .....	11-5
<b>CHAPTER 12:</b>	<b>CORPORATE ACTIONS</b>	
12.1	Closure of CDR by the CDC and structure of Changed Registration Details Reports .....	12-1
12.2	Notices sent by an Issuer to holders of its Securities .....	12-2
12.3	Meetings of an Issuer of Eligible Securities and dividends or other payments made by such Issuer .....	12-3
12.4	Bonus issue of Registered-Form Securities made by an Issuer .....	12-5
<b>CHAPTER 12A:</b>	<b>TERMS AND CONDITIONS FOR INVESTOR ACCOUNTS</b>	
12A.1	Binding effect of the Terms and Conditions .....	12A-1
12A.2	Definitions .....	12A-1
12A.3	Opening of an Investor Account .....	12A-4
12A.4	Delivery-in .....	12A-4
12A.4A	Deposit of Registered-Form Eligible Securities in CDS to be credited to Investor Accounts.....	12A-4
12A.4B	Duties of Investor-Accountholders in connection with deposit of Registered-Form Eligible Securities into CDS.....	12A-5
12A.4C	Application of Chapter 8 in connection with deposit of Registered-Form Eligible Securities into CDS.....	12A-5
12A.5	Restriction on Delivery-in and Reversal of Erroneous Transfers .....	12A-5
12A.6	Delivery-out .....	12A-6
12A.7	Pledge of Book-entry Securities .....	12A-6
12A.8	Withdrawal of Securities .....	12A-7
12A.9	Corporate Actions .....	12A-8
12A.10	Charges .....	12A-8
12A.11	Regulations .....	12A-8
12A.12	No Liability of CDC .....	12A-8
12A.13	Investor Account Holder's Liability .....	12A-9
12A.13A	Overdue Investor Account.....	12A-10
12A.14	Suspension and Closing of Investor Account.....	12A-10
12A.15	Joint Accounts .....	12A-11
12A.16	Miscellaneous .....	12A-12

12A.17	Notice .....	12A-12
12A.18	Amendment to the Terms and Conditions .....	12A-12
<b>CHAPTER 13: AUDIT AND COMPLIANCE</b>		
13.1	Monitoring compliance with the Regulations .....	13-1
13.2	Inspection of Records by the CDC .....	13-2
13.3	Confidentiality .....	13-3
13.4	Audit of Documents Evidencing Title cancellation process ...	13-3
13.5	Provision of audit certificates .....	13-4
13.6	Periodic reconciliations by Account Holders .....	13-4
13.7	Determination of Overage and Underage .....	13-4
<b>CHAPTER 14: DISCIPLINARY PROCEEDINGS</b>		
14.1	Establishment of the Disciplinary Panel .....	14-1
14.2	Establishment of the Disciplinary Tribunal .....	14-1
14.3	Expedited disciplinary procedure .....	14-2
14.3A	Expedited Disciplinary Procedure for Inaccurate Registration Details.....	14-3
14.3B	Penalty on Erroneous Transaction.....	14-4
14.3C	Expedited Disciplinary Procedure for breach of conditions set forth in clause (ka) of Regulation 9.1.1.....	14-4
14.4	Commencement of disciplinary Proceedings .....	14-4
14.5	Penalties .....	14-5
14.5A	Disciplinary Proceedings for Violation of Section 24 of the Act	14-6
14.6	Disciplinary Register and publication of determinations .....	14-9
14.7	Appeals .....	14-10
14.8	Hearing and determination of Appeals .....	14-11
14.9	Disciplining of Stock Brokers .....	14-11
14.10	Hearings before the Disciplinary Tribunal and the Commission.....	14-12
14.11	Indemnification of members of Disciplinary Tribunal .....	14-14
14.12	Enforcement action - Issuer's failure to pay or failure to comply with a direction .....	14-14
<b>CHAPTER 15: RESTRICTIONS ON OR SUSPENSION OR TERMINATION OF ADMISSION TO THE CDS</b>		
15.1	Notice of non-compliance .....	15-1
15.2	Restriction, suspension or termination of admission to the CDS .....	15-1
15.3	Notice of Restriction, suspension or termination of admission to the CDS.....	15-2
15.4	Effects of Restriction on admission to the CDS .....	15-3
15.5	Effects of suspension of admission to the CDS .....	15-3
15.6	Removal of suspension or Restriction .....	15-5
15.7	Effects of termination of admission to the CDS .....	15-5
15.8	Appeal against Restriction, suspension or termination of admission to the CDS .....	15-6
15.9	Enforcement action - Account Holder's failure to pay .....	15-7
15.10	Termination of admission to the CDS by an Account Holder...	15-7

**THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED****NOTIFICATION**

Karachi, the 25th June, 1997

**No.□.--** In exercise of the powers conferred on a central depository by sub-section (1) of section 35 of the Central Depositories Act, 1997 (XIX of 1997), the Central Depository Company of Pakistan Limited, being a central depository, has made with the prior approval of the Commission the following Regulations called the "Central Depository Company of Pakistan Limited Regulations" which shall come into force on the publication in the official gazette of Pakistan.

**THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED REGULATIONS**

Whereas the Central Depository Company of Pakistan Limited has been registered as a central depository by the Commission under rule 4 of the Central Depository Companies (Establishment and Regulation) Rules, 1996, read with sections 32A and 33 of the Securities and Exchange Ordinance, 1969 (XVII of 1969);

And whereas the Central Depository Company of Pakistan Limited is desirous of establishing a central depository system;

And whereas it is desirable that the affairs of the central depository system be established and regulated in accordance with the Central Depositories Act, 1997 (XIX of 1997);

And whereas it is also desirable that the contract to be entered into between each user of the central depository system and the Central Depository Company of Pakistan Limited be constituted in accordance with the following Regulations;

Now, therefore, the Central Depository Company of Pakistan Limited, in exercise of the powers conferred by sub-section (1) of Section 35 of the Central Depositories Act, 1997 (XIX of 1997), makes with the prior approval of the Commission the following Regulations, namely:--

**CHAPTER 1: SHORT TITLE AND COMMENCEMENT**

**1.1 Short title**

1.1.1 These Regulations may be called the Central Depository Company of Pakistan Limited Regulations.

**1.2 Commencement**

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



## **CHAPTER 2: INTERPRETATION AND DEFINITIONS**

### **2.1 General principles of interpretation**

2.1.1 In these Regulations, unless the context otherwise requires:

- (a) capitalised terms used herein and defined in the Act shall have the meaning given to them by the Act;
- (b) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any statutory instrument issued under, that legislation or legislative provision;
- (c) a reference to these Regulations, the Procedures, the Fees and Deposits Schedule or the Designated Times Schedule is a reference to these Regulations, Procedures, Fees and Deposits Schedule or the Designated Times Schedule as modified or amended from time to time;
- (d) a word denoting a person includes a company or other body corporate, firm, authority or government;
- (e) if a word or expression is given a particular meaning, another part of speech or grammatical form of that word or expression has a corresponding meaning; and
- (f) a reference to power includes a reference to authority and discretion.

### **2.2 Headings**

2.2.1 In these Regulations, headings are for convenience of reference only and do not affect interpretation.

### **2.3 Conduct, acts and omissions**

2.3.1 In these Regulations, a reference to conduct or engaging in conduct includes a reference to doing or refusing to do any act, including the making of, or the giving effect to a provision of, an agreement.

2.3.2 In these Regulations, conduct engaged in on behalf of a person:

- (a) by an officer, employee, Transfer Agent or other agent of the person within the scope of the actual or apparent authority of the officer, employee, Transfer Agent or other agent; or
- (b) by any other person at the direction or with the consent or agreement (whether express or implied) of an officer, employee, Transfer Agent or other agent of the person, where the giving of the direction, consent or agreement is within the scope of the

actual or apparent authority of the officer, employee, Transfer Agent or other agent,

is taken to have been engaged in also by the person.

2.3.3 If for the purposes of these Regulations in respect of conduct engaged in by a person, it is necessary to establish the state of mind of the person, it is sufficient to show that an officer, employee, Transfer Agent or other agent of the person by whom the conduct was engaged in within the scope of the actual or apparent authority of that officer, employee, Transfer Agent or other agent, had that state of mind.

2.3.4 A reference in Regulation 2.3.3 to the state of mind of a person includes a reference to the knowledge, intention, opinion, belief or purpose of the person and the person's reasons for the person's intention, opinion, belief or purpose.

2.3.5 In these Regulations, unless the contrary intention appears, a reference to doing any act or thing includes a reference to causing, permitting or authorising the act or thing to be done.

## **2.4 Regard to be had to purpose or object of Regulations**

2.4.1 In the interpretation of a Regulation, a construction that would promote the purpose or object underlying the Regulation (whether that purpose or object is expressly stated in the Regulation or not) is to be preferred to a construction that would not promote that purpose or object.

## **2.5 Examples**

2.5.1 If these Regulations or the Procedures include an example of the operation of a Regulation or Procedure:

- (a) the example is not to be taken to be exhaustive; and
- (b) if the example is inconsistent with the Regulation or Procedure, the Regulation or Procedure prevails.

## **2.6 Notice, notification and service of documents**

2.6.1 In these Regulations, a reference to Notifying a person of any matter is a reference to Transmitting a message containing that matter to the person.

2.6.2 For the purposes of these Regulations, a Notice which is Transmitted by the CDC to a CDS Element shall be taken to be received by the CDS Element when matters comprised in the Notice are shown up on the computer terminal that is linked to the Computer System.

2.6.3 If any Regulation requires or permits the giving of notice of any matter to a person, such notice shall be given in writing.

2.6.4 For the purposes of any Regulation that requires or permits a notice or document to be given to a person, whether the expression "serve", "give" or "send" or any other similar expression is used, the notice or document may be given:

- (a) to a natural person:
  - (i) by delivering it to the person personally;
  - (ii) by leaving it at, or by sending it by courier or registered post to, the address of the place of residence or business of the person last known to the person serving the notice or document;
  - (iii) by sending it by facsimile to the person's facsimile number last notified to the person giving the notice or document; or
  - (iv) by sending it by email to the person's email address that CDC has established for the giving of notices or documents to such person;
- (b) to a company or other body corporate:
  - (i) by leaving it at, or sending it by courier or registered post to, in the case of a company, its registered office and, in the case of any other body corporate, its head office;
  - (ii) by sending it by facsimile to the company's or body corporate's facsimile number last notified to the person giving the notice or document; or
  - (iii) by sending it by email to such company or body corporate's email address that CDC has established for the giving of notices or documents to such company or body corporate; or
- (c) to a partnership firm:
  - (i) by leaving it at, or by sending it by courier or registered post to, the address of the place of business of the partnership firm last known to the person serving the notice or document;
  - (ii) by sending it by facsimile to the facsimile number of the partnership firm last notified to the person giving the notice or document; or
  - (iii) by sending it by email to such addressee's email address that CDC has established for the giving of notices or documents to such addressee.

2.6.5 For the purposes of Regulation 2.6.4:

- (a) a notice or document sent by registered post shall be taken to be received on the 3rd Business Day after the notice or document, in a correctly addressed and stamped envelope or other covering, is put in the registered post;
- (b) a notice or document sent by courier shall be taken to be received at the time of delivery to the correct address;
- (c) a notice or document sent by facsimile shall be taken to be received when the sender's facsimile machine indicates a successful transmission to the correct facsimile number; and
- (d) a notice or document sent by email shall be taken to be received by the addressee when the sender's computer indicates a successful transmission of such notice or document.

2.6.5A Notwithstanding any thing to the contrary contained in these Regulations, if a notice or document is sent by courier or registered post, as provided in Regulation 2.6.4, and is returned undelivered because:

- (i) of the unavailability of the addressee at the address to which the notice or document was sent, or
- (ii) the place of residence, the place of business, the registered or the head office, as the case may be, to which the notice or the document was sent was found to be closed or found to be not the place of residence, place of business, the registered or the head office, as the case may be, of the addressee,

such notice or document shall nevertheless be deemed to have been received by the addressee for the purposes of these Regulations.

2.6.6 Nothing in Regulation 2.6.4 prevents notices or documents being sent or given to, or served on, a person in any other manner required or permitted by law.

2.6.7 If under these Regulations the CDC is to give any notice or document to all:

- (a) CDS Elements;
- (b) Account Holders;
- (c) Participants;
- (d) Issuers; or
- (e) Eligible Pledgees,

accidental omission by the CDC to give notice or document to one or more CDS Elements, Account Holders, Participants, Issuers or Eligible Pledgees does not affect the validity and enforceability of any resolution,

decision, proceeding or act in connection with which the notice or document was to have been given.

## **2.7 Defect, irregularities and deficiencies**

2.7.1 A decision, resolution, proceeding or act of the CDC, the Board or the Chief Executive Officer under these Regulations is not invalidated by any:

- (a) defect;
- (b) irregularity; or
- (c) deficiency,

of notice or time unless:

- (d) a CDS Element concerned by the defect, irregularity or deficiency requests the Board to resolve that the decision, resolution, proceeding or act is invalid;
- (e) the Board reasonably believes that the defect, irregularity or deficiency has caused or may cause substantial injustice which cannot reasonably be avoided; and
- (f) the Board accordingly resolves that the decision, resolution, proceeding or act is invalid.

## **2.8 Deposit of Securities in the CDS**

2.8.1 In these Regulations, a reference to depositing in the CDS of any Eligible Securities which are Registered-Form Securities is a reference to:

- (a) the performance by a Depositing Account Holder of his duties under Regulation 8.2; and
- (b) the performance by the Issuer of such Eligible Securities of its duties under Regulation 8.3.1(a).

## **2.9 Withdrawal of Securities from the CDS**

2.9.1 In these Regulations, a reference to withdrawal of Registered-Form Securities from the CDS is a reference to:

- (a) the performance by a Withdrawing Account Holder of his duties under Regulation 8.6; and
- (b) the performance by the Issuer of such Securities of its duties under Regulation 8.7.1(a).

## **2.10 Book-entry Securities of an Issuer**

2.10.1 In these Regulations, a reference to Book-entry Securities of an Issuer is a reference to Book-entry Securities relating to the Securities of an Issuer

which are deposited in the CDS.

**2.11 Definitions**

2.11.1 In these Regulations, unless the context otherwise requires:

Account Family	<p>means the group comprising:</p> <ul style="list-style-type: none"> <li>(a) the Main Account or Main Accounts;</li> <li>(b) the House Account or House Accounts;</li> <li>(c) the Group Account or Group Accounts;</li> <li>(d) the Sub-Accounts,</li> </ul> <p>controlled by an Account Holder [DELETED];</p>
Account Holder Agreement	<p>means an agreement, in the form prescribed by the CDC from time to time, entered into by a person with the CDC as a pre-condition to admission of the person to the CDS in the capacity of an Account Holder;</p>
Account Holder Warranties and Indemnities	<p>means the warranties and indemnities given by an Account Holder under these Regulations;</p>
Act	<p>means the Central Depositories Act, 1997 (XIX of 1997);</p>
Admission Form	<p>means the relevant admission form, made available for the purpose by the CDC from time to time, for use by a person seeking to be admitted in the capacity of:</p> <ul style="list-style-type: none"> <li>(a) an Account Holder;</li> <li>(b) a Participant;</li> <li>(c) an Issuer;</li> <li>(d) an Eligible Pledgee,</li> <li>(e) DELETED</li> </ul> <p>as the case may be, in the CDS;</p>
Admission Requirements	<p>means any of the technical and performance requirements of Chapter 4;</p>
Agreement	<p>means:</p> <ul style="list-style-type: none"> <li>(a) an Account Holder Agreement;</li> <li>(b) a Participant Agreement;</li> <li>(c) an Issuer Agreement;</li> <li>(d) an Eligible Pledgee Agreement,</li> <li>(e) DELETED</li> </ul> <p>as the case may require;</p>

AMC	means an Issuer which has been licensed by the Commission under the NBFC Rules to offer investment schemes, including unit trust schemes, under trust deeds and to issue redeemable securities such as Units;
Appeal	means an appeal to the Commission under these Regulations;
Appeal Notice	means an Appeal Notice given under these Regulations;
Approved Agent	means a person appointed by the Chief Executive Officer who has such qualifications for the purposes of Chapter 13 as the Board determines;
Associate Member	means a person, company, corporation or other entity admitted as an associated member of the clearing house of a Stock Exchange;
Attorney	means the person who, being duly authorized in this behalf by a power of attorney by a Sub-Account Holder, acts and signs a Sub-Account Opening Form on behalf of such Sub-Account Holder for opening and maintenance of a Sub-Account, through a Participant, in the CDS in the name of such Sub-Account Holder;
Authorization	<p>means the one-time fixed authorization as specifically set out in the Sub-Account Opening Form for Handling of any Book-entry Securities by a Participant on behalf of a Sub-Account Holder that are entered in the Sub-Account of such Sub-Account Holder for the purposes of:</p> <ul style="list-style-type: none"><li>(a) settlement of any underlying market transactions (trades) made by the Sub-Account Holder including off market transactions reported to the Stock Exchange through the Participant;</li><li>(b) pledge Securities Transactions with a Stock Exchange or the Clearing Company relating to any of the Sub-Account Holder's underlying market transactions (trades) to be settled through the Clearing Company;</li><li>(c) recovery of payment against any underlying market purchase transactions made by the Sub-Account Holder;</li><li>(d) a Securities transaction relating to a movement by the Sub-Account Holder of his Book-entry Securities from his Sub-Account under the Main Account under the control of the Participant to his Sub-Account under another Main Account under the control of the Participant or to his Sub-Account under any Main</li></ul>

	Account which is under the control of another Participant or to his Investor Account;
	(e) a Securities transaction made by way of a gift of Securities by the Sub-Account Holder to his Family Members or other persons in accordance with Regulation 9.1.1(j);
	(f) a Securities transaction pertaining to any lending or borrowing of Securities made by the Sub-Account Holder in accordance with Regulation 9.1.1(i);
	(g) recovery of any charges or losses against any or all of the above mentioned transactions carried out or the services of CDC availed from time to time by the Sub-Account Holder; and
	(h) any other Delivery Transaction prescribed by the Commission from time to time;
Authorised Person	means any person who has the actual authority of the CDS Element to cause Transactions to be Transmitted by that CDS Element and includes, in the case of a CDS Element which is an Issuer of Eligible Securities, any Transfer Agent appointed by the Issuer;
Available Balance	means the total number of Book-entry Securities in a Holding Balance that are not: <ul style="list-style-type: none"> <li>(a) in a Pledged Position;</li> <li>(b) in a Pending Transfer Out Position; and</li> <li>(c) in a Blocked Status [DELETED];</li> </ul>
Balance Order Delivery Transaction	means an instruction given by the Clearing Company to the CDC in accordance with these Regulations for the purpose of Delivery of Book-entry Securities from and to a Holding (including, where permissible under the NCCPL Regulations, a Main Account, the NCC-Retrieval Account or the NCC-Squaring-up Account) under the control of an Account Holder, who is a Clearing Member or, as the case may be, the Clearing Company, arising from Balance Order Settlement;
Balance Order Settlement	shall have the same meaning as ascribed thereto in the NCCPL Regulations;
Beneficial Owners Report	means the Beneficial Owners Report as specified in the Procedures from time to time;
Blocked Status	means with reference to any Book-entry Securities which are Delivered, pursuant to a Balance Order Delivery Transaction, in a Target Holding which is under the



		control of an Account Holder, who is a Clearing Member, in such status that the same cannot be dealt with by the Account Holder save upon removal of block from such Book-entry Securities in accordance with these Regulations;
Board		means the board of directors of the CDC;
Books Closure Date		means a date announced by an Issuer as the date from which the Books Closure Period in relation to any Registered-Form Securities of the Issuer will commence;
Books Closure End Date		means a date announced by an Issuer as the date on which the Books Closure Period in relation to any Registered-Form Securities of the Issuer will terminate;
Books Closure Period		means the period announced by an Issuer as the period during which the register of transfers maintained by such Issuer in relation to any Registered-Form Securities of the Issuer shall remain closed;
Business Day		means any day on which the CDC is open for business;
Cancellation Request	Transaction	means Transmission of a Cancellation Request Cancellation Transaction by an Account Holder in accordance with the Procedures;
Cancellation Request	Transaction	means a Transaction Transmitted by an Account Holder to CDC under Regulation 8.8A for the purpose of cancellation of Redeemable Securities from the CDS;
Cash Deposit Account		DELETED;
CDC		means the Central Depository Company of Pakistan Limited;
CDC Access		means a set of services offered by the CDC to the Account Holders and the Sub-Account Holders, as per the terms and conditions for use of such services as prescribed by the CDC from time to time;
CDC Indemnity		means the indemnity in Regulation 3.10.2;
CDR		means the Central Depository Register;
CDS		means the Central Depository System established by the CDC;
CDS Commencement Date		means the date determined by the Board as being the date on which the CDS becomes operational;

CDS Element	means: <ul style="list-style-type: none"> <li>(a) an Account Holder;</li> <li>(b) a Participant;</li> <li>(c) an Issuer of Eligible Securities;</li> <li>(d) an Eligible Pledgee;</li> <li>(e) DELETED;</li> </ul>
CDS Eligibility	in relation to any Securities, means the status of the Securities as Eligible Securities;
CDS Eligibility Date	in relation to any Securities, means the date on which such Securities become CDS Eligible;
CDS Software	means all systems and applications programmes relevant to the operation of the CDS including all of the computer software maintained and used by the CDC for the purposes of the CDS (other than software used by a CDS Element to communicate with the CDC in relation to the CDS);
Changed Registration Details Report	means a report showing, in accordance with these Regulations, the Registration Details provided by a Participant pertaining to his clients the Book-entry Securities owned by whom are entered in the Group Account of the Participant;
Chapter	means a chapter of these Regulations;
Chief Executive Officer	means any person occupying the position of the chief executive of the CDC;
Clause	means a clause of these Regulations;
Clearing Account	DELETED;
Clearing Company	means National Clearing Company of Pakistan Limited;
Clearing Member	means a person who is admitted as a Clearing Member of the Clearing Company under the NCCPL Regulations;
Collateral Account	means an Account maintained on the CDR by an Account Holder, who is a Stock Broker, exclusively for the purpose of holding, in accordance with these Regulations, the Book-entry Securities transferred from a Sub-Account under the control of such Account Holder into such Account pursuant to clause (ka) of Regulation 9.1.1. No Transaction other than the following Transactions shall be allowed by CDC in respect of such Account: <ul style="list-style-type: none"> <li>(a) a Valid Intra-Account Delivery Transaction, provided that:</li> </ul>

- (i) in case of an Intra Account Delivery Transaction for the purpose of transfer of Book-entry Securities to the Collateral Account, the Source Holding shall not be the Main Account or the House Account of the Account Holder Transmitting such Transaction; and
  - (ii) in case of an Intra Account Delivery Transaction for the purpose of transfer of Book-entry Securities from the Collateral Account, the Target Holding shall not be the Main Account of the Account Holder Transmitting such Transaction,
  - (b) a Valid Pledge Security Transaction where the Eligible Pledgee in whose favour the Pledge is sought to be effected is a scheduled bank as defined in the State Bank of Pakistan Act, 1956 (XXXIII of 1956) and a Valid Pledge Release Transaction and a Valid Pledge Call Transaction Transmitted by such Eligible Pledgee; and
  - (c) crediting of Book-entry Securities made pursuant to Regulation 8AA.3.5, Chapters 8C and 8D, sub-clauses (e) to (h) of clause (i) of Regulation 8F.1 and Regulation 12.4.6 into such Account;
- Commission means the Securities and Exchange Commission of Pakistan established under Section 3 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997)
- Computer System in relation to the CDC, means the computer system established by the CDC forming part of the CDS which includes the hardware maintained by the CDC to operate the CDS Software;
- Contravention Notice means a notice given by the CDC to a CDS Element under Regulations 14.3.4, 14.4.1 or 14.5A1;
- Controlling Account Holder in relation to a Holding, means the Account Holder who has the capacity in the CDS to Handle any Book-entry Securities entered in the Holding;
- Debit Cap DELETED;
- Delivery means a transfer of Book-entry Securities from one

		Holding to another Holding either as a Free Delivery or made pursuant to Regulation 9.4.3;
Deposit Approval Transaction		means the Deposit Approval Transaction as specified in the Procedures from time to time;
Depositing Account Holder		means the Account Holder processing the deposit of any Eligible Securities into the CDS;
Depositor		means any of the persons referred to in Clauses (a) or (b) of Regulation 8.1.2 on whose behalf a Depositing Account Holder processes the deposit of any Eligible Securities into the CDS;
Deposit Pending Position		means the position in a Holding in which any number of Book-entry Securities are entered as a consequence of the Transmission of a Valid Deposit Request Transaction to the CDC;
Deposit Rejection Transaction		means the Deposit Rejection Transaction as specified in the Procedures from time to time;
Deposit Request Cancellation Transaction		means the Deposit Request cancellation Transaction as specified in the Procedures from time to time;
Deposit Request Transaction		means the Deposit Request Transaction as specified in the Procedures from time to time;
Deputy President		means the Deputy President of a Disciplinary Tribunal appointed in accordance with Chapter 14;
Disciplinary Panel		means the panel of persons constituted under Regulation 14.1.1;
Disciplinary Register		means the register maintained by the CDC under Regulation 14.6.1;
Disciplinary Tribunal		means the tribunal established to hear Proceedings in accordance with Chapter 14;
Designated Time		means the time on a Business Day, as specified in the Designated Times Schedule, within or by which a requirement under these Regulations must be complied;
Designated Times Schedule		means the Designated Times Schedule made by the Board under Regulation 3.9;
DvP Account Holder		DELETED;
DvP Account Holder Agreement		DELETED;

DvP Amount	DELETED;
DvP Counterpart Account Holder	DELETED;
DvP Delivery	DELETED;
DvP End of Day	DELETED;
DvP Initiating Account Holder	DELETED;
DvP Pending Position	DELETED;
DvP Rejection Transaction	DELETED;
DvP Request	DELETED;
DvP Request Transaction	DELETED;
Eligible Pledgee Account	means the Eligible Pledgee Account referred to in Regulation 6.5;
Eligible Pledgee Agreement	means an agreement, in the form prescribed by the CDC from time to time, entered into by a person with the CDC as a pre-condition to admission of the person to the CDS in the capacity of an Eligible Pledgee;
Eligible Pledges Report	means the Eligible Pledges Report as specified in the Procedures from time to time;
Eligible Securities	means any Securities of an Issuer which are declared by the CDC as Eligible Securities in pursuance of Regulation 5.1.1;
End of Day	means, on any Business Day, 5 p.m. or such other time as the CDC may from time to time determine;
Erroneous Transaction	(a) in respect of any Account Holder means:  Transmission of a Deposit Request Transaction to the CDC by the Account Holder specifying incorrect number of Securities to be deposited in the CDS;
	(b) in respect of any Issuer means:  Transmitting Deposit Approval Transaction to CDC in respect of the Deposit Request

	Transaction specifying incorrect number of Securities Transmitted by the Depositing Account Holder to the CDC;
Event of Non-Compliance	means an event for which notice must be given under Regulation 15.1.1;
Family Members	for the purposes of Regulation 9.1.1, means the spouse, children, father, mother, brother or sister and any lineal ascendant or descendant;
Fees and Deposits Schedule	means such effective Fees and Deposits Schedule for the time being as has been made by the Board under Regulation 3.8;
Free Delivery	means an irrevocable Delivery of Book-entry Securities either as an Intra Account Delivery or as an Inter Account Delivery;
Future Dated Intra Account Delivery Instructions	means instructions to CDS Transmitted by an Account Holder to move any Book-entry Securities from one Holding in the Account Family of such Account Holder to another Holding in the same Account Family on a future date;
Global Depository Receipts (“GDRs”)	mean negotiable certificates issued by a commercial bank or financial institution against an equivalent number of Securities of an Issuer deposited with such bank or financial institution, called depository, or its custodian. GDRs may represent or evidence the right to receive one or more Securities of the Issuer. Buy and sell transactions in GDRs are conducted similar to trades in shares;
Group Account	means an Account maintained on the CDR by a Participant for recording Book-entry Securities beneficially owned by the clients of the Participant;
Group Account Opening Transaction	DELETED;
Holder	means an Account Holder or a Sub-Account Holder, as the case may require;
Holding	means an Account or a Sub-Account, as the case may require;
Holding Balance	means the total number of Book-entry Securities in a Holding but shall not include Book-entry Securities entered in a Deposit Pending Position in the Holding;
House Account	means an Account maintained on the CDR by an

	Account Holder for recording Book-entry Securities beneficially owned by the Account Holder;
House Account Opening Transaction	DELETED;
ID	means the code allocated by the CDC to any CDS Element pursuant to Regulation 7.3.1 for identification of the source of any Transaction Transmitted to it;
Instructions	means the authority and the irrevocable instructions given by an Account Holder, who is a Clearing Member, to the CDC pursuant to Regulations 9.3A.1 for the purpose of Delivery of Book-entry Securities from time to time to and from his Account or, as the case may be, Sub-Accounts under his control as a Participant in accordance with the NCCPL Regulations and these Regulations;
Inter Account Delivery	means a Free Delivery of Book-entry Securities occurring in accordance with Regulation 9.2.1 from a Holding (including, where permissible under the Procedures, the Main Account) under the control of an Account Holder to a Holding (including, where permissible under the Procedures, the Main Account) under the control of another Account Holder;
Intra Account Delivery	means a Free Delivery of Book-entry Securities, occurring in accordance with Regulation 9.1.1, from one Holding in the Account Family of an Account Holder to another Holding in the same Account Family; a reference to Intra Account Delivery in these Regulations shall include an Intra Account Delivery made on a future date pursuant to any Future Dated Intra Account Delivery Instructions;
IAS	means the Investor Accounts Service Department of CDC or any other entity authorised by CDC to provide Investor Account services;
Issuer Agreement	means an agreement, in the form prescribed by the CDC from time to time, entered into with the CDC by an Issuer as a pre-condition to the entry of any Securities of that Issuer in the CDS in the form of Book-entry Securities;
Issuer Warranties and Indemnities	means the warranties and indemnities given by an Issuer under these Regulations;
Lending Account	DELETED;
Member to Member Stock Loan	DELETED;

Transaction	
NCSS	means the National Clearing and Settlement System established by the Clearing Company;
NCSS clearing account	DELETED;
NCCPL Regulations	means the National Clearing Company of Pakistan Limited Regulations, 2003 of the Clearing Company including all amendments and revisions thereof and any regulations made in substitution for the same with the approval of the Commission;
NCC-Retrieval Account	means an Account maintained on CDR by the Clearing Company as referred to in Regulation 6.1A.1 for the purpose of: <ul style="list-style-type: none"> <li>(a) receiving Book-entry Securities pursuant to Regulation 9.4.3; and</li> <li>(b) Delivering Book-entry Securities pursuant to Regulation 9.4A;</li> </ul>
NCC-Squaring-up Account	means an Account maintained on CDR by the Clearing Company as referred to in Regulation 6.1A.1 for the purpose of receiving Book-entry Securities Delivered to such Account by an Account Holder, who is a Clearing Member, upon completion of squaring-up process in terms of the NCCPL Regulations and/or the procedures made thereunder;
Main Account	means an Account maintained on CDR by an Account Holder as, where permissible under these Regulations, a transit Account to be exclusively used by the Account Holder for transiting of the Book-entry Securities Delivered or entered into such Account to other Accounts or Sub-Accounts in accordance with these Regulations;
Minimum Amount	DELETED;
NBFC Rules	means the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 made under Section 282B of the Companies Ordinance 1984 (XLVII of 1984), and any amendment or re-enactment thereof for the time being in force;
Notice	has a meaning given by Regulation 2.6.1;
Obtain	means: <ul style="list-style-type: none"> <li>(a) to Transmit, within the Designated Time, a</li> </ul>



	request for any Report to the CDC; and
	(b) to receive a Transmission of that Report from the CDC in response to the request;
Offer Price	means the price per Unit quoted by an AMC or the distribution company appointed by it as payable on purchase of Units by the purchasers of Units;
Offering Document	means a document containing information on a Scheme calculated to invite offer by the public for purchase of Units in that Scheme;
Originating	in relation to any CDS Element, means the CDS Element who Transmits any Transaction;
Overage	means the case where the total number of Registered-Form Securities which are registered in the name of the CDC or which are issued to the CDC pursuant to Section 14 of the Act with the intention of being deposited in the CDS is in excess of the total number of Book-entry Securities representing such Securities on the CDR;
Overage Determination	has the meaning given to it by Regulation 13.7.2;
Participant Agreement	means an agreement, in the form prescribed by the CDC from time to time, entered into by a person with the CDC as a pre-condition to admission of the person to the CDS in the capacity of a Participant;
Participant Warranties and Indemnities	means the warranties and indemnities given by a Participant under these Regulations;
Party	in relation to a Proceeding or Appeal, means: <ul style="list-style-type: none"> <li>(a) the CDS Element to whom a Contravention Notice was given in the Proceeding; or</li> <li>(b) the CDC or the CDS Element to or by whom an Appeal Notice was given in the Appeal,</li> </ul> as the case may require;
Payment Facility	means such collateral payment facility as may be prescribed by the CDC under Regulation 10.6.1;
Pending DvP Request	DELETED;
Pending Transfer Out Position	means:

	(a) DELETED;
	(b) Withdrawal Pending Position;
Pledge	means the movement of Book-entry Securities to a Pledge Position in a Holding (not being a main account) in accordance with Regulation 11.1;
Pledge Call	means the deduction of Book-entry Securities from a Pledge Position in a Holding and the addition of such Book-entry Securities to the Available Balance of another Holding in accordance with Regulation 11.3;
Pledge Call Transaction	means the Pledge Call Transaction as specified in the Procedures from time to time;
Pledged Position	means the position in a Holding to which any number of Book-entry Securities are moved as a consequence of any Pledge Security Transaction Transmitted to the CDC in compliance with the requirements of Clauses (a) and (b) of Regulation 11.1.2;
Pledge Group	means a grouping established to hold Book-entry Securities in a Pledged Position in any Holding in favour of an Eligible Pledgee;
Pledge Group Close Transaction	means the Pledge Group Close Transaction as specified in the Procedures from time to time;
Pledge Group Open Transaction	means the Pledge Group Open Transaction as specified in the Procedures from time to time;
Pledge Release	means the deduction of Book-entry Securities from a Pledge Position in a Holding and the addition of such Book-entry Securities to the Available Balance of the Holding in accordance with Regulation 11.2;
Pledge Release Transaction	means the Pledge Release Transaction as specified in the Procedures from time to time;
Pledge Security Transaction	means the Pledge Security Transaction as specified in the Procedures from time to time;
Pre-commencement Testing	means testing, under the direction of the CDC, to establish whether a CDS Element meets the Technical and Performance Requirements;
Prescribed Security Transaction	means any of the Securities transaction which satisfy the requirements of sub-section (1) of Section 26 of the Act or which are stipulated in Regulation 3.17;
President	means the President of a Disciplinary Tribunal appointed in accordance with Regulations 14.2.2(a);

Procedures	means procedures made by the Board under Regulation 3.7;
Proceeding	means proceedings taken under Chapter 14 by the CDC against a CDS Element and commenced by a Contravention Notice;
Public Notice	means a Public Notice as defined in Regulation 12.2.1(b);
Redeemable Securities	means redeemable securities including but not limited to the redeemable preference shares or any other redeemable equity instruments, bonds, debentures, term finance certificates, participation term certificates, musharika certificates, sukuk certificates, commercial papers and Government Securities;
Redeemable Securities	DELETED
Redemption Approval Transaction	means the Redemption Approval Transaction as specified in the Procedures from time to time;
Redemption Form	means an application form submitted under Regulation 8E.2.1 for the redemption of any Units;
Redemption Price	means the price per Unit quoted by an AMC or the distribution company appointed by it as the price receivable by a Holder upon redemption of any Units entered in his Holding;
Redemption Rejection Transaction	means the Redemption Rejection Transaction as specified in the Procedures from time to time;
Redemption Request Transaction	means the Redemption Request Transaction as specified in the Procedures from time to time;
Registered-Form	in relation to Securities, means Securities the legal title to which is transferred upon the registration of the transfer of such Securities by the Issuer of such Securities;
Registrable Transfer Documents	means: <ul style="list-style-type: none"><li>(a) in case of any Registered-Form Eligible Securities of an Issuer, the Documents Evidencing Title of such Securities accompanied by duly executed and stamped transfer deeds or other instruments of transfer on which the signature of the transferor is verified by the Issuer; or</li><li>(b) in case of any formal offers made by an Issuer to</li></ul>

the persons entitled thereto for subscription of Securities of the Issuer, a duly renounced letter of rights on which the signature of the transferor is verified by the Issuer;

Registration Details

means:

- (a) in respect of an individual:
  - (i) the name;
  - (ii) the address;
  - (iii) the residential status;
  - (iv) the computerized national identity card number or, in case of a non-resident Pakistani, the national identity card number for over-seas Pakistanis or, in case of a foreigner, the passport details; and
  - (v) the occupation, of the individual;
- (b) in respect of a company or other body corporate:
  - (i) the name;
  - (ii) the UIN;
  - (iii) the registered address;
  - (iv) the residential status; and
  - (v) the shareholder category, of the company or other body corporate,

and includes such other information as may be required under the Sub-Account Opening Form;

Regulations

means these Regulations including any State of Emergency Regulations;

Relevant Newspapers

DELETED;

Relevant Time

- (a) for the purposes of Regulations 5.5, 5.5A and 8AA.8, means the time and date on which the revocation of CDS Eligibility of any Securities of an Issuer becomes effective;
- (aa) for the purposes of Regulation 5.5A, means: (A) the End of Day on the Business Day immediately before the Books Closure Period or such other date as determined by the Issuer in case of events described in paragraphs (a), (b) and (c) of Regulation 5.5A.1; and (B) the Business Day specified in the order or resolution for events listed in paragraph (d), (e) or (f) of Regulation 5.5A.1 and if not so specified then the Business

	Day on which such resolution or order is communicated to the CDC;
	(b) for the purposes of Regulation 12.2, means the date specified by an Issuer in the notice given under Regulation 12.2.1 to the CDC;
	(c) for the purposes of Regulation 8AA.3 and Chapters 8C and 8D means the End of Day on the Business Day before the Book Closure Date to which the Relevant Time pertains; and
	(d) for the purposes of Regulations 12.3 and 12.4 means the End of Day on the day before the Book Closure Date to which the Relevant Time pertains;
Report	means any of the Reports whose parameters are prescribed in the Procedures from time to time;
Restriction	in respect of the conduct of an Account Holder in relation to the CDS, means any limitation on the entitlement of the Account Holder to Transmit a Transaction or a class of Transactions to the CDC;
Rights Entitlements	<p>i) before credit in accordance with Regulation 8AA.3.5 means, the Securities to which each Holder, holding Book-entry Securities representing the Existing Securities of an Issuer, is entitled to subscribe, as CDS will calculate on the first day of the Book Closure Period based on the ratio notified by such Issuer pursuant to Regulation 8AA.1;</p> <p>ii) after credit in accordance with Regulation 8AA.3.5 means, the Book-entry Securities representing Rights Entitlements as shown in the Holding of each Holder;</p>
Rights Subscription Request Transaction	means a Transaction Transmitted by an Account Holder to the CDC for the purpose of subscription of Rights Entitlements;
Scheme or open-end Scheme	means a unit trust scheme constituted under the NBFC Rules by way of a trust deed which continuously offers Units for sale;
Section	means a section of: <ul style="list-style-type: none"> <li>(a) the Act;</li> <li>(b) the Companies Ordinance, 1984 (XLVII of 1984);</li> <li>(c) the Securities and Exchange Ordinance, 1969</li> </ul>

- (d) (XVII of 1969); or  
Banking Companies Ordinance, 1962 (LVII of 1962),

as may be specified in these Regulations;

Securities Cancellation Form	means the Securities Cancellation Form as specified in the Procedures from time to time for use by an Account Holder for the purpose of cancellation of Redeemable Securities from the CDS in accordance with Regulation 8.8A;
Securities Deposit Form	means the Securities Deposit Form as specified in the Procedures from time to time;
Securities Withdrawal Form	means the Securities Withdrawal Form as specified in the Procedures from time to time;
Settlement Day	shall have the same meaning as assigned to the term "Settlement Date" in the NCCPL Regulations;
Settling Bank	shall have the same meaning as set out in the NCCPL Regulations;
Source Holding	means any Holding referred to as the Source Holding in these Regulations;
Start of Day	means, on any Business Day, 9 a.m. or such other time as the CDC may from time to time determine;
State of Emergency	means any: <ul style="list-style-type: none"> <li>(a) fire, explosion, earthquake, lightning, tsunami, floods, storm, cyclone, typhoon, tornado, chemical contamination, epidemic, plague, power failure or restriction, communication breakdown, accident, war or threat of war (declared or undeclared), invasion, armed conflict, act of enemy, embargo, blockade, revolution, riot, insurrection, civil commotion, act of terrorism, radioactive contamination or ionizing radiation, strike, works to rule or goslows, boycott, labor dispute or action, unavailability of data processing or any other computer system or facility, act of God or any other similar event; or</li> <li>(b) other event beyond the control of CDC which prevents or significantly hinders the operations of the CDS;</li> </ul>
State of Emergency Regulations	means the State of Emergency Regulations made by the Board under Regulation 3.6.1(a);

Statutory Actions	means any of the actions referred to in Sections 9(1)(c), 9(1)(d), 9(1)(e) or 9(1)(f) of the Act;
Statutory Notices	means any of the notices referred to in Sections 9(1)(a) or 9(1)(b) of the Act;
Stock Broker	means a member of a Stock Exchange;
Sub-Account Opening Form	means a standardized form prescribed by the Commission to be signed by Sub-Account Holders for the purpose of opening of Sub-Accounts by the Participants in the CDS in the names of such Sub-Account Holders in accordance with these Regulations. A copy of the Sub-Account Opening Form, as prescribed by the Commission, shall form part of these Regulations;
Sub-Account Opening Transaction	means the Sub-Account Opening Transaction as specified in the Procedures from time to time;
Subscriber	means an Account Holder or a Sub-Account Holder who subscribes to the Rights Entitlements in accordance with the Procedures;
Target Holding	means any Holding referred to as the Target Holding in these Regulations;
Technical and Performance Requirements	means the requirements on CDS Elements set out in Regulation 7.2.1;
Terms and Conditions for Investor Accounts or Terms and Conditions	mean the Terms and Conditions for Investor Accounts set out in Chapter 12A of the Regulations;
Transaction	means: <ul style="list-style-type: none"> <li>(a) an electronic message, or</li> <li>(b) a set of electronic messages</li> </ul> of a kind specified in the Procedures for use in the CDS;
Transfer Agent	means a person engaged by an Issuer to render such services as may be required by an Issuer in connection with the registration of transfer of Securities and the issue and offer of Securities;
Transfer Approval Transaction	means the Transfer Approval Transaction as specified in the Procedures from time to time;
Transfer Form	means an application form submitted under Regulation

	8E.3 for the transfer of any Units from one Account or Sub-Account to another Account or Sub-Account;
Transfer Rejection Transaction	means the Transfer Rejection Transaction as specified in the Procedures from time to time;
Transfer Request Transaction	means the Transfer Request Transaction as specified in the Procedures from time to time;
Transferee	means the person in whose name any Securities deposited in the CDS are withdrawn from the CDS;
Transmit	means to cause a message or other information to be sent through a medium approved by the Board pursuant to Regulation 7.1.6 for communications between CDS Elements and the CDC;
Trustee	means a trustee appointed by an AMC in respect of a Scheme under the NBFC Rules;
UIN	means the unique identification number issued by the Clearing Company;
Underage	means the case where the total number of Registered-Form Securities which are registered in the name of the CDC or which are issued to the CDC pursuant to Section 14 of the Act with the intention of being deposited in the CDS is less than the total number of Book-entry Securities representing such Securities on the CDR;
Underage Determination	has the meaning given to it by Regulation 13.7.6;
Unit	means the Security continuously offered for sale by an AMC under a Scheme which entitles the holder of such Security on demand to receive his proportionate share of the net assets of the Scheme computed in the manner set out in the NBFC Rules;
Valid	means completion, in accordance with the Procedures, of each of the mandatory and optional parameters of a Transaction;
Warranty and Indemnity Provision	means a provision of: <ul style="list-style-type: none"> <li>(a) the Account Holder Warranties and Indemnities;</li> <li>(b) the Issuer Warranties and Indemnities;</li> <li>(c) the CDC Indemnity; or</li> <li>(d) the Participant Warranties and Indemnities;</li> </ul>
Withdrawal Approval Transaction	means the Withdrawal Approval Transaction as specified in the Procedures from time to time;



---

Withdrawal Pending Position	means the position in a Holding in which any number of Book-entry Securities are entered as a consequence of a Transmission of a Valid Withdrawal Request Transaction to the CDS;
Withdrawal Rejection Transaction	means the Withdrawal Rejection Transaction as specified in the Procedures from time to time;
Withdrawal Request Cancellation Transaction	means the Withdrawal Request Cancellation Transaction as specified in the Procedures from time to time;
Withdrawal Request Transaction	means the Withdrawal Request Transaction as specified in the Procedures from time to time; and
Withdrawing Account Holder	means the Account Holder processing a withdrawal of any Securities from the CDS.

**CHAPTER 3: THE CENTRAL DEPOSITORY****3.1 Establishment and commencement of the CDS**

3.1.1 The CDC shall establish the CDS which shall be maintained by it in accordance with these Regulations.

3.1.2 The CDC shall give notice to:

- (a) the Commission;
- (b) each Stock Exchange; and
- (c) all CDS Elements,

that, with effect from the date specified in the notice, the CDS shall become operational.

3.1.3 The date specified in the notice given under Regulation 3.1.2 shall be such Business Day as the Board in its discretion shall, subject to Regulation 3.1.4, determine to be the CDS Commencement Date.

3.1.4 The date specified in the notice under Regulation 3.1.2 as the CDS Commencement Date shall be not less than 30 Business Days after the date that the notice is given.

**3.2 Functions of the CDC**

3.2.1 The functions of the CDC are:

- (a) to establish and administer the CDS;
- (b) to provide facilities for effecting electronic Deliveries of Book-entry Securities;
- (c) to provide facilities for effecting Pledges in respect of Book-entry Securities;
- (d) to provide information in relation to Book-entry Securities to CDS Elements and other persons in accordance with the Act and these Regulations;
- (e) to provide such other facilities and services as the CDC may from time to time determine in accordance with its memorandum of association; and
- (f) to co-operate with the Commission, the State Bank of Pakistan and the Stock Exchanges in carrying out the functions set out in paragraphs (a) to (e) above and to provide such assistance as is required by the Commission, the State Bank of Pakistan and the Stock Exchanges in carrying out their functions and duties under

the Act or under any other law for the time being in force.

### **3.3 Powers of the CDC**

3.3.1 The CDC has such powers as are conferred on it by or under:

- (a) the Act;
- (b) these Regulations; or
- (c) any contract or arrangement with a CDS Element or any other person.

3.3.2 Unless the contrary intention appears, powers conferred on the CDC by or under these Regulations shall be exercised in such manner as the Board may from time to time prescribe in this behalf.

3.3.3 If under any of these Regulations, the CDC or the Board has power to make, issue or impose any State of Emergency Regulations, Procedures, specifications, determinations, schedules, conditions or restrictions on or in respect of admission to the CDS or other instruments (in this Regulation 3.3.3 called, collectively, "instruments"), this power includes a power exercisable in the same manner and subject to the same conditions (if any) to repeal, rescind, revoke, amend or vary any such instruments.

3.3.4 Subject to Regulations 3.3.6, 3.3.7 and 3.3.8, the Board may exempt any person or group of persons from the obligation to comply with a provision of these Regulations, either generally or in a particular case, and either unconditionally or subject to such conditions as the Board thinks fit.

3.3.5 Failure to comply with a condition imposed under Regulation 3.3.4 is a contravention of that Regulation.

3.3.6 The Board shall not exempt any person or group of persons under Regulation 3.3.4 from an obligation to comply with:

- (a) a Warranty and Indemnity Provision;
- (b) a provision that deals with:
  - (i) cancellation of Documents Evidencing Title to Eligible Securities deposited in the CDS; or
  - (ii) matters incidental to cancellation of such Documents Evidencing Title;
- (c) subject to Regulation 4.10, a provision of this Chapter and Chapters 4, 13, 14 and 15 provided that the Board may grant remission, in full or in part, to any person from the payment of liquidated damages under paragraph (c) of Regulation 14.12.1 or authorise the Chief Executive Officer generally or in respect of

any person or class of persons to grant one time remission, in full or in part, from payment of such liquidated damages; or

(d) Regulations 5.3, 5.4 and 5.5.

3.3.7 The Board may specify the period during which any exemption from an obligation to comply with a provision of these Regulations will apply. If the Board:

(a) does not specify a period, the period shall be 30 Business Days; or

(b) does specify a period, the period shall not exceed 30 Business Days,

unless:

(c) Regulation 3.3.8 applies; or

(d) (i) the CDC gives notice to the Commission of a proposed extension of the period at least 5 Business Days before the expiry of the period; and

(ii) before the expiry of the period the Commission does not advise the CDC that it has an objection to the extension of the period.

3.3.8 If the Board intends to exempt permanently any person or group of persons from an obligation to comply with a provision of these Regulations under Regulation 3.3.4, whether or not exemption has been given under Regulation 3.3.7:

(a) the CDC shall give the Commission notice of relevant details of and grounds for the proposed exemption; and

(b) the exemption shall not take effect if, within 15 Business Days after the notice is given, the Commission advises the CDC that it objects to the proposed exemption.

3.3.9 The CDC shall set up and maintain a register for recording details of exemptions granted by the Board under Regulation 3.3.4.

3.3.10 If the Board exempts a person or group of persons from the obligation to comply with a provision of these Regulations under Regulation 3.3.4, the CDC shall enter the following details in the register maintained under Regulation 3.3.9:

(a) the date that the exemption takes effect;

(b) the person or group of persons exempted from the obligation;

(c) the provision to which the exemption applies;

(d) brief reasons for the exemption; and

(e) any condition that applies to the exemption.

3.3.11 The register maintained under Regulation 3.3.9 shall be kept at the principal place of business of the CDC and shall be open for inspection by any person during normal business hours.

### **3.4 Delegation of functions and powers**

3.4.1 Unless the contrary intention appears, the Board or the CDC may delegate any of their powers and functions under these Regulations to:

- (a) the Chief Executive Officer; or
- (b) any one or more other officers of the CDC.

3.4.2 Where the Board or the CDC delegate any of their powers or functions in accordance with Regulation 3.4.1, they may authorise those delegates to sub-delegate any of the delegated powers.

3.4.3 A delegation of a power or function, or of a specified class of powers or functions, may be made either generally or as otherwise provided by the terms of delegation.

3.4.4 If any power or function is delegated:

- (a) performance or exercise by the delegate of the power or function is taken to be performance or exercise by the CDC or the Board, as the case requires;
- (b) the delegation does not prevent the performance or exercise of the power or function by the CDC or the Board, as the case requires; and
- (c) where the performance or exercise depends upon the opinion, belief or state of mind of the CDC or the Board, as the case requires, the power or function may be performed or exercised by the delegate upon the opinion, belief or state of mind of the delegate.

### **3.5 Binding effect of the Regulations**

3.5.1 Regulations 3.5.2 and 3.5.3 are made to set out the manner in which the contract constituted by an Agreement operates.

3.5.2 These Regulations (other than a Warranty and Indemnity Provision) have the effect of a contract between the CDC and all CDS Elements for the time being, under which:

- (a) each CDS Element covenants with the CDC to observe the Regulations, and to perform the obligations which the Regulations purport to impose on the CDS Element, in the manner provided by the Regulations; and
- (b) subject to Regulations 3.11 and 3.12, the CDC covenants with

each CDS Element to observe the Regulations, and to perform the obligations which the Regulations purport to impose on the CDC, in the manner provided by the Regulations.

- 3.5.3 The CDC and the CDS Elements are not liable for failure to comply with a Regulation (other than a Warranty and Indemnity Provision or a State of Emergency Regulation), if, and to the extent to which, compliance has been delayed, interfered with, curtailed or prevented by a State of Emergency.
- 3.5.3A CDC shall not be liable to any CDS Elements, any Investor-Accountholder or to any Sub-Account Holder or any other person, company or other entity whatsoever for any failure or delay in the performance of its functions and obligations under these Regulations or under any applicable agreements or Terms and Conditions or for any failure, break-down or suspension of CDS if such failure, delay, break-down or suspension is directly or indirectly attributable to the occurrence of a State of Emergency or any other events or circumstances or combination of events and circumstances beyond the reasonable control of CDC. Notwithstanding any other Regulation, this Regulation has the effect of a contract between CDC and all CDS Elements, Investor-Accountholders and Sub-Account Holders and all other persons, companies and entities which may have any rights under these Regulations or under any agreements entered into by them with CDC or under any applicable Terms and Conditions.
- 3.5.4 The Issuer Warranties and Indemnities have the effect of a contract between the Issuer and the CDC.
- 3.5.5 The Account Holder Warranties and Indemnities have the effect of a contract between the Account Holder, the CDC and every Issuer.
- 3.5.6 The CDC Indemnity has the effect of a contract between the CDC and each CDS Element.
- 3.5.7 The Participant Warranties and Indemnities have the effect of a contract between the Participant, the CDC, every Issuer and every other Holder.

### **3.6 State of Emergency Regulations**

- 3.6.1 In the event of a State of Emergency:
- (a) the Board may make State of Emergency Regulations for the purpose of dealing with the State of Emergency efficiently and for the protection of the interests of the CDC and the CDS Elements; and
  - (b) the Board may take or authorise any other action it considers necessary for the purpose of dealing with the State of Emergency, including:
    - (i) action that is inconsistent with these Regulations (other

than Regulations 3.6.1 to 3.6.6); and/or

- (ii) suspending provision of any CDS facilities and services to one or more persons.

3.6.2 The Board may specify the period during which any State of Emergency Regulations remain in force, but the period shall not exceed 30 Business Days extendable for such period or periods as may be approved by the Commission. If the Board does not specify a period during which any State of Emergency Regulations remain in force, the State of Emergency Regulations shall remain in force for 30 Business Days.

3.6.3 In the event of any conflict between the State of Emergency Regulations and these Regulations, the State of Emergency Regulations shall prevail.

3.6.4 The CDC shall promptly notify all CDS Elements and the Commission of the making of any State of Emergency Regulations.

3.6.5 The CDC shall set up and maintain a register for recording details of any State of Emergency determined to be existing in the opinion of the Board.

3.6.6 If the Board makes a determination of the existence of a State of Emergency, it shall, so soon as may be reasonably practicable, enter the following details in the register maintained under Regulation 3.6.5:

- (a) the date that the State of Emergency came into existence;
- (b) the person or group of persons affected by the State of Emergency Regulations;
- (c) the provisions of these Regulations which are overridden by the State of Emergency Regulations;
- (d) the brief circumstances based on which the Board concluded that a State of Emergency was in existence; and
- (e) any other steps taken by the Board in view of the existence of the State of Emergency.

3.6.7 The register maintained under Regulation 3.6.5 shall be kept at the principal place of business of the CDC and shall be open for inspection by any person during normal business hours.

3.6.8 A CDS Element that becomes aware of any condition that may lead to a State of Emergency shall immediately inform the CDC.

### **3.7 Procedures**

3.7.1 The Board may make Procedures for prescribing the structure of Transactions and parameters of Reports in the CDS, and for all other matters for which the Board considers that it is necessary or convenient to prescribe procedures for the purpose of giving effect to and carrying

out the purposes of these Regulations or any other laws, rules and regulations for the time being in force as may be applicable, or incidental, to the operations of CDS. Moreover, any such Procedures shall not be in contradiction with any laws, rules and regulations for the time being in force.

3.7.2 Failure by a person to comply with any part of the Procedures shall be a contravention of the Regulations.

3.7.3 The CDC shall give such notice as is reasonable in the circumstances to CDS Elements prior to implementing changes to the Procedures.

3.7.4 DELETED.

### **3.8 CDC fees and charges**

3.8.1 The Board shall, with the prior approval of the Commission, make a Fees and Deposits Schedule specifying fees and charges payable for facilities and services provided by the CDC, and the time by which, or period within which, the fees and charges must be paid.

3.8.2 In consideration for the facilities and services provided to it by the CDC, each CDS Element shall pay fees and charges to the CDC in accordance with the Fees and Deposits Schedule.

3.8.3 The Fees and Deposits Schedule may include fees and charges imposed to recover costs, damages and expenses incurred by the CDC by reason of a failure by a CDS Element to comply with these Regulations.

3.8.4 The Fees and Deposits Schedule may include sums to be kept by different categories of CDS Elements by way of security deposit with the CDC at the time of their admission to the CDS in a particular category. Such sums may be utilised by the CDC for any purpose whatsoever and shall be refundable by the CDC at the time of termination of admission to the CDS in the category to which they apply after making such deductions on account of fees and charges payable by the terminating CDS Element under or pursuant to these Regulations or losses, damages, costs and expenses suffered or incurred by the CDC by reason of a failure of the terminating CDS Element to comply with these Regulations during the tenure of its admission to the CDS.

3.8.5 The CDC shall promptly notify the concerned CDS Elements of any changes to the Fees and Deposits Schedule prior to implementing those changes.

### **3.9 Designated Times Schedule**

3.9.1 The Board shall make a Designated Times Schedule specifying the Designated Times in relation to the Transmission of any Transactions or requests for any Reports to the CDC in accordance with these Regulations.



- 3.9.2 Where:
- (a) any Regulation specifies the Designated Time within which a Transaction or a request for a Report may be Transmitted; and
  - (b) the Transmission is made outside that Designated Time,
- then:
- (c) the CDC shall reject the Transmission; and
  - (d) Notify the rejection to the Originating CDS Element.
- 3.9.3 The CDC shall promptly notify the concerned CDS Elements of any changes to the Designated Times Schedule prior to implementing those changes.
- 3.10 CDC Indemnity**
- 3.10.1 The purpose of Regulations 3.10, 3.11 and 3.12 is to set out the circumstances in which the CDC may become liable to compensate a CDS Element or other person for loss arising out of any act or omission of the CDC.
- 3.10.2 Subject to Regulations 3.10 (other than Regulation 3.10.8), 3.11 and 3.12, if:
- (a) the CDC Transmits a Report or takes any action in accordance with these Regulations in respect of any Transaction which is Transmitted to it, as the case may be;
  - (b) the Report or action, as the case may be:
    - (i) has been Transmitted or taken, as the case may be, by mistake; or
    - (ii) the Report or action, as the case may be, contains a mistake,due to any wrongful act or omission on the part of or negligence of the CDC; and
  - (c) the CDS Element to whom or in respect of whom the CDC:
    - (i) took the mistaken action suffers a loss because of the mistake; or
    - (ii) Transmitted the mistaken Report and the CDS Element relies upon the Report and suffers a loss because of the

mistake,

the CDC shall indemnify the CDS Element for that loss, but:

- (d) the amount of any compensation payable by the CDC for that loss shall be reduced to the extent that the mistake was caused or contributed to by negligent conduct or omission, or contravention of these Regulations by the CDS Element; and
- (e) if the CDC makes a payment to a CDS Element in discharge of its liability to that person under this Regulation 3.10.2, the CDC is subrogated to all rights which that person may have against any other person with respect to the matter which was the subject of the claim against the CDC.

- 3.10.3 The indemnity contained in Regulation 3.10.2 does not apply if the mistaken information contained in a Report is derived from information supplied to the CDC or another person by any CDS Element.
- 3.10.4 The indemnities contained in this Regulation 3.10 are not applicable to any losses, damages, costs or expenses suffered or incurred by any CDS Element to the extent that such losses, damages, costs or expenses would have been avoided if the CDS Element had acted reasonably in accordance with prudent practices.
- 3.10.5 If a provision of Regulations 3.10, 3.11 or 3.12 purports to exempt the CDC from liability or to limit its liability, the provision intended to operate to the full extent permissible by law, but is to be read subject to any qualification imposed by law.
- 3.10.6 Every exemption from or qualification of liability applicable to the CDC in these Regulations shall also extend to protect every officer, employee or agent of the CDC and any contractor engaged by the CDC to perform services with respect to the CDS.
- 3.10.7 Each CDS Element and the CDC acknowledges that the Commission expressly disclaims all liability to any person in respect of any act or omission of the CDC in connection with the CDS and in respect of any aspect of the administration of the CDS to the full extent permitted by law.
- 3.10.8 Subject to Regulations 3.10 (other than this Regulation 3.10.8), 3.11 and 3.12, neither:
  - (a) the CDC; nor
  - (b) an employee of the CDC or any other person who is authorised to perform or exercise a function or power of, or on behalf of, the CDC; nor
  - (c) the members of the Board; nor
  - (d) the Chief Executive Officer,

is liable to an action or other proceeding for damages for or in relation to an act done or omitted in good faith in performance or purported performance of any function, or in exercise or purported exercise of any power, conferred or expressed to be conferred by or under these Regulations.

- 3.10.9 The amount payable by the CDC in pursuance of its indemnity contained in Regulation 3.10.2 shall not exceed the market value of the Securities represented by the Book-entry Securities comprised in the Holding Balance of the Holding in respect of which the CDC took the mistaken action or Transmitted the mistaken Report.

### **3.11 Specific exclusion of liability provisions**

- 3.11.1 Regulations 3.5, 3.10 and 3.12 are subject to this Regulation 3.11, which applies whether or not the CDC is negligent or in willful default.

- 3.11.2 The CDC is not liable to compensate any person for any losses, damages, costs or expenses suffered or incurred in consequence of a failure to admit a person as an Account Holder, a Participant or an Eligible Pledgee under Chapter 4, and its liability in these circumstances is limited to such liability as may be incurred in complying with the procedure for Appeal under Chapter 4.

- 3.11.3 The CDC is not liable to compensate any person for any losses, damages, costs or expenses suffered or incurred in consequence of the refusal to declare any Securities of an Issuer as CDS Eligible under Chapter 5 and its liability in these circumstances is limited to such liability as may be incurred in complying with the procedure for Appeal under Chapter 5.

- 3.11.4 The CDC is not liable to compensate any person for losses, damages, costs or expenses suffered or incurred in consequence of:

- (a) suspension or revocation of CDS Eligibility of any Securities;
- (b) any Appeal whether in accordance with these Regulations or not;
- (c) any enforcement action taken by the CDC in accordance with a determination of the Disciplinary Tribunal or the Commission; or
- (d) any action to:
  - (i) impose Restrictions on;
  - (ii) suspend; or
  - (iii) terminate,

the admission to the CDS of an Account Holder under these Regulations.

- 3.11.5 If the CDC is obliged under these Regulations to notify a person of a matter and fails to do so, the CDC is not liable to compensate any person other than the person to whom the notification should have been given.
- 3.11.6 If the CDC is obliged under any Regulation to keep information confidential and the CDC fails to do so, the CDC is not liable to compensate any person other than the person who supplied the information to the CDC, or on whose behalf the information was supplied.
- 3.11.7 The CDC is not liable to compensate any person for losses, damages, costs or expenses suffered or incurred in consequence of:
- (a) the Board taking action that purports to be taken under Regulation 3.6 in a State of Emergency;
  - (b) the CDC taking action under Regulations 3.19, 5.4.1, 5.5, 6.2.8, 10.5.1, 12.1.3 and 13.7; or
  - (c) any action taken under Chapter 15.

### **3.12 Exclusion of other liabilities**

- 3.12.1 The provisions of this Regulation 3.12 and Regulations 3.10 and 3.11 are supplemental to and not in derogation of the provisions contained in Section 8 of the Act.
- 3.12.2 The CDC is not liable to compensate, indemnify or pay any amounts to any CDS Element for losses, damages, costs or expenses suffered or incurred in consequence of a contravention by the CDC of, or failure by the CDC to comply with, a Regulation unless the contravention or failure is caused by wrongful act or omission on the part of or negligence of the CDC.
- 3.12.3 The CDC is not liable to compensate, indemnify or pay any amounts to any person other than a CDS Element for losses, damages, costs or expenses suffered or incurred in consequence of wrongful act or omission on the part of or negligence of the CDC except as provided in Regulation 3.10.

### **3.13 Intellectual property**

- 3.13.1 Subject to payment of fees and charges in accordance with the Fees and Deposits Schedule, the CDC grants to each CDS Element a non-exclusive, non-transferable licence to use the CDS Software to communicate with the CDS to the extent and in the manner required or permitted by these Regulations and the Procedures.
- 3.13.2 Subject to the licence granted in Regulation 3.13.1, the CDC reserves all intellectual property rights it has or may have in relation to the CDS and the CDS Software and also reserves any rights that it may have in relation to the confidentiality of information passing into or out of, or held within the CDS.

- 3.13.3 To the fullest extent permitted under the law for the protection of the intellectual property rights referred to in Regulation 3.13.2, the CDC prohibits each CDS Element from:
- (a) attempting to alter or modify all or any part of the CDS Software;
  - (b) attempting to recreate, reverse engineer or in any other way derive the source code or object code for all or any part of the CDS Software;
  - (c) using or communicating with the CDS otherwise than as required or permitted by these Regulations and the Procedures; or
  - (d) allowing a person that is not an Authorised Person access to the CDS.

### **3.14 Dispute resolution between CDS Elements**

3.14.1 Any dispute between any CDS Elements in relation to matters arising under or regulated by these Regulations may be referred by any CDS Element to the Chief Executive Officer for determination in accordance with Regulations 3.14.3 to 3.14.6.

3.14.2 The reference made to the Chief Executive Officer under Regulation 3.14.1 shall:

- (a) be accompanied by such payment to the CDC as the Board may from time to time in this behalf determine;
- (b) be made in writing together with the statement that the complaint is made pursuant to this Regulation 3.14; and
- (c) must contain sufficient particulars for the Chief Executive Officer to form a view that *prima facie* the CDS Element referring the dispute has suffered, or is likely to suffer, a loss as a result of contravention of these Regulations by another CDS Element.

3.14.3 A dispute between CDS Elements may be referred to the Chief Executive Officer whether or not any CDS Element is a Party to a Proceeding or Appeal in relation to the events which have given rise to the dispute.

3.14.4 Upon referral of a dispute, the Chief Executive Officer may inquire into all facts, matters and circumstances relevant to the dispute and for this purpose may take statements (orally or in writing) from persons, request documents or other evidence and generally conduct his inquiries and proceedings for the resolution of the dispute as he thinks fit.

3.14.5 Except as required by law, no person (including the Chief Executive Officer) may use or disclose information, statements, documents or other evidence obtained by the person as a result of an inquiry of the Chief Executive Officer into a dispute, for any purpose other than resolution of that dispute.

3.14.6 Subject to the right of any person to have a dispute or any connected matter determined by a court, the Chief Executive Officer may determine any dispute referred to him, and the parties to the dispute shall accept and abide by the determination of the Chief Executive Officer.

### **3.15 Complaints against CDS Elements**

3.15.1 If any person gives notice to the CDC of a complaint against a CDS Element in relation to:

- (a) use by the CDS Element of facilities provided by the CDC; or
- (b) compliance by the CDS Element with these Regulations,

the CDC shall consider the complaint and take such action as it considers appropriate in the circumstances, for example:

- (c) inspecting records or requiring information under Chapter 13;
- (d) taking disciplinary action under Chapters 5, 14 or 15;
- (e) exercising its powers under Regulation 3.8.5 to make deductions from the security deposit kept by the CDS Element with the CDC at the time of its admission to the CDS; or
- (f) referring the complaint to an appropriate regulatory authority such as, without limitation, any relevant Stock Exchange(s) or the Commission.

### **3.16 Complaints against the CDC**

3.16.1 Subject to Regulations 3.10 to 3.12, if a CDS Element has a complaint in relation to:

- (a) any failure, complete or partial, or inefficiency in the performance of any function of the CDC; or
- (b) any contravention by the CDC of its obligations under these Regulations,

such complaint may be referred to the Chief Executive Officer for determination in accordance with Regulation 3.16.3.

3.16.2 The reference made to the Chief Executive Officer under Regulation 3.16.1 shall be made in writing together with the statement that the complaint is made pursuant to this Regulation 3.16.

3.16.3 Upon referral of a complaint, the Chief Executive Officer may inquire into all facts, matters and circumstances relevant to the complaint and take such action for the resolution of the complaint as he thinks appropriate in the circumstances.

**3.17 Settlement of Securities transactions in the CDS**

3.17.1 For the purposes of Section 26(2) of the Act, the following Securities transactions are prescribed by the CDC for settlement in the CDS:

- (a) a Securities transaction by way of a gift of the Securities;
- (b) a Securities transaction involving a loan of Securities;
- (c) a Securities transaction by way of a return of borrowed Securities;
- (d) a Securities transaction in discharge of any requirement prescribed by any law in force for the time being or imposed under an order of any court;
- (e) a Securities transaction involving a deposit of such Securities into the CDS or a withdrawal of such Securities from the CDS;
- (f) a Securities transaction involving an Intra Account Free Delivery from one Account (not being a Group Account) of an Account Holder's Account Family to another Account (not being a Group Account) of the Account Holder in that Account Family;
- (g) a Securities transaction relating to a movement by a Sub-Account Holder of his Book-entry Securities from his Sub-Account under one Main Account under the control of a Participant to his Sub-Account under another Main Account under the control of the same Participant or to his Sub-Account under any Main Account which is under the control of another Participant;
- (h) Securities transaction where the Securities concerned are government Securities;
- (i) a Securities transaction where the Securities concerned are not listed on any Stock Exchange;
- (j) Securities Transactions described in Regulations 9.3A, 9.4, 9.4A, 9.4B and 9.5;
- (k) Securities transactions involving transfer of any Book-entry Securities by an Associate Member to the clearing house of a Stock Exchange or by a clearing house of a Stock Exchange to an Associate Member;
- (l) Securities transactions involving the transfer of any Book-entry Securities as a consequence of any privatisation, denationalization, divestment or disinvestment by, as the case may be, the Federal Government, a Provincial Government, a commission, authority, bureau or department of any such Government, a corporation, company or enterprise owned or controlled, wholly or partially, directly or indirectly, by the Federal Government or a Provincial Government;

- (m) Securities transactions involving:
  - (i) transfer of any Book-entry Securities in connection with the issuance of any GDRs; or
  - (ii) transfer of any Book-entry Securities resulting from the cancellation of any GDRs;
- (n) Securities transactions by reason of the transmission of Book-entry Securities to an executor, beneficiary or a nominee on the death of an Account Holder or a Sub-Account Holder; and
- (o) Securities transactions resulting in transfer of any Book-entry Securities as a consequence of an offer for sale of Securities.

### **3.18 Reports available in the CDS**

3.18.1 Such Reports as may be prescribed from time to time in the Procedures may be Obtained from the CDC by:

- (a) any Account Holder in relation to any Holding forming part of that Account Holder's Account Family; and
- (b) any Eligible Pledgee in relation to any Book-entry Securities Pledged to that Eligible Pledgee.

3.18.2 The Procedures shall provide, amongst others, for the following Reports to be available from the CDC:

- (a) Holding activity Report;
- (b) Holding balance Report;
- (c) Issuer activity Report;
- (d) Eligible Pledgee Report;
- (e) billing Report;
- (f) Issuer action diary Report;
- (g) cap activity Report;
- (h) cap balance Report;
- (i) Beneficial Owners Report;
- (j) deposit request Report;
- (k) withdrawal request Report; and



(l) security price Report.

**3.19 Verification of statements by the CDC**

3.19.1 The CDC shall, on payment of such fee as may be prescribed from time to time in this behalf by the Board, verify on application made by any person Holding statements provided by Participants to their Sub-Account Holders in respect of the Sub-Accounts maintained by such Sub-Account Holders under the control of the Participants.

## **CHAPTER 4: APPLICATIONS FOR ADMISSION AND ADMISSION CRITERIA**

### **4.1 Application for admission to the CDS as Participant**

#### **4.1.1 Any:**

- (a) Stock Broker;
- (b) banking company within the meaning of the Banking Companies Ordinance, 1962 (LVII of 1962);
- (c) company, corporation or institution to which Section 3A of the Banking Companies Ordinance, 1962 (LVII of 1962) is applicable; or
- (d) company, corporation or institution in such class as the Board may, from time to time, determine in this behalf,

may apply to the CDC for admission to the CDS as a Participant by an application which:

- (e) is on the most current version of the relevant Admission Form in which are filled out, inter alia, the particulars of the Registration Details in respect of the Accounts which will be opened by the Participant; and
- (f) complies with the additional requirements of Regulation 4.9.1.

### **4.2 Admission as Participant**

#### **4.2.1 The CDC shall admit as a Participant and as an Account Holder a person making an application pursuant to Regulations 4.1.1 and 4.9.1 if the CDC is satisfied that:**

- (a) the applicant has complied with the requirements of Regulation 4.1.1 and 4.9.1;
- (b) the applicant has supplied additional information required by the CDC pursuant to Regulation 4.9.2;
- (c) the CDC is satisfied with any information obtained in pursuance of Regulations 4.1.1, 4.9.1, 4.9.2 and 4.9.3;
- (d) the applicant meets the technical and performance requirements of this Chapter;
- (e) the applicant meets the business integrity requirements of this Chapter;
- (f) the applicant meets the capacity requirements of this Chapter;

- (g) it has the data processing capacity and operational capabilities to provide service to additional Participants without endangering or impairing the integrity of the CDS or its orderly functioning; and
- (h) where the applicant is an Issuer of Registered-Form Eligible Securities whose Securities are live in CDS, it has entrusted to an independent Transfer Agent its duties and functions under these Regulations in connection with the registration of transfer of Securities and the issue and offer of Securities and in particular, without limiting the generality of the foregoing, duties and functions of the Issuer under Regulations 8.3.1, 8.3A, 8.7.1 and 8.7.2.

### **4.3 Application for admission to the CDS as Account Holder**

4.3.1 Any person, company, corporation or institution in such class as the Board may, from time to time, determine in this behalf, may apply to the CDC for admission to the CDS as an Account Holder by an application which:

- (a) is on the most current version of the relevant Admission Form in which are filled out, inter alia, the particulars of the Registration Details in respect of the Accounts which will be opened by the Account Holder; and
- (b) complies with the additional requirements of Regulation 4.9.1.

### **4.4 Admission as Account Holder**

4.4.1 The CDC shall admit as an Account Holder a person making an application pursuant to Regulations 4.3.1 and 4.9.1 if the CDC is satisfied that:

- (a) the applicant has complied with the requirements of Regulations 4.3.1 and 4.9.1;
- (b) the applicant has supplied additional information required by the CDC pursuant to Regulation 4.9.2;
- (c) the CDC is satisfied with any information obtained in pursuance of Regulations 4.3.1, 4.9.1, 4.9.2 and 4.9.3;
- (d) the applicant meets the technical and performance requirements of this Chapter;
- (e) the applicant meets the business integrity requirements of this Chapter;
- (f) the applicant meets the capacity requirements of this Chapter,
- (g) it has the data processing capacity and operational capabilities to provide service to additional Account Holders without

endangering or impairing the integrity of the CDS or its orderly functioning; and

- (h) where the applicant is an Issuer of Registered-Form Eligible Securities whose Securities are live in CDS, it has entrusted to an independent Transfer Agent its duties and functions under these Regulations in connection with the registration of transfer of Securities and the issue and offer of Securities and in particular, without limiting the generality of the foregoing, duties and functions of the Issuer under Regulations 8.3.1, 8.3A, 8.7.1 and 8.7.2.

**4.5 DELETED**

**4.6 DELETED**

**4.7 Application for admission to the CDS as Eligible Pledgee**

4.7.1 Any person, company, corporation or institution in such class as the Board may, from time to time, determine in this behalf, may apply to the CDC for recognition by the CDC for the purpose of admission to the CDS as an Eligible Pledgee by an application which:

- (a) is on the most current version of the relevant Admission Form; and
- (b) complies with the additional requirements of Regulation 4.9.1.

**4.8 Recognition as Eligible Pledgee**

4.8.1 The CDC shall recognise and admit as an Eligible Pledgee a person making an application pursuant to Regulations 4.7.1 and 4.9.1 if the CDC is satisfied that:

- (a) the applicant has complied with the requirements of Regulation 4.7.1 and 4.9.1;
- (b) the applicant has supplied additional information required by the CDC pursuant to Regulation 4.9.2;
- (c) the CDC is satisfied with any information obtained in pursuance of Regulations 4.7.1, 4.9.1, 4.9.2 and 4.9.3;
- (d) the applicant meets the technical and performance requirements of this Chapter;
- (e) the applicant meets the capacity requirements of this Chapter; and
- (f) it has the data processing capacity and operational capabilities to provide service to additional Eligible Pledgees without endangering or impairing the integrity of the CDS or its orderly

functioning.

#### **4.9 Requirements for applications for admission to the CDS**

4.9.1 Any application for admission to the CDS as a CDS Element (not being an Issuer of Eligible Securities) shall:

- (a) be accompanied by the relevant application fee specified for the purpose in the Fees and Deposits Schedule;
- (b) contain a covenant by the applicant that if the application is accepted the applicant undertakes to the CDC to enter into the relevant Agreement with the CDC;
- (c) contain all the information required by the relevant Admission Form; and
- (d) be executed by or on behalf of the applicant.

4.9.2 The CDC may by notice require an applicant for admission to the CDS as a CDS Element to provide the CDC with any additional information in relation to the application which the CDC thinks necessary for the consideration of the application.

4.9.3 The CDC may seek information from persons other than the applicant to the extent that the CDC thinks necessary in considering whether to grant an application.

4.9.4 Subject to any need to disclose information in order to seek other information under Regulation 4.9.3, or unless disclosure is required by law, the CDC shall maintain the confidentiality of each application and information contained in or supplied in connection with an application.

#### **4.10 Postponement or waiver of the Admission Requirements**

4.10.1 If:

- (a) a person applies for admission as a Participant, an Account Holder or an Eligible Pledgee, as the case may be; and
- (b) the person does not meet in full one or more of the Admission Requirements,

the CDC may, subject to this Regulation 4.10, admit the person as a Participant, an Account Holder or an Eligible Pledgee, as the case may be, notwithstanding that the person does not meet those Admission Requirements.

4.10.2 If the CDC admits a person as a Participant, an Account Holder or an Eligible Pledgee, as the case may be, notwithstanding that the person does not meet in full one or more Admission Requirements, the CDC shall by notice:

- (a) (i) impose such Restrictions or conditions upon the person's admission to the CDS as a Participant, an Account Holder or an Eligible Pledgee, as the case may be, as the CDC thinks necessary or desirable; and
    - (ii) postpone and waive the Admission Requirements while the person continues to comply with any Restrictions or conditions, as the case may be, imposed under Regulation 4.10.2(a) for a period not exceeding 60 Business Days; or
  - (b) waive such Admission Requirements subject to such conditions upon the person's admission to the CDS as a Participant, an Account Holder or an Eligible Pledgee, as the case may be, as the CDC thinks necessary or desirable.
- 4.10.3 Failure to comply with a Restriction or condition imposed under Regulation 4.10.2 is a contravention of that Regulation.
- 4.10.4 The CDC shall record in a register, set up and maintained by it, the reasons for granting any postponement or waiver under Regulation 4.10.2 and the details of any Restriction or conditions imposed, as the case may be.
- 4.10.5 A copy of the register maintained under Regulation 4.10.4 shall be kept at the principal place of business of the CDC and shall be open for inspection by any person during normal business hours.
- 4.11 Technical and performance requirements**
- 4.11.1 The technical requirements of this Chapter are that, to the reasonable satisfaction of the CDC:
  - (a) as determined during Pre-commencement Testing, the applicant has the capacity to communicate reliably with the CDC in accordance with the Procedures; and
  - (b) if the applicant has applied for admission as a Participant or an Account Holder, the applicant has such accounting, settlement and recording systems as are necessary for the purposes of the applicant's existing and anticipated settlement operations.
- 4.11.2 The performance requirements of this Chapter are that, to the reasonable satisfaction of the CDC, the applicant employs or retains such personnel familiar with these Regulations and the Procedures as are necessary to allow the applicant to carry out its obligations in accordance with these Regulations and generate, receive and process Transactions and Obtain Reports in accordance with the Procedures.
- 4.12 Capacity requirements**
- 4.12.1 The capacity requirements of this Chapter are:

- (a) for an applicant which is a company or other body corporate, that:
  - (i) if the applicant is a company, the applicant is not in receivership, Court-appointed managership or winding up; or
  - (ii) if the applicant is a body corporate other than a company, the applicant is not under any equivalent form of administration; and
- (b) for an applicant which is an individual, that:
  - (i) the applicant is not a minor;
  - (ii) the applicant is not of unsound mind;
  - (iii) the applicant has not applied to be adjudicated as an insolvent or has suspended payment or has compounded with his creditors; and
  - (iv) the applicant is not an undischarged insolvent.

#### **4.13 Business integrity requirements**

4.13.1 The business integrity requirements of this Chapter are:

- (a) for an applicant which is a company or other body corporate, that:
  - (i) any chief executive, directors or other officers of the applicant have not, at any time within 5 years before making an application for admission to the CDS, been convicted of an offence involving moral turpitude or a non-cognisable offence against any law in connection with business, professional or commercial activities; and
  - (ii) the CDC has no reason to believe that the applicant will not carry out its obligations in connection with the CDS efficiently, honestly and fairly; and
- (b) for an applicant which is an individual, that:
  - (i) the applicant has not, within 5 years before making an application for admission to the CDS, been convicted of an offence involving moral turpitude or a non-cognisable offence against any law in connection with business, professional or commercial activities;
  - (ii) the applicant has not, within 5 years before making an application for admission to the CDS, served any sentence of imprisonment following such a conviction;
  - (iii) the CDC has no reason to believe that the applicant is not

of good fame and character and high business integrity;  
and

- (iv) the CDC has no reason to believe that the applicant will not carry out his or her obligations in connection with the CDS efficiently, honestly and fairly.

#### **4.14 Execution of agreements with the CDC**

4.14.1 An applicant shall, as a pre-condition to admission to the CDS in the capacity of:

- (a) a Participant pursuant to Regulation 4.2.1;
- (b) an Account Holder pursuant to Regulation 4.4.1; or
- (c) DELETED
- (d) recognised as an Eligible Pledgee pursuant to Regulation 4.8.1,

enter into a Participant Agreement, an Account Holder Agreement or an Eligible Pledgee Agreement, as the case may require, with the CDC.

4.14.2 Regulations 4.2.1, 4.4.1, 4.6.1 and 4.8.1 are subject to Regulation 4.14.1.

#### **4.15 DELETED**

#### **4.16 Non-acceptance of an application**

4.16.1 The CDC shall not reject an application made under Regulations 4.1.1, 4.3.1 or 4.7.1, as the case requires, unless, before doing so, the CDC:

- (a) gives notice to the applicant of the reasons why it proposes to reject the application;
- (b) affords the applicant a period of 10 Business Days after giving the notice (or such longer period as the applicant reasonably requires) in which to provide further information or otherwise take steps to address the reasons stated in the notice; and
- (c) after the end of that period, considers whether any further information provided or steps taken by the applicant address the reasons in the notice.

4.16.2 If, after following the procedure in Regulation 4.16.1, the CDC is not satisfied that the applicant meets the requirements set out in Regulations 4.2.1, 4.4.1 or 4.8.1, as the case requires, the CDC may give notice to the applicant rejecting the application and giving reasons why the application is rejected.

4.16.3 An applicant may Appeal against a decision to reject its application by giving an Appeal Notice to the CDC that:



- (a) identifies the decision against which the Appeal is made;
  - (b) sets out the grounds of the Appeal; and
  - (c) is given no later than 10 Business Days after receipt by the applicant of the reasons for the decision.
- 4.16.4 If the CDC receives an Appeal Notice under Regulation 4.16.3, the CDC shall promptly give a copy of the Appeal Notice to the Commission.
- 4.16.5 If the Commission receives a copy of an Appeal Notice from the CDC under Regulation 4.16.4, the Commission shall proceed in accordance with Regulation 14.7.5 and the Appeal shall be conducted in accordance with Regulation 14.8 with such modifications as are appropriate in the circumstances.
- 4.16.6 The Commission may:
  - (a) affirm the decision to reject the application; or
  - (b) direct the CDC to admit the applicant as a CDS Element in the applied for capacity.
- 4.16.7 The determination of the Commission under Regulation 4.16.6 and any determination as to costs payable by the applicant or the CDC shall be final and binding upon the applicant and the CDC.
- 4.16.8 Notwithstanding anything contained in Regulations 4.16.1 to 4.16.6, if the CDC rejects an application on the basis of its decision that it does not have the data processing capacity or operational capabilities to provide service to additional CDS Elements in the class applied for by the applicant, it shall give notice of such decision to the applicant which shall be final and binding upon the applicant and shall not form the subject of an Appeal.
- 4.16.9 If at any time subsequent to the service of the notice referred to in Regulation 4.16.8 the CDC forms the opinion that it has acquired the data processing capacity and operational capabilities to provide the requested services to an applicant on whom the notice was served, the CDC shall entertain the applicant's application in the order in which it served a similar notice to other applicants rejecting their applications for similar reasons.
- 4.17 Account Holder Warranties and Indemnities**
- 4.17.1 An Account Holder, supplying any information to the CDC or any Issuer, as the case may be, in pursuance of any obligation of the Account Holder under these Regulations, shall:
  - (a) be deemed to have warranted to the CDC or the Issuer, as the case may be, that the information supplied is true and correct; and

- (b) indemnify the CDC or the Issuer, as the case may be, if any losses, damages, costs or expenses are suffered or incurred as a result of any inaccuracy contained in the information supplied.

#### **4.18 Participant Warranties and Indemnities**

##### **4.18.1 A Participant:**

- (a) committing an act or omission on behalf of; or
- (b) Handling or, as the case may be, cancelling any Book-entry Securities belonging to,

any of his clients or Sub-Account Holders, as the case may be, in pursuance of these Regulations shall:

- (c) be deemed to have warranted that he has obtained the prior written authorisation of his clients or Sub-Account Holders, as the case may be; and
- (d) indemnify any person including the CDC or an Issuer suffering a loss as a result of the unauthorised action or omission by the Participant on behalf of his clients or Sub-Account Holders, as the case may be.

#### **4.19 Participants to segregate client Securities**

4.19.1 Each Participant maintaining a Group Account on the CDS shall ensure that the Book-entry Securities owned by its clients are entered exclusively in the Group Account of the Participant.

4.19.2 Each Participant shall ensure that the Book-entry Securities owned by the Participant himself are not entered in any Group Account or Sub-Account(s) maintained by the Participant on the CDS.

**CHAPTER 5: ELIGIBLE SECURITIES****5.1 Declaration of Securities as Eligible Securities**

5.1.1 If, in respect of any Securities of an Issuer, the CDC is satisfied that:

- (a) it has the data processing capacity and operational capabilities to permit, in relation to the Securities, without endangering or impairing the integrity of the CDS or its orderly functioning, the performance of services ordinarily rendered by the CDC with respect to other Eligible Securities;
- (b) a question does not exist, in the opinion of the CDC, regarding the validity, legality or transferability, whether by book-entry or otherwise, of the Securities;
- (c) the Issuer of the Securities:
  - (i) has acquired; or
  - (ii) in the opinion of the CDC, has the capability to acquire, the capacity to communicate reliably with the CDC in accordance with the Procedures;
- (d) the Issuer of the Securities:
  - (i) employs or retains; or
  - (ii) in the opinion of the CDC, has the capability to employ or retain, such personnel familiar with the Regulations and Procedures as are necessary to allow the Issuer to carry out its obligations in accordance with these Regulations and generate, receive and process Transactions and Obtain Reports in accordance with the Procedures, provided that where the Issuer is also an Account Holder or a Participant, it has entrusted to an independent Transfer Agent, the duties and functions of the Issuer as set out in these Regulations in connection with the registration of transfer of Securities and the issue and offer of Securities and in particular, without limiting the generality of the foregoing, duties and functions of the Issuer under Regulations 8.3.1, 8.3A, 8.7.1 and 8.7.2.
- (e)
  - (i) if the Issuer of the Securities is a company, the Issuer is not in receivership, Court-appointed managership or winding up; or
  - (ii) if the Issuer of the Securities is a body corporate other than a company, the Issuer is not under any equivalent

form of administration; and

- (f) the declaration of the Securities as Eligible Securities would be in the public interest,

the CDC may give notice to the Issuer of the Securities, the Commission and, if the Securities are listed on a Stock Exchange, also to the Stock Exchange that, with effect from the date specified in that notice, those Securities shall be declared as Eligible Securities whether or not the Issuer has made an application for those Securities to be declared as Eligible Securities.

5.1.2 DELETED.

5.1.3 DELETED.

5.1.4 The date specified in a notice given under Regulation 5.1.1 as the CDS Eligibility Date shall be not less than 30 Business Days after the date that the notice is given. Provide that the date specified in a notice given under Regulation 5.1.1 as the CDS Eligibility Date may be an earlier date agreed between CDC and an Issuer who has made an application to CDC under Regulation 5.1.8.

5.1.5 The CDS Eligibility Date for the Securities in respect of which a notice has been given under Regulation 5.1.1 shall be the date specified in the notice unless:

- (a) otherwise agreed by the CDC with the Issuer;
- (b) the date is varied in accordance with Regulation 5.2.4;
- (c) the date is suspended under Regulation 5.1.15;
- (d) the date is canceled under Regulations 5.1.10 or 5.3.14, as the case may require; or
- (e) the date is revised under Regulation 5.3.13.

5.1.6 An Issuer:

- (a) which receives a notice referred to in Regulation 5.1.1; and
- (b) which does not desire its Securities, to which the notice pertains to be declared as Eligible Securities,

may make, in accordance with Regulation 5.1.7, an application to the CDC for such Securities not to be declared as Eligible Securities.

5.1.7 An application under Regulation 5.1.6 shall be made within 10 Business Days from the date of the notice given under Regulation 5.1.1.

5.1.8 An Issuer may at any time make an application to the CDC for any

- Securities of the Issuer to be declared as Eligible Securities.
- 5.1.9 If the CDC receives an application from an Issuer pursuant to Regulations 5.1.6 or 5.1.8, as the case may require, the CDC shall accept or reject the application within 15 Business Days from the date of receiving the application.
- 5.1.10 If the CDC accepts an application made under Regulation 5.1.6, it shall forthwith give notice of such acceptance to the Issuer, the Commission and, if the Securities are listed on a Stock Exchange, also to such Stock Exchange, confirming in the notice that the CDS Eligibility of the Issuer's Securities has been cancelled.
- 5.1.11 If the CDC accepts an application made under Regulation 5.1.8, it shall:
- (a) forthwith give notice of the acceptance to the Issuer; and
  - (b) proceed in accordance with Regulation 5.1.1.
- 5.1.12 If the CDC rejects an application made under Regulations 5.1.6 or 5.1.8, as the case may require, it shall forthwith give notice of the rejection to:
- (a) the Issuer;
  - (b) the Commission, and
  - (c) if the Securities are listed on a Stock Exchange, also to the Stock Exchange.
- 5.1.13 A notice given under Regulation 5.1.12 shall state the reason(s) for the rejection.
- 5.1.14 If the CDC rejects an application made under Regulations 5.1.6 or 5.1.8, as the case may require, the Issuer may Appeal against the rejection by giving an Appeal Notice to the CDC that:
- (a) identifies the decision against which Appeal is made;
  - (b) sets out the grounds of the Appeal; and
  - (c) is given no later than 10 Business Days after receipt by the Issuer of a notice under Regulation 5.1.12.
- 5.1.15 If:
- (a) the CDC does not decide an application made under Regulation 5.1.6 by the end of the period stipulated in Regulation 5.1.9; or
  - (b) the Issuer gives an Appeal Notice in accordance with Regulation 5.1.14,

the CDS Eligibility Date of the Issuer's Securities as specified in the notice under Regulation 5.1.1 shall forthwith be suspended.

5.1.16 An Issuer receiving a notice under Regulation 5.1.1 shall, subject to its right to make an application under Regulation 5.1.6, enter into an Issuer Agreement with the CDC on the first occasion that any of such Issuer's Securities are to be declared as Eligible Securities prior to the CDS Eligibility Date of such Securities.

## **5.2 Pre-commencement Testing**

5.2.1 The CDC may require an Issuer, any of whose Securities are to be declared as Eligible Securities, or the Transfer Agent whose appointment is notified by such Issuer to the CDC under Regulation 5.6.1(a), to undertake Pre-commencement Testing at least 30 Business Days before the CDS Eligibility Date.

5.2.2 An Issuer shall ensure that it or its Transfer Agent, as the case may be, meets the Technical and Performance Requirements before the CDS Eligibility Date.

5.2.3 The CDC may give advice or directions in accordance with Regulation 7.2.2 in order to ensure that an Issuer or its Transfer Agent, as the case may be, meets the Technical and Performance Requirements.

5.2.4 If an Issuer or its Transfer Agent, as the case may be, fails to meet the Technical and Performance Requirements before the CDS Eligibility Date, the CDC may vary the CDS Eligibility Date by notice given to the Issuer, the Commission and, if the Securities are listed on a Stock Exchange, also to such Stock Exchange.

## **5.3 Suspension and revocation of CDS Eligibility**

5.3.1 Without prejudice to any remedy of the CDC under the law or under these Regulations, if:

- (a) an Issuer becomes unable or unwilling or in any respect fails to comply with these Regulations;
- (b) in the case where the Eligible Securities are listed on a Stock Exchange, the Stock Exchange suspends trading in such Securities or delists them;
- (c) at the time of any determination, one or more eligibility criteria stipulated in Regulation 5.1.1 cease to be met; or
- (d) the CDC thinks it necessary or desirable so to do having regard to:
  - (i) the integrity, reliability and efficiency of the CDS; or
  - (ii) the protection of CDS Elements from risk of loss,

the CDC may, subject to Regulation 5.3.2:

- (e) suspend the CDS Eligibility of any Securities of an Issuer until further notice, provided that any period of suspension does not exceed 60 Business Days or such other period or periods not exceeding 60 Business Days each after the first 60 Business Days period, as the CDC may, in its discretion, from time to time deem appropriate; or
  - (f) revoke the CDS Eligibility of any Securities of an Issuer.
- 5.3.2 If the CDC intends to suspend the CDS Eligibility of any Securities of an Issuer under Regulation 5.3.1, or if the CDC intends to revoke the CDS Eligibility of any Securities of an Issuer under Regulations 5.3.1, 5.4.3 or 5.4.4, the CDC shall:
  - (a) give such notice to the Issuer as the CDC thinks reasonable in the circumstances;
  - (b) if the Securities are listed on a Stock Exchange, together with giving the notice to the Issuer under Regulation 5.3.2(a), give a copy of that notice to the Stock Exchange; and
  - (c) to the extent that the CDC thinks reasonably necessary, give a copy of that notice to other CDS Elements.
- 5.3.3 If the CDC suspends or revokes the CDS Eligibility of any Securities of an Issuer in accordance with Regulation 5.3.1, or revokes the CDS Eligibility of any Securities of an Issuer in accordance with Regulations 5.4.3 or 5.4.4, the CDC shall promptly give notice of the suspension or revocation to:
  - (a) the Issuer of the Securities;
  - (b) if the Securities are listed on a Stock Exchange, to that Stock Exchange;
  - (c) to the extent that the CDC thinks reasonably necessary, other CDS Elements;
  - (ca) to the Investor-Accountholders who hold the Book-entry Securities of the Issuer; and
  - (d) the Commission.
- 5.3.4 A notice given under Regulation 5.3.3 must state:
  - (a) the time and date on which the suspension or revocation is effective; and
  - (b) the reason for the suspension or revocation.
- 5.3.4A Where a Participant has received a notice from CDC under Regulations

5.3.2(c) or 5.3.3(c), such Participant shall, within two Business Days from the date of receipt of such notice, notify the contents of such notice to all Holders of the Sub-Accounts controlled by such Participant who hold Book-entry Securities of the Issuer to which the notice of CDC sent under Regulations 5.3.2(c) or 5.3.3(c) pertains.

5.3.5 If the CDC revokes the CDS Eligibility of any Securities of an Issuer under Regulations 5.3.1, 5.4.3 or 5.4.4, the Issuer may Appeal against the revocation by giving an Appeal Notice to the CDC that:

- (a) identifies the decision against which Appeal is made;
- (b) sets out the grounds of the Appeal; and
- (c) unless Regulation 5.3.7 applies, is given no later than 10 Business Days after receipt by the Issuer of a notice under Regulation 5.3.3.

5.3.6 If the CDS Eligibility of any Securities of an Issuer has been suspended under Regulation 5.3.1 and the suspension has continued for a period of at least 15 Business Days, the Issuer may Appeal against an impending revocation of the CDS Eligibility of those Securities under Regulation 5.4.4 by giving an Appeal Notice to the CDC that:

- (a) sets out the grounds of the Appeal;
- (b) is given no later than 5:00 p.m. on the Business Day before the date that the revocation under Regulation 5.4.4 is due to take effect.

5.3.7 If an Appeal made under Regulation 5.3.6 against an impending revocation of CDS Eligibility has not been heard, or if heard, not concluded, before 5:00 p.m. on the Business Day before the date that the revocation under Regulation 5.4.4 is due to take effect, the Appeal will be treated as an Appeal made under Regulation 5.3.5.

5.3.8 If the CDC receives an Appeal Notice under Regulations 5.1.14, 5.3.5 or 5.3.6, the CDC shall promptly give a copy of the Appeal Notice to the Commission.

5.3.9 If the Commission receives a copy of an Appeal Notice from the CDC under Regulation 5.3.8, the Commission shall, as soon as possible:

- (a) appoint a date and time for the hearing of the Appeal (which shall be no later than 10 Business Days after the date the CDC receives the Appeal Notice);
- (b) nominate a place for the hearing of the Appeal; and
- (c) give reasonable notice to the Parties of the date, time and place for the hearing.



- 5.3.10 An Appeal:
- (a) made under Regulation 5.1.14 against rejection of an application made by an Issuer under Regulations 5.1.6 or 5.1.8, as the case may require;
  - (b) made under Regulation 5.3.5 against a revocation of CDS Eligibility of any Securities of an Issuer; or
  - (c) made under Regulation 5.3.6 against an impending revocation of CDS Eligibility of any Securities of an Issuer,
- shall be conducted in accordance with Regulation 14.8 with such modifications as are appropriate in the circumstances.
- 5.3.11 The Commission may:
- (a) if the Appeal is made under Regulation 5.1.14 against a decision to reject an application made by an Issuer under Regulation 5.1.6:
    - (i) affirm the decision to reject the application; or
    - (ii) direct the CDC not to declare the Securities of the Issuer as Eligible Securities;
  - (b) if the Appeal is made under Regulation 5.1.14 against a decision to reject an application made by an Issuer under Regulation 5.1.8:
    - (i) affirm the decision to reject the application; or
    - (ii) direct the CDC to declare the Securities of the Issuer as Eligible Securities and give the notice referred to in Regulation 5.1.1 [DELETED];
  - (c) if the Appeal is made under Regulation 5.3.5:
    - (i) affirm the decision to revoke CDS Eligibility of the Securities of the Issuer; or
    - (ii) direct the CDC to remove the revocation; or
  - (d) if the Appeal is made under Regulation 5.3.6:
    - (i) reject the Appeal; or
    - (ii) direct the CDC to reinstate the CDS Eligibility of the Securities of the Issuer.
- 5.3.12 The determination of the Commission under Regulation 5.3.11 and any determinations as to costs payable by the Issuer or the CDC shall be final and binding upon the Issuer and the CDC.
- 5.3.13 If, on an Appeal of the kind referred to in Regulation 5.3.11(a), the

Commission makes the determination referred to in Regulation 5.3.11(a)(i):

- (a) the CDC shall determine a revised CDS Eligibility Date for the Issuer's Securities; and
- (b) give notice to the Issuer, the Commission and, if the Securities are listed on a Stock Exchange, also to such Stock Exchange of the revised CDS Eligibility Date.

5.3.14 If, on an Appeal of the kind referred to in Regulation 5.3.11(a), the Commission makes the determination referred to in Regulation 5.3.11(a)(ii):

- (a) the CDS Eligibility Date of the Issuer's Securities shall forthwith be cancelled; and
- (b) the CDC shall give notice of such cancellation to the Issuer, the Commission and, if the Securities are listed on a Stock Exchange, also to such Stock Exchange.

#### **5.4 Effects of suspension**

5.4.1 If the CDC suspends the CDS Eligibility of any Securities of an Issuer, the CDC shall, from the time and date stipulated in the notice of suspension given under Regulation 5.3.3, reject all Deposit Request Transactions Transmitted to it in respect of the deposit of such Securities into the CDS.

5.4.2 If the CDC is satisfied that the circumstances that gave rise to a suspension no longer exist:

- (a) the CDC shall remove the suspension; and
- (b) give notice to:
  - (i) the Issuer;
  - (ii) if the Securities are listed on a Stock Exchange, also to that Stock Exchange; and
  - (iii) to the extent that the CDC thinks reasonably necessary, other CDS Elements;
  - (iiia) to the Investor-Accountholders who hold the Book-entry Securities of the Issuer; and
  - (iv) to the Commission.

5.4.2A Where a Participant has received a notice of removal of suspension of the CDS Eligibility of an Issuer under Regulation 5.4.2(b)(iii), such

Participant shall, within two Business Days from the date of receipt of such notice, notify the contents of such notice to all Holders of the Sub-Accounts controlled by such Participant who hold Book-entry Securities of the Issuer to which the notice of CDC sent under Regulation 5.4.2(b)(iii) pertains.

5.4.3 The CDC may revoke the CDS Eligibility of any Eligible Securities of an Issuer under Regulation 5.3.1, notwithstanding that the CDS Eligibility of the Securities is suspended.

5.4.4 If a suspension of the CDS Eligibility of any Eligible Securities of an Issuer continues for 60 Business Days, or such other period or periods not exceeding 60 Business Days each, as deemed appropriate by CDC under Regulation 5.3.1(e), the CDC may, in its discretion, revoke the CDS Eligibility of the Securities with effect from End of Day on the last day of the suspension.

## **5.5 Effects of revocation**

5.5.1 If the CDC revokes the CDS Eligibility of any Securities of an Issuer, the CDC shall, on and from the Relevant Time, reject all Transactions Transmitted to it other than Valid Withdrawal Approval Transactions in respect of the Book-entry Securities relating to such Securities.

5.5.2 If the CDC revokes the CDS Eligibility of any Securities of an Issuer, the CDC shall, in case the Securities are Registered-Form Securities, after the End of Day on the Business Day:

- (a) as of the Relevant Time prepare a Report showing:
  - (i) the Registration Details and Holding Balance of Holders whose Holdings show an Available Balance and Pending Transfer Out Positions of Book-entry Securities representing the Securities of the Issuer the CDS Eligibility of which has been revoked;
  - (ii) the Registration Details of Holders whose Holdings show a Pledged Position in respect of Book-entry Securities representing the Securities of the Issuer the CDS Eligibility of which has been revoked; and
  - (iii) the names and addresses of the Eligible Pledges in whose favour Book-entry Securities representing the Securities of the Issuer the CDS Eligibility of which has been revoked are entered in a Pledged Position in any Holdings,
- (b) as of the Relevant Time in accordance with the Procedures cancel the corresponding entries in respect of the Book-entry Securities relating to such Securities appearing in every Holding in which entries in respect of such Book-entry Securities may have been appearing as of the Relevant Time.

- 5.5.3 When the CDC has prepared the Report pursuant to Regulation 5.5.2(a), the CDC shall send such Report to the Issuer of such Securities with the advice to prepare the certificates in the name of CDC pertaining to the Securities represented by the Book-entry Securities in respect of which the Report has been prepared under Regulation 5.5.2(a).
- 5.5.3A When the Issuer receives the Report from CDC pursuant to Regulation 5.5.3, the Issuer shall:
- (a) prepare the certificates in the name of CDC pertaining to the Securities represented by the Book-entry Securities in respect of which the Report has been prepared under Regulation 5.5.2(a);
  - (b) sign the transfer deeds or other instruments of transfer pertaining to the Securities to be transferred in the names of the Holders named in the Report referred to in paragraph (a) above; and
  - (c) deliver the Registrable Transfer Documents to the Holders or, as the case may be, the Eligible Pledgees whose Registration Details and names and addresses respectively are shown in the Report referred to in paragraph (a) above.
- 5.5.3B The Issuer shall be authorized to sign, in pursuance of Regulation 5.5.3A, as transferor on behalf of CDC as its agent all transfer deeds or other instruments of transfer pertaining to the Securities to be transferred in the names of the Holders named in the Report prepared pursuant to Regulation 5.5.2(a).
- 5.5.4 DELETED
- 5.5.5 Any stamp duty payable by the Issuer on the preparation of the certificates of Securities referred to in Regulation 5.5.3A(a) may be recovered by the Issuer from the persons entitled to receive delivery of the certificates of such Securities pursuant to Regulation 5.5.3A(c).
- 5.5.6 The Holders named in the Report prepared by the CDC pursuant to Regulation 5.5.2(a) shall be deemed to have authorised the CDC and the Issuer to do all such acts and take all steps as are necessary for the CDC and the Issuer to discharge their respective obligations under Regulations 5.5.2, 5.5.3 and 5.5.3A.
- 5.5A Revocation of CDS Eligibility of Securities in Certain Special Cases and Consequent Cancellation of Corresponding Entries in Holdings**
- 5.5A.1 Notwithstanding anything contained in these Regulations:
- Where:
- (a) any Securities consisting of the redeemable capital instruments including (without limitation) debentures, term finance certificates, musharika certificates, sukuk and Government Securities of any

Issuer are to be, or, as the case may be, have been paid-off in full;

- (b) any Securities of a redeemable nature including but not limited to the redeemable preference shares or any other redeemable equity instrument of an Issuer are to be, or, as the case may be, have been redeemed in full;
- (c) any Securities consisting of the shares of an Issuer which is a listed company are to be, or, as the case may be, have been purchased by such Issuer in terms of Section 95A of the Companies Ordinance, 1984 (XLVII of 1984) and such Issuer has desired that the CDS Eligibility of such Securities shall be revoked by CDC;
- (d) the Issuer of the Securities is a company, such Issuer goes in to receivership, Court-appointed managership or winding up;
- (e) the Issuer of the Securities is a body corporate other than a company, the Issuer goes under any analogous form of administration; or
- (f) the Securities are issued pursuant to a trust or a contract, such trust or other contract expires, ceases to exist or is terminated, extinguished or wound-up compulsorily or voluntarily,

then, in every such case, CDC shall:

- (g) provide Report to the Issuer as prepared in accordance with Regulation 5.5.2(a);
- (h) as of the Relevant Time, revoke the CDS Eligibility of such Securities by notice to the Issuer, and, to the extent applicable, to such other parties as mentioned in Regulation 5.3.3;
- (i) reject all Transactions Transmitted to it in respect of such Book-entry Securities after the Relevant Time; and
- (j) at any time after the Relevant Time, in accordance with the Procedures, cancel the corresponding entries in respect of the Book-entry Securities relating to such Securities appearing in every Holding in which entries in respect of such Book-entry Securities may have been appearing as of the Relevant Time.

5.5A.2 The CDC and every concerned Issuer shall comply with the requirements of the Procedures as applicable for the implementation of and taking of all necessary steps in terms of Regulation 5.5A.1.

#### **5.5B Partial Cancellation of Securities**

5.5B.1 Notwithstanding anything contained in these Regulations, where an Issuer grants a put option to the holders of any of its Redeemable

Securities, which are represented by Book-entry Securities, as permissible under any law for the time being in force or in any charter, statute or memorandum or articles of association or in any contract or in any applicable document or resolution of the Issuer, such Issuer shall give notice to CDC in accordance with the Procedures specifying therein, inter alia:

- (a) the period within which the holders of such Redeemable Securities shall be able to request cancellation of such Redeemable Securities; and
- (b) the ratio in which the Redeemable Securities can be cancelled by the holders of such Redeemable Securities.

5.5B.2 Forthwith upon an Issuer giving notice to CDC under Regulation 5.5B.1, CDC shall, in accordance with the Procedures, record the information comprised in the notice on the CDR.

5.5B.3 CDC and every concerned Issuer shall comply with the requirements of the Procedures as applicable for the implementation of and taking of all necessary steps in terms of this Regulation 5.5B.

## **5.6 Transfer Agents**

5.6.1 If an Issuer employs or retains any Transfer Agent to perform any of its obligations or take any action under these Regulations on behalf of the Issuer, the Issuer shall:

- (a) notify the CDC of the appointment of the Transfer Agent; and
- (b) ensure that the obligations are performed, or the actions are taken, by the Transfer Agent on its behalf in accordance with these Regulations.

## **5.7 Notice to the CDC of changed circumstances**

5.7.1 An Issuer of Eligible Securities shall promptly give notice to the CDC if:

- (a) the Issuer changes its name or registered address;
- (b) the Issuer or its Transfer Agent, as the case may be, becomes unable or unwilling or in any respect fails to comply with these Regulations;
- (c) in a case where the Securities are listed on a Stock Exchange, the Stock Exchange suspends trading in such Securities or delists them;
- (d) one or more of the eligibility criteria stipulated in Regulation 5.1.1 cease to be met;
- (e) the Issuer effects any change of Transfer Agent; or

- (f) the Issuer redeems or pays off in full or purchases in terms of Section 95A of the Companies Ordinance, 1984 (XLVII of 1984) all or any Book-entry Securities representing the Redeemable Securities of such Issuer.

## **5.8 Declaration of Securities of the CDC as Eligibly Securities**

- 5.8.1 Notwithstanding any thing contained in these Regulations (including those contained in this Chapter 5) and in the Procedures, CDC shall have the right to declare its own issued Securities as CDS Eligible Securities. All those requirements of these Regulations and of the Procedures as are required to be complied with in connection with the declaration of the Securities of other Issuers as CDS Eligible Securities shall not be applicable in connection with the declaration by CDC of its own Securities as CDS Eligible Securities.

## **CHAPTER 6: ESTABLISHMENT, MAINTENANCE AND OPERATIONS OF ACCOUNTS AND SUB-ACCOUNTS**

### **6.1 Establishment of Accounts**

- 6.1.1 Forthwith upon admitting a person as an Account Holder pursuant to Regulation 4.2 or Regulation 4.4, as the case may be, the CDC shall establish a Main Account on behalf of the Account Holder. The CDC may, in its discretion, at the written request of an Account Holder, establish additional Main Accounts on behalf of such Account Holder.
- 6.1.2 CDC shall establish, forthwith after an Account Holder is admitted to the CDS, a House Account in the name of the Account Holder. Where more than one Main Account have been established by CDC on behalf of an Account Holder pursuant to Regulation 6.1.1, CDC shall establish one House Account under each Main Account established by CDC on his behalf. CDC shall, at the written request of an Account Holder, establish additional House Accounts in the name of the Account Holder.
- 6.1.2A Where an Account Holder is a Stock Broker, CDC shall, at the written request of such Account Holder, establish a Collateral Account in the name of the Account Holder.
- 6.1.3 CDC shall establish, forthwith after a Participant is admitted to the CDS, a Group Account in the name of the Participant. Where more than one Main Account have been established by CDC in the name of a Participant pursuant to Regulation 6.1.1, CDC shall establish one Group Account for such Participant under each Main Account established by CDC on his behalf.
- 6.1.4 All Accounts of an Account Holder shall bear such Registration Details as are supplied by the Account Holder in the Admission Form referred to in Regulation 4.1.1(e) or Regulation 4.3.1(a), as the case may be. Every Account Holder shall ensure that the Registration Details supplied by the Account Holder in the Admission Form above referred are correct and complete in every respect and shall be responsible for any and all inaccuracies and/or inadequacies in the Registration Details supplied by the Account Holder.
- 6.1.5 If at any time a change occurs in the Registration Details supplied by an Account Holder to the CDC in relation to the Account Holder's Accounts, the Account Holder shall:
- (a) notify the change to the CDC; and
  - (b) ensure, in accordance with the Procedures, that the Account Holder's Accounts reflect the change.
- 6.1.6 DELETED.
- 6.1.7 DELETED.



6.1.8 DELETED.

**6.1A Establishment of Accounts for the Clearing Company**

6.1A.1 CDC shall, at the written request of the Clearing Company, establish on behalf of the Clearing Company, following two Accounts:

- (a) a NCC-Squaring-up Account; and
- (b) a NCC-Retrieval Account.

**6.2 Establishment and maintenance of Sub-Accounts**

6.2.1 Subject to Regulation 6.2.2, a Participant may from time to time Transmit to the CDC, within the Designated Time, a Valid Sub-Account Opening Transaction to establish Sub-Accounts for his Sub-Account Holders under every Main Account established by CDC on behalf of the Participant pursuant to Regulation 6.1.1, provided that, where the Participant is also a Clearing Member, CDC shall reject the Sub-Account Opening Transaction where the UIN has not been established by such Participant for his Sub-Account Holder prior to Transmission of such Sub-Account Opening Transaction and shall Notify such rejection to the Participant.

6.2.2 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 or on behalf of 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. A Participant shall, as a mandatory requirement, offer the services comprised in the CDC Access to each of his Sub-Account Holders at the time of opening of Sub-Accounts.

6.2.3 A Participant shall not, under any circumstances, modify, alter, amend or make any change or changes in the Sub-Account Opening Form. CDC shall notify any changes made by the Commission or by the CDC with the prior approval of the Commission in the Sub-Account Opening Form at any time after coming into force of this Regulation 6.2, and such changes shall be deemed to have been included in the existing Sub-Account Opening Forms (in the form previously approved by the Commission) used by the Participants forthwith after giving of such notification by the CDC.

6.2.4 Each Sub-Account established by a Participant pursuant to Regulation 6.2.1 shall bear such Registration Details and other information of the Sub-Account Holder as are provided by the Sub-Account Holder in the Sub-Account Opening Form. Every Participant shall be responsible to ensure that the Registration Details and other information of each Sub-Account Holder specified by the Participant in the Sub-Account Opening Transaction Transmitted by him to establish a Sub-Account are correct and complete in every respect.

- 6.2.5 Where the Registration Details and other information obtained by a Participant in the Sub-Account Opening Form are prima facie inaccurate or are otherwise incomplete, the Participant shall not Transmit the Sub-Account Opening Transaction to the CDC on the basis of such Registration Details and other information.
- 6.2.6 Within such number of days of coming into force of this Regulation 6.2 as prescribed by the Commission (hereinafter in this Chapter referred to as the "Time Period"), each Participant shall ensure that the Registration Details and other information of all existing Sub-Accounts maintained by him as part of his Account Family are modified in conformity with the Registration Details and other information to be set out in the Sub-Account Opening Form and that such modified Registration Details and other information are Transmitted to the CDC. In addition, each Participant shall also offer the services comprised in the CDC Access to all existing Sub-Accounts maintained by him before the expiry of the Time Period.
- 6.2.7 If at any time a Participant is notified by any of his Sub-Account Holders of a change in the Registration Details or other information of that Sub-Account Holder, the Participant shall, subject to Regulation 15.5.1(h) and the Procedures:
- (a) notify the change to the CDC; and
  - (b) ensure, in accordance with the Procedures, that the Sub-Account of the Sub-Account Holder reflects the change.
- 6.2.8 If at any time the CDC is satisfied that it does not have the data processing capacity and operational capabilities for establishment of additional Sub-Accounts on the CDR without endangering or impairing the integrity of the CDS or its orderly functioning, it shall:
- (a) notify all Participants of a date and time after which it shall reject Valid Sub-Account Opening Transaction Transmitted to it; and
  - (b) reject all Valid Sub-Account Opening Transactions Transmitted to it after the effective time stated in the notice referred to in Regulation 6.2.8(a).
- 6.2.9 If at any time after giving the notice referred to in Regulation 6.2.8(a) the CDC is satisfied that it has the data processing capacity and operational capabilities for establishment of additional Sub-Accounts on the CDR without endangering or impairing the integrity of the CDS or its orderly functioning, it shall:
- (a) notify all Participants of a date and time after which it shall accept Valid Sub-Account Opening Transactions Transmitted to it; and
  - (b) accept all Valid Sub-Account Opening Transactions Transmitted to it after the effective time stated in the notice referred to in

Regulation 6.2.9(a).

## **6.2A Sending of Holding Balance statements to Sub-Account Holders**

6.2A.1 Every Participant shall send within 10 days of end of each quarter to all Sub-Account Holders maintaining Sub-Accounts under the control of such Participant Holding Balance statements showing the number of every Book-entry Security entered in every such Sub-Account as of the end of the preceding quarter. Such Holding Balance statements shall be generated from the CDS and shall be sent to the Sub-Account Holders in the manner set out in Regulation 2.6.4 including to the email addresses of the Sub-Account Holders notified to the Participants by them.

6.2A.2 CDC may, at its discretion, directly send Holding Balance statements to the Sub-Account Holders in the manner and to the extent that CDC thinks reasonably necessary from time to time.

## **6.2B Participants to send statements to their clients**

6.2B.1 Every Participant shall send by the 10<sup>th</sup> day of every month to each of his clients whose Book-entry Securities are entered in the Group Account of the Participant a statement showing the number of every Book-entry Security owned by such client and standing to the credit of such Group Account as of the end of the preceding month. Such statements shall be sent in the manner set out in Regulation 2.6.4.

## **6.3 Board to prescribe Registration Details**

6.3.1 The Board shall from time to time prescribe any additional Registration Details as may be necessary to facilitate the smooth functioning of the CDS. However, such additional Registration Details shall not be in violation of any law for the time being in force.

6.3.2 Where any additional Registration Details are prescribed pursuant to Regulation 6.3.1:

- (a) the CDC shall give prompt notice of same to all CDS Elements; and
- (b) all Account Holders shall promptly ensure, in accordance with the Procedures, that their Accounts and any Sub-Accounts controlled by them bear such additional Registration Details.

## **6.4 Maintenance of Accounts and Sub-Accounts**

6.4.1 An Account Holder shall maintain the Holdings forming part of his Account Family in accordance with these Regulations.

6.4.2 All Holdings shall bear such parameters as are specified in the Procedures.

6.4.3 The CDC shall maintain such Registration Details pertaining to each

Holding as are supplied to it from time to time by the Account Holder controlling such Holding.

**6.4A Prohibition on parking of Book-entry Securities in Main Account at the End of Day**

6.4A.1 Every Participant maintaining a Main Account shall be mandatorily required to ensure that any Book-entry Securities transferred to or, as the case may be, entered in to such Main Account shall not remain parked therein at the End of Day of the transfer or, as the case may be, entry of such Book-entry Securities therein.

**6.4B Tagging of Accounts and Sub-Accounts with the Clearing Company**

6.4B.1 CDC shall, as of the End of Day on every Business Day, provide to the Clearing Company the Sub-Accounts and House Accounts numbers of such Sub-Accounts and House Accounts as form part of the Account Families of all such Account Holders as are the Clearing Members for the purpose of tagging, in accordance with the NCCPL Regulations, of such numbers with the UINs established by the Account Holders and CDC respectively in respect of such Sub-Accounts and House Accounts.

**6.5 Opening Accounts for Eligible Pledges**

6.5.1 Forthwith upon admitting a person as an Eligible Pledgee pursuant to Regulation 4.8, the CDC shall open on behalf of the Eligible Pledgee an Eligible Pledgee Account. The CDC may, in its discretion, at the request of an Eligible Pledgee, establish additional Eligible Pledgee Accounts on behalf of such Eligible Pledgee.

**6.6 CDC not Liable**

6.6.1 Notwithstanding any thing to the contrary contained in these Regulations, CDC shall not be liable to any CDS Element or to any other person whatsoever for preparing and making available under these Regulations any Report, including, without prejudice to the generality of the foregoing, a Beneficial Owners Report, on the basis of and incorporating the Registration Details and/or other information supplied to CDC under these Regulations or otherwise in respect of Account Holders, Sub-Account Holders and of the persons who own Book-entry Securities entered in the Group Accounts of Participants. Every CDS Element shall indemnify CDC and its Directors, Officers, employees and agents and hold them harmless from and against any losses, damages, costs and expenses incurred or suffered by CDC or any of its Directors, Officers, employees and agents as a consequence of preparing and making available under these Regulations any Report based upon the Registration Details and/or other information supplied by such CDS Element.

**6.7 Operations of Sub-Accounts**

6.7.1 A Participant shall Handle the Book-entry Securities entered in the Sub-

Accounts of his Sub-Account Holders only for the specific purposes as set out in the Authorization provided in the Sub-Account Opening Forms of such Sub-Account Holders as signed by them or, as the case may be, their Attorney. Where a Sub-Account Holder or, as the case may be, his Attorney, has not signed the Sub-Account Opening Form by the date this Regulation 6.7 comes into force, the Participant controlling the Sub-Account of such Sub-Account Holder shall, immediately thereafter, Handle the Book-entry Securities entered in such Sub-Account only for the purposes as set out in the Authorization.

- 6.7.2 Handling of Book-entry Securities by a Participant that are entered in the Sub-Accounts of his Sub-Account Holders for any purpose other than those specifically set out in the Authorization shall require the specific prior written authorization of the relevant Sub-Account Holders in favour of the Participant on each occasion.

Provided that, where a Participant exercises his right, pursuant to an Authorization, to recover the outstanding charges or losses from his Sub-Account Holder including for the recovery of the payment against the underlying market purchase transactions made by the Participant on behalf of such Sub-Account Holder (hereinafter in this Regulation 6.7.2 collectively referred to as the "Outstanding Dues") by disposing of the Book-entry Securities held in the Sub-Account of such Sub-Account Holder through market-based Securities transactions to be settled through the Clearing Company in accordance with the NCCPL Regulations, the Participant shall:

- (a) give notice to the Sub-Account Holder in the manner set forth under sub-clause (i) of clause (ka) of Regulation 9.1.1; and
- (b) comply with the requirements of sub-clause (iv) of clause (ka) of Regulation 9.1.1 with respect to the Outstanding Dues.

- 6.7.3 Where, after the expiry of the Time Period, a Participant has not modified the Registration Details and other information of any Sub-Accounts maintained by him as part of his Account Family in accordance with Regulation 6.2.6, the Participant shall not Handle the Book-entry Securities owned by the Holders of such Sub-Accounts with the exception of Free Delivery Transactions resulting in debiting of any Book-entry Securities entered in such Sub-Accounts, provided that the underlying Securities transactions to which such Free Delivery Transactions relate fall under Regulation 9.1.1 (g) or Regulation 9.1.1 (l), unless the Participant modifies the Registration Details and other information of such Sub-Accounts in accordance with Regulation 6.2.6.

**CHAPTER 7: COMMUNICATIONS IN THE CDS****7.1 Communicating with the CDC**

7.1.1 Each CDS Element shall:

- (a) establish and maintain an interface with the CDS in accordance with the Procedures; and
- (b) ensure that no person other than the CDS Element itself or an Authorised Person has access to that interface with the CDS.

7.1.2 A CDS Element shall promptly give notice to the CDC if it or its Authorised Person:

- (a) is aware of any fact or matter; or
- (b) intends to take any action,

that may affect its capacity to communicate reliably with the CDS in accordance with the Procedures.

7.1.3 The CDC shall promptly give notice to a CDS Element if the CDC's ability to communicate with the CDS Element in accordance with the Procedures is or may be impaired.

7.1.4 If a CDS Element gives notice to the CDC under Regulation 7.1.2 or if the CDC gives notice to a CDS Element under Regulation 7.1.3, the CDC may take such steps as it considers necessary or desirable for the integrity or orderly operation of the CDS, including giving advice or directions to the CDS Element to:

- (a) restore communications; or
- (b) prevent or minimize impairment to communications,

between the CDC and that CDS Element, as the case requires.

7.1.5 If the CDC gives advice or directions to a CDS Element under Regulation 7.1.4, the CDS Element shall observe and give effect to that advice or those directions.

7.1.6 The CDC shall, from time to time, by notice sent to all CDS Elements, the Commission and the Stock Exchanges, designate and approve the medium for communications between CDS Elements and the CDC.

**7.2 Technical and Performance Requirements**

7.2.1 A CDS Element shall ensure at all times that:

- (a) it has the capacity to communicate reliably with the CDS in

accordance with the Procedures; and

- (b) it employs or retains such personnel familiar with these Regulations and the Procedures as are necessary to allow the CDS Element to carry out its obligations in accordance with these Regulations and to generate, receive and process Transactions and Obtain Reports in accordance with the Procedures.

7.2.2 The CDC may give advice or directions to a CDS Element in order to ensure that the CDS Element meets or continues to meet the Technical and Performance Requirements.

7.2.3 A CDS Element shall observe and give effect to any advice or directions given under Regulation 7.2.2.

7.2.4 Without limiting Regulation 7.2.2, the CDC may on reasonable notice require a CDS Element to undertake additional testing of the CDS Element's ability to meet the Technical and Performance Requirements if:

- (a) the CDC reasonably believes that the number of erroneous Transactions Transmitted by, or electronic communications problems with, that CDS Element warrants such action;
- (b) the CDC introduces significant new CDS Software that will affect that CDS Element's ability to meet those Technical and Performance Requirements;
- (c) the CDS Element gives notice to the CDC under Regulation 7.1.2; or
- (d) the CDS Element fails to give notice to the CDC under Regulation 7.1.2 but the CDC becomes aware that the CDS Element has effected or proposes to effect:
  - (i) any change to its interface with the CDS; or
  - (ii) any changes to its interface with the CDS or computing environment that alter or may alter its capacity to communicate with the CDS.

### **7.3 Validation of Transactions**

7.3.1 The CDC shall allocate an ID to:

- (a) each CDS Element, not being an Issuer, on admission to participate in CDS; and
- (b) each Issuer on the first occasion that any Securities of that Issuer becomes declared as an Eligible Security.

- 7.3.1A Where the CDC has established at the request of a CDS Element, not being an Issuer, more than one Main Account pursuant to Regulation 6.1.1, the CDC may at the request of such CDS Element allocate separate IDs in respect of all Main Accounts of that CDS Element.
- 7.3.2 A CDS Element shall use, in accordance with the Procedures, the ID allocated to it pursuant to Regulation 7.3.1 in each Transaction Transmitted by it to identify the source of the Transaction.
- 7.3.3 A CDS Element shall only Transmit Transactions that comply with the Transaction requirements specified in the Procedures.
- 7.3.4 Subject to these Regulations, the CDC shall accept for processing any Valid Transaction Transmitted to the CDC by a CDS Element.
- 7.3.5 An Issuer shall accept for processing any Report sent to the Issuer by any CDS Element in accordance with these Regulations and the Procedures.
- 7.3.6 If a Transaction Transmitted to the CDC by a CDS Element is not Valid, the CDC shall:
- (a) reject the Transaction; and
  - (b) notify the CDS Element of that rejection and the reason for the rejection.

#### **7.4 Source of a Transmission on the CDS**

- 7.4.1 If a Valid Transaction identifies the source of the Transaction:
- (a) as the CDC, by specifying the ID of the CDC; or
  - (b) as a CDS Element, by specifying the ID of the CDS Element,
- that Transaction is taken for all purposes under these Regulations to have been Transmitted by the CDC or that CDS Element, as the case requires.



**CHAPTER 8: DEPOSIT AND WITHDRAWAL OF SECURITIES****8.1 Deposit of Registered-Form Eligible Securities into the CDS**

8.1.1 As from the CDS Eligibility Date of any Registered-Form Securities, each Account Holder shall be authorised to sign, in pursuance of Regulation 8.2.1(c), as transferee on its behalf and as its agent all transfer deeds or other instruments of transfer pertaining to such Eligible Securities to be transferred in the name of the CDC for the purpose of deposit in the CDS.

Provided that such authorization shall not be valid where such Securities are not already registered in the name of the person in whose Account or, as the case may be, Sub-Account such Securities are to be deposited and such registration is reflected in the Documents Evidencing Title of such Securities.

8.1.2 An Account Holder may process for deposit in the CDS, in accordance with Regulation 8.2, any Registered-Form Eligible Securities the Registrable Transfer Documents in respect of which are held by:

- (a) the Account Holder himself; or
- (b) if the Account Holder is a Participant, any person who is:
  - (i) a client of the Participant and who does not wish to have a Sub-Account in the CDS in its own name;
  - (ii) a Sub-Account Holder in respect of whom the Participant is the Controlling Participant; or
  - (iii) a person applying to become a Sub-Account Holder of the Participant.

PROVIDED THAT the Account Holder or, as the case may be, the Participant shall not process for deposit into the CDS of any Registered-Form Eligible Securities unless at the time of processing:

- (i) such Securities are already registered in the name of the person in whose Account, or as the case may be, Sub-Account such Securities are to be deposited; and
- (ii) such registration is reflected in the Documents Evidencing Title of such Securities.

8.1.3 The Depositing Account Holder shall be responsible to pay any stamp duty payable on the transfer of any Registered-Form Eligible Securities into the name of the CDC for the purpose of deposit of such Securities in the CDS.

## 8.2 Duties of the Depositing Account Holders in connection with deposit of Registered-Form Eligible Securities into the CDS

8.2.1 A Depositing Account Holder processing the deposit into the CDS of any Registered-Form Eligible Securities shall, subject to Regulation 8.1.2:

- (a) Validly complete the Securities Deposit Form;
- (b) Transmit, within the Designated Time, a Deposit Request Transaction to CDC using the information entered in the Securities Deposit Form specifying, inter alia, as the Target Holding:
  - (i) DELETED
  - (ii) any Sub-Account controlled by the Depositing Account Holder as a Participant, or
  - (iii) any House Account of the Depositing Account Holder,in which would be entered the Book-entry Securities representing such Eligible Securities;
- (c) sign, as agent and on behalf of the CDC as transferee, the transfer deeds or other instruments of transfer comprised in the Registrable Transfer Documents relating to such Eligible Securities;
- (d) despatch to the Issuer of such Eligible Securities the Registrable Transfer Documents together with:
  - (i) two copies of the completed Securities Deposit Form; and
  - (ii) two copies of the printout generated by the Computer System in acknowledgment of Transmission of the Deposit Request Transaction; and
- (e) retain one copy of the completed Securities Deposit Form for his own records; and
- (f) deliver one copy of the completed Securities Deposit Form, marked as "Depositor's Copy", to the Depositor.

8.2.2 A separate Securities Deposit Form shall be used for each class of Eligible Securities being processed for deposit into the CDS.

8.2.3 The copy of the completed Securities Deposit Form delivered to a Depositor by a Depositing Account Holder in pursuance of Regulation 8.2.1(f), marked as "Depositor's Copy", shall constitute a receipt, in the hands of the Depositor against the Depositing Account Holder, for the delivery of the documents stipulated in the Securities Deposit Form by the Depositor to the Depositing Account Holder.

- 8.2.4 If a Depositing Account Holder receives the documents referred to in Regulations 8.3.1(a)(iv) and 8.3.1(a)(v) from an Issuer, the Depositing Account Holder shall:
- (a) deliver one copy of the Securities Deposit Form marked by the Issuer as "Accepted" to the Depositor; and
  - (b) retain for his records the document referred to Regulation 8.3.1(a)(iv) and the other copy of the Securities Deposit Form marked by the Issuer as "Accepted".
- 8.2.5 A copy of the Securities Deposit Form marked as "Accepted" by an Issuer of Eligible Securities shall constitute evidence against the Issuer of the receipt by him of the Registrable Transfer Documents pertaining to such Securities for the purpose of deposit into the CDS.
- 8.2.6 An Account Holder may, after Transmitting a Deposit Request Transaction, Transmit, within the Designated Time, a Deposit Request Cancellation Transaction to the CDC in respect of such Deposit Request Transaction.
- 8.2.7 The requirements of Regulations 8.2.1(f), 8.2.3 and 8.2.4(a) regarding delivery of documents mentioned therein by the Depositing Account Holder to the Depositor shall be construed as requiring retention of such documents by the Depositing Account Holder if he is the Depositor.
- 8.3 Duties of an Issuer in connection with deposit of Registered-Form Eligible Securities into the CDS**
- 8.3.1 Within 5 days of the receipt of the documents referred to in Regulation 8.2.1(d), the Issuer shall verify the Registrable Transfer Documents and may, after satisfying itself about their genuineness, valid use of authorization by the Depositing Account Holder in terms of Regulation 8.1.1 and the fitness for transfer of the Eligible Securities represented by them into the name of the CDC:
- (a) register the transfer of the Eligible Securities being deposited into the CDS in the name of the CDC and:
    - (i) Transmit, within the Designated Time, a Valid Deposit Approval Transaction to the CDC in respect of such Securities;
    - (ii) prominently and indelibly mark the Documents Evidencing Title of the Eligible Securities as "Canceled";
    - (iii) obtain a copy of the printout generated by the Computer System in acknowledgment of Transmission of the Deposit Approval Transaction;
    - (iv) sign a copy of the printout referred to in Regulation

- 8.3.1(a)(iii) and despatch it to the Depositing Account Holder; and
- (v) return two copies of the Securities Deposit Form marked as "Accepted" to the Depositing Account Holder;
- (b) reject the transfer of the Eligible Securities into the name of the CDC and:
- (i) Transmit, within the Designated Time, a Valid Deposit Rejection Transaction to the CDC in respect of such Securities;
- (ii) mark all the documents submitted to the Issuer, except the relevant Registrable Transfer Documents, referred to in Regulation 8.2.1(d), as "Rejected"; and
- (iii) return the documents (except any fake/bogus/counterfeit documents for which a confirmation letter will be given by the Issuer) referred to in Regulation 8.2.1(d) to the Depositing Account Holder; or
- (c) if the Issuer has been disabled by the CDC from Transmitting, in relation to such documents, any Deposit Approval Transaction and Deposit Rejection Transaction pursuant to Regulation 8.4.4, return the documents referred to in Regulation 8.2.1(d) to the Depositing Account Holder.

### **8.3A Rejection of Transfer of Eligible Securities into the Name of CDC in certain cases**

- 8.3A.1 If the Registrable Transfer Documents referred to Regulation 8.2.1(d) are not received by an Issuer within thirty (30) days after the Transmission by a Depositing Account Holder of a Deposit Request Transaction under Regulation 8.2.1(b) in respect of any Registered-Form Eligible Securities of such Issuer, the Issuer shall reject the transfer of such Securities in the name of CDC and shall Transmit, within the Designated Time, a Valid Deposit Rejection Transaction to CDC in respect of these Securities.
- 8.3A.2 If the Registrable Transfer Documents in respect of any Registered-Form Eligible Securities of an Issuer are received by the Issuer after it has Transmitted a Valid Deposit Rejection Transaction in respect of such Securities under Regulation 8.3A.1, the Issuer shall return such Registrable Transfer Documents to the Depositing Account Holder.
- 8.3A.3 Where a Book Closure Period has been publicised by an Issuer of any Eligible Securities pursuant to Regulation 12.1.1 and the Registrable Transfer Documents referred to in Regulation 8.2.1(d) are not received by an Issuer by the 2<sup>nd</sup> Business Day after the Book Closure Date to which such Book Closure Period pertains following the Transmission by a Depositing Account Holder of a Deposit Request Transaction under Regulation 8.2.1(b) in respect of any Registered-Form Eligible Securities

of such Issuer, then, in such case, notwithstanding any other provisions of the Regulations, it shall be deemed that:

- (a) the dispatch of the Registrable Transfer Documents pursuant to Regulation 8.2.1(d) was made; and
- (b) the Transmission of a Valid Deposit Request Transaction under Regulation 8.2.1(b) pertaining to the Registered-Form Eligible Securities covered by the said Registrable Transfer Document occurred,

on the day after the Book Closure End Date pertaining to such Book Closure Period.

#### **8.4 Duties of the CDC in connection with deposit of Registered-Form Eligible Securities into the CDS**

8.4.1 If the CDC receives Transmission, within the Designated Time, of a Valid Deposit Request Transaction from an Account Holder, it shall:

- (a) enter, in a Deposit Pending Position in the Target Holding, such number of Book-entry Securities representing the Eligible Securities in respect of which the Deposit Request Transaction is Transmitted; and
- (b) ensure that the Computer System is capable of generating a printout in acknowledgment of the Transmission to the CDC of the Deposit Request Transaction.

8.4.2 If the CDC receives Transmission, within the Designated Time, of a Valid Deposit Approval Transaction from an Issuer, it shall:

- (a) remove, from a Deposit Pending Position in the Target Holding, such number of Book-entry Securities in respect of which the Deposit Approval Transaction is Transmitted;
- (b) add such number of Book-entry Securities to the Available Balance of the Target Holding; and
- (c) ensure that the Computer System is capable of generating a printout in acknowledgment of the Transmission to the CDC of the Deposit Approval Transaction.

8.4.3 If the CDC receives Transmission, within the Designated Time, of a Valid Deposit Rejection Transaction from an Issuer, it shall:

- (a) remove, from a Deposit Pending Position in the Target Holding, such number of Book-entry Securities in respect of which the Deposit Rejection Transaction is Transmitted; and
- (b) give Notice of the receipt of the Deposit Rejection Transaction from the Issuer to the Account Holder controlling the Target Holding.

- 8.4.4 If:
- (a) the CDC receives Transmission, within the Designated Time, of a Valid Deposit Request Cancellation Transaction from a Depositing Account Holder in respect of any Eligible Securities to be deposited in the CDS; and
  - (b) prior to the receipt of the Deposit Request Cancellation Transaction:
    - (i) no Valid Deposit Approval Transaction has been received by the CDC from the Issuer in respect of such Eligible Securities; and
    - (ii) no action has been taken by the Issuer in the CDS in relation to the Deposit Request Transaction,
- the CDC shall:
- (c) remove, from a Deposit Pending Position in the Target Holding, such number of Book-entry Securities in respect of which the Deposit Request Cancellation Transaction is Transmitted;
  - (d) give Notice to the Issuer of the receipt of the Deposit Request Cancellation Transaction from the Depositing Account Holder controlling the Target Holding; and
  - (e) disable the Issuer from Transmitting any Deposit Approval Transaction and any Deposit Rejection Transaction in respect of such Eligible Securities.

## **8.5 Withdrawal of Registered-Form Eligible Securities from the CDS**

8.5.1 Any Account Holder may process, in accordance with Regulation 8.6, a withdrawal of Registered-Form Securities from the CDS represented by Book-entry Securities entered in:

- (a) the House Account of the Withdrawing Account Holder; or
- (b) any Sub-Account controlled by the Withdrawing Account Holder as a Participant.

8.5.2 The Transferee shall be responsible to pay any stamp duty payable on the transfer of the Registered-Form Securities entered into the CDS from the name of the CDC into the name of the Transferee for the purpose of effecting a withdrawal of such Registered-Form Securities from the CDS.

## **8.6 Duties of Withdrawing Account Holder withdrawing Registered-Form Eligible Securities from the CDS**

8.6.1 A Withdrawing Account Holder processing a withdrawal from the CDS of any Registered-Form Securities shall:

- (a) Validly complete the Securities Withdrawal Form entering therein, inter alia, the relevant Registration Details of the Transferee;
- (b) Transmit, within the Designated Time, a Withdrawal Request Transaction to CDC using the information entered in the Securities Withdrawal Form specifying, inter alia, as the Source Holding:
  - (i) DELETED
  - (ii) any Sub-Account controlled by the Withdrawing Account Holder as a Participant; or
  - (iii) any House Account of the Withdrawing Account Holder, in which the Book-entry Securities representing the Registered-Form Securities to be withdrawn from CDS are entered;
- (c) despatch to the Issuer of such Securities:
  - (i) two copies of the completed Securities Withdrawal Form; and
  - (ii) two copies of the printout generated by the Computer System in acknowledgment of the Transmission of the Withdrawal Request Transaction;
- (d) deliver one copy of the completed Securities Withdrawal Form, marked as "Transferee's Copy", to the Transferee; and
- (e) retain one copy of the completed Securities Withdrawal Form.

8.6.2 A separate Securities Withdrawal Form shall be used for each class of Securities being processed for withdrawal from the CDS by the Withdrawing Account Holder.

8.6.3 An Account Holder may, after Transmitting a Withdrawal Request Transaction, Transmit, within the Designated Time, a Withdrawal Request Cancellation Transaction to the CDC in respect of such Withdrawal Request Transaction.

## **8.7 Duties of an Issuer in connection with withdrawal of Registered-Form Securities from the CDS**

8.7.1 Within 5 days of the receipt of the documents referred to in Regulation 8.6.1(c), the Issuer may:

- (a) register the transfer of the Securities being withdrawn from the CDS from the name of the CDC into the name of the Transferee and:

- (i) Transmit, within the Designated Time, a Valid Withdrawal Approval Transaction to the CDC;
  - (ii) prepare certificates of the Securities being withdrawn from the CDS in the name of the Transferee; and
  - (iii) sign a copy of the printout referred to in Regulation 8.6.1(c)(ii) and despatch it to the Withdrawing Account Holder;
- (b) reject the transfer of the Securities from the name of the CDC into the name of the Transferee and:
- (i) Transmit, within the Designated Time, a Valid Withdrawal Rejection Transaction to the CDC;
  - (ii) mark all the documents referred to in Regulation 8.6.1(c) as "Rejected"; and
  - (iii) return to the Withdrawing Account Holder:
    - one copy of the duly completed Securities Withdrawal Form; and
    - one copy of the printoutreceived by the Issuer in pursuance of Regulation 8.6.1(c);  
or
- (c) if the Issuer has been disabled by the CDC from Transmitting, in relation to such documents, any Withdrawal Approval Transaction and Withdrawal Rejection Transaction pursuant to Regulation 8.8.4, return such documents to the Withdrawing Account Holder.

## 8.7.2

- If:
- (a) the Issuer of the Registered-Form Securities being withdrawn from the CDS registers the transfer of the Securities from the name of the CDC into the name of the Transferee; and
  - (b) the completed Securities Withdrawal Form, marked as "Transferee's Copy", delivered to a Transferee in pursuance of Regulation 8.6.1(d) indicates that the certificates of the Registered-Form Securities being withdrawn from the CDS shall be deliverable by the Issuer to the Transferee or his order,

then the Transferee, or any other person, shall be entitled to receive from the Issuer the delivery of the certificates of the Registered-Form Securities withdrawn from the CDS upon presentment to the Issuer of the completed Securities Withdrawal Form marked as "Transferee's Copy".



**8.8 Duties of the CDC in connection with withdrawal of Registered-Form Securities from the CDS**

## 8.8.1

If:

- (a) the CDC receives Transmission, within the Designated Time, of a Valid Withdrawal Request Transaction from an Account Holder; and
- (b) the Available Balance of the Source Holding to which the Withdrawal Request Transaction pertains equals or exceeds the number of Securities indicated to be withdrawn from the CDS by the Withdrawal Request Transaction,

the CDC shall:

- (c) enter, in a Withdrawal Pending Position in the Source Holding, such number of Book-entry Securities representing the Securities in respect of which the Withdrawal Request Transaction is Transmitted;
- (d) adjust the Available Balance of the Source Holding accordingly; and
- (e) ensure that the Computer System is capable of generating a printout in acknowledgment of the Transmission to the CDC of the Withdrawal Request Transaction.

## 8.8.2

If:

- (a) the CDC receives Transmission, within the Designated Time, of a Valid Withdrawal Request Transaction from an Account Holder; and
- (b) the Available Balance of the Source Holding to which the Withdrawal Request Transaction pertains is less than the number of Securities indicated to be withdrawn from the CDS by the Withdrawal Request Transaction,

the CDC shall:

- (c) reject the Withdrawal Request Transaction; and
- (d) Notify the Withdrawing Account Holder of the rejection.

## 8.8.3

If the CDC receives Transmission, within the Designated Time, of a Valid Withdrawal Approval Transaction from an Issuer, it shall:

- (a) remove, from a Withdrawal Pending Position in the Source Holding, such number of Book-entry Securities in respect of which the Withdrawal Approval Transaction is Transmitted; and
- (b) Notify:

- (i) the Withdrawing Account Holder; and
- (ii) the Issuer of the Securities to be withdrawn from the CDS, of the removal.

8.8.4 If the CDC receives Transmission, within the Designated Time, of a Valid Withdrawal Rejection Transaction from an Issuer, it shall:

- (a) remove, from a Withdrawal Pending Position in the Source Holding, such number of Book-entry Securities in respect of which the Withdrawal Rejection Transaction is Transmitted;
- (b) add such number of Book-entry Securities into the Available Balance of the Source Holding of the Withdrawing Account Holder; and
- (c) give Notice of the receipt of the Withdrawal Rejection Transaction from the Issuer to the Account Holder.

8.8.5 If:

- (a) the CDC receives Transmission, during the Designated Time, of a Withdrawal Request Cancellation Transaction from a Withdrawing Account Holder in respect of any Securities to be withdrawn from the CDS; and
- (b) prior to the receipt of the Withdrawal Request Cancellation Transaction:
  - (i) no Valid Withdrawal Approval Transaction has been received by the CDC in respect of such Eligible Securities; and
  - (ii) no action has been taken by the Issuer in the CDS in relation to the Withdrawal Request Transaction,

the CDC shall:

- (c) remove, from a Withdrawal Pending Position in the Source Holding, such number of Book-entry Securities in respect of which the Withdrawal Request Cancellation Transaction is Transmitted;
- (d) add such number of Book-entry Securities into the Available Balance of the Source Holding;
- (e) give Notice to the Issuer of the receipt of the Withdrawal Request Cancellation Transaction from the Withdrawing Account Holder; and
- (f) disable the Issuer from Transmitting any Withdrawal Approval

Transaction and Withdrawal Rejection Transaction in respect of such Securities.

## **8.8A Cancellation of Redeemable Securities from the CDS**

8.8A.1 Subject to Regulation 5.5B, an Account Holder may process the cancellation of Redeemable Securities from the CDS represented by Book-entry Securities in accordance with Regulation 8.8A.2 that are held in the CDS by:

- (a) the Account Holder himself; or
- (b) if the Account Holder is a Participant, any person who is a Sub-Account Holder in respect of whom the Participant is the Controlling Participant.

8.8A.2 An Account Holder processing a cancellation of any Redeemable Securities from the CDS shall, in accordance with the Procedures:

- (a) Validly complete the Securities Cancellation Form where the Redeemable Securities are held by him in the CDS or, where the Account Holder is a Participant, obtain duly filled and signed Securities Cancellation Form from the relevant Sub-Account Holder;
- (b) Transmit, within the Designated Time, a Cancellation Request Transaction to CDC using the information entered in the Securities Cancellation Form specifying, inter alia, as the Source Holding:
  - (i) any Sub-Account controlled by the Account Holder as a Participant; or
  - (ii) any House Account of the Account Holder,

in which the Book-entry Securities representing the Redeemable Securities to be cancelled from the CDS are entered;

- (c) specify the number of such Securities to be cancelled; and
- (d) provide a copy of printout generated by the Computer System to the concerned Sub-Account Holder (where applicable) in acknowledgment of Transmission of the Cancellation Request Transaction.

8.8A.3 A separate Securities Cancellation Form shall be used for each class of Redeemable Securities represented by Book-entry Securities being processed for cancellation from the CDS by the Account Holder.

8.8A.4 Subject to Procedures, an Account Holder may, after Transmitting a Cancellation Request Transaction, Transmit, within the Designated Time, a Cancellation Request Cancellation Transaction to CDC in respect of

such Cancellation Request Transaction.

8.8A.5 If CDC receives Transmission, within the Designated Time, of a Valid Cancellation Request Transaction from an Account Holder, it shall, subject to and, in the manner as specified in, the Procedures:

- (a) forthwith freeze the number of Securities in the Source Holding in respect of which a Valid Cancellation Request Transaction has been Transmitted by the Account Holder under Regulation 8.8A.2(b) and thereafter reject any Transaction Transmitted by the Account Holder in respect of such Securities;
- (b) Notify the fact to the Issuer of such Securities; and
- (c) cancel the number of Book-entry Securities specified in the Cancellation Request Transaction Transmitted by the Account Holder under Regulation 8.8A.2(b).

8.8A.6 If CDC receives Transmission, within the Designated Time, of a Valid Cancellation Request Cancellation Transaction from an Account Holder in respect of any Redeemable Securities to be cancelled from the CDS, it shall, subject to and, in the manner as specified in, the Procedures:

- (a) forthwith unfreeze the number of Securities in the Source Holding in respect of which a Valid Cancellation Request Cancellation Transaction has been Transmitted by the Account Holder under Regulation 8.8A.4 and thereafter accept any Transaction Transmitted by the Account Holder in respect of such Securities; and
- (b) Notify the fact to the Originating Account Holder.

8.8A.7 CDC and every concerned Issuer shall comply with the requirements of the Procedures as applicable for the implementation of and taking of all necessary steps in terms of this Regulation 8.8A.

## **8.9 Issuer Warranties and Indemnities**

8.9.1 An Issuer registering the transfer of any Registered-Form Eligible Securities into the name of the CDC for the purpose of deposit of the Securities into the CDS shall:

- (a) be deemed to have warranted that:
  - (i) the Documents Evidencing Title of the Securities submitted to the Issuer for the purpose of deposit of the Securities in the CDS are genuine;
  - (ii) the Documents Evidencing Title have been cancelled by the Issuer in accordance with Regulation 8.3.1(a)(ii); and
  - (iii) the Securities which have been registered in the name of the CDC were freely transferable and all restrictions on

transfer and formalities associated with transfer have been satisfied; and

- (b) indemnify the CDC if it suffers or incurs any losses, damages, costs or expenses as a result of any breach of the warranties contained in Regulation 8.9.1(a).

## **8.10 Depositor warranties and indemnities**

8.10.1 A Depositor shall:

- (a) be deemed to have warranted to an Issuer registering the transfer of any Registered-Form Eligible Securities into the name of the CDC for the purpose of deposit of the Securities in the CDS that:
  - (i) the Documents Evidencing Title of the Securities submitted to the Issuer for the purpose of deposit of the Securities in the CDS are genuine; and
  - (ii) the Depositor has the authority to require the deposit of the Securities in the CDS; and
- (b) indemnify the Issuer if it suffers or incurs any losses, damages, costs and expenses as a result of any breach of the warranties contained in Regulation 8.10.1(a).

## **8.11 Compulsory appointment of Transfer Agent**

8.11.1 Where the Issuer is also an Account Holder or a Participant, the Issuer shall entrust to an independent Transfer Agent the duties and functions of the Issuer as set out in these Regulations in connection with the registration of transfer of Securities and the issue and offer of Securities and in particular, without limiting the generality of the foregoing, duties and functions of the Issuer under Regulations 8.3.1, 8.3A, 8.7.1 and 8.7.2. Every Issuer who is also an Account Holder or a Participant on the date of coming into force of this Regulation 8.11 shall (unless it has already appointed a Transfer Agent) appoint a Transfer Agent, and entrust to such Transfer Agent its duties and functions as aforesaid within ninety (90) days after the said date.

**CHAPTER 8A: DEPOSIT OF NEW ISSUES OF REGISTERED FORM ELIGIBLE SECURITIES INTO THE CDS**

## WHERE:

- (i) any new Securities have been or are proposed to be offered by an Issuer to (a) public, or (b) other investors as part of public offer;
- (ii) CDC has declared such Securities to be "Eligible Securities" pursuant to Regulation 5.1;
- (iii) the application forms for such Securities give an option to the applicants (such "applicants" being hereinafter in this Chapter referred to as the "Allottees") to request that the Securities to be allotted to them be actually allotted to CDC and be credited to the accounts or sub-accounts of the Allottees with CDC or be credited to the Group Accounts of any Participants and any Allottees exercise such option by completing the appropriate column in the application forms for the Securities, such Securities shall be allotted by the Issuer directly to CDC and the Issuer shall Transmit, forthwith upon the Start of Day on immediately succeeding Business Day after the date of allotment a report of allotment to CDC, prepared in accordance with the Procedures, setting out the names of the Allottees, the account or sub-account or the Group Account numbers with CDC as specified by such Allottees in the application forms and the number of Book-entry Securities corresponding to such Securities to be entered in the said accounts with CDC and CDC shall forthwith, upon receiving such report, but not later than the End of Day of the Business Day on which such report is received, enter into the corresponding accounts or sub-accounts or Group Accounts, as the case may be, the Book-entry Securities relating to the Securities allocated to the Allottees in the said report.

**CHAPTER 8AA: RIGHTS ISSUES****8AA.1 Rights Entitlements**

8AA.1.1 Where an Issuer:

- (i) which is a company or other body corporate; and
- (ii) whose Securities (hereinafter in this Chapter referred to as the "Existing Securities") are Eligible Securities and the Book-entry Securities representing some or all of the Existing Securities of the Issuer are entered in certain Holdings,

offers new Securities by way of rights issue to the Holders of the Existing Securities shall, not later than 15 Business Days before the Books Closure Date in respect of such rights issue, give notice to the CDC in accordance with the Procedures specifying therein, inter alia:

- (a) the date of credit of Rights Entitlements in the CDS; and
- (b) the ratio in which the Rights Entitlements shall be offered to the Holders of Existing Securities of the Issuer.

8AA.1.2 Forthwith upon an Issuer giving notice to the CDC under Regulation 8AA.1.1, the CDC shall, in accordance with the Procedures, record the Rights Entitlements on the CDR in respect of Book-entry Securities representing the Existing Securities of the Issuer in respect of which Rights Entitlements are offered by the Issuer.

**8AA.2 Declaration of CDS Eligibility of Rights Entitlements**

8AA.2.1 Notwithstanding the Regulations contained in Chapter 5, the Rights Entitlements shall become the Eligible Securities upon receipt of Issuer's notice by the CDC pursuant to Regulation 8AA.1 and, subject to Regulation 8AA.2.2, all requirements of Regulation 5.1.1 with respect to declaration of Securities as CDS Eligible Securities shall be deemed to have been satisfied.

8AA.2.2 CDC shall give a notice of declaration of CDS Eligibility of the Rights Entitlements to the Issuer, the Commission and, if the Existing Securities in respect of which such Rights Entitlements are issued are listed on a Stock Exchange, also to such Stock Exchange.

**8AA.3 Credit of Rights Entitlements**

8AA.3.1 An Issuer, which has given notice to the CDC under Regulation 8AA.1, shall Obtain, after the End of Day on the 2nd Business Day after the Relevant Time, a Beneficial Owners Report to ascertain the Registration Details and Holding Balances of Holders whose Holdings show, as of the Relevant Time, corrected in accordance with Regulation 8AA.3.2, a Holding Balance of Book-entry Securities representing the Existing

Securities of the Issuer in respect of which the Rights Entitlements is offered by the Issuer.

- 8AA.3.2 The CDC shall ensure that the Beneficial Owners Report Obtained by an Issuer under Regulation 8AA.3.1 contains all adjustments to Holding Balances arising from any Deposit Approval Transactions and Withdrawal Approval Transactions Transmitted to the CDC in respect of any Book-entry Securities representing the Existing Securities of the Issuer which were existing in the Deposit Pending Position or Withdrawal Pending Position before the Start of Day on the Books Closure Date to which the Beneficial Owners Report pertains.
- 8AA.3.3 If an Issuer proceeds to issuance of Rights Entitlements on a basis which is in accordance with the details notified by the Issuer to the CDC under Regulation 8AA.3.1, the Issuer shall, forthwith upon the Start of Day on a Business Day as specified in the Procedures, allot in the name of the CDC, as of the date of actual allotment, such number of Rights Entitlements as is equal to the total of the integer portions of each figure obtained after the number of Rights Entitlements actually declared by the Issuer is applied to each Holder's Holding Balance as shown in the Beneficial Owners Report Obtained by the Issuer pursuant to Regulation 8AA.3.1 and immediately thereafter notify the fact to the CDC.
- 8AA.3.4 Notwithstanding anything containing in these Regulations, from the date of coming into force of this Regulation 8AA.3, every Account Holder and Sub-Account Holder holding Existing Securities of an Issuer shall be deemed to have authorized the CDC to renounce any Rights Entitlements on their behalf and as their agent in accordance with the Procedures for the purpose of credit of the Rights Entitlements in their Accounts or Sub-Accounts in accordance with these Regulations.
- 8AA.3.5 Upon receipt of the notice from an Issuer pursuant to Regulation 8AA.3.3, the CDC shall, subject to Regulation 8AA.3.4, forthwith but not later than the End of Day of the Business Day on which the notice is received, enter into the Holding Balance of each Holder shown in the Beneficial Owners Report Obtained by the Issuer under Regulation 8AA.3.1 such number of Book-entry Securities representing the Rights Entitlements as are equal to the integer portion of the figure obtained after the number of Rights Entitlements actually declared by the Issuer is applied to the Holder's Holding Balance as shown in the Beneficial Owners Report Obtained by the Issuer pursuant to Regulation 8AA.3.1.
- 8AA.3.6 The fractions of the Rights Entitlements shall be dealt with by the Issuer in accordance with its articles of association and the applicable laws.
- 8AA.3.7 If the Issuer which has given a notice to the CDC under Regulation 8AA.1.1 does not proceed to allotment of the Rights Entitlements, forthwith upon it becoming certain that the Rights Entitlements shall not proceed to allotment, the Issuer shall, in accordance with the Procedures, notify the fact to the CDC.



8AA.3.8 If the CDC receives notice from the Issuer under Regulation 8AA.3.7, the CDC shall, in accordance with the Procedures, remove the Rights Entitlements from the CDR.

#### **8AA.4 Regulations**

8AA.4.1 Notwithstanding anything contained in these Regulations, the Regulations contained in the other Chapters with regards to:

- (a) Deposit and Withdrawal of Securities;
- (b) Free Delivery Transactions; and
- (c) Pledging of Book-entry Securities,

shall mutatis mutandis apply to the Rights Entitlements unless any such Regulation is not relevant for compliance with the Procedures in respect of Rights Entitlements.

#### **8AA.5 Subscription of Rights Entitlements**

8AA.5.1 An Account Holder may process the subscription of Rights Entitlements in the CDS within the Designated Time, in accordance with Regulation 8AA.5.2, that are held in the CDS by:

- (a) the Account Holder himself; or
- (b) if the Account Holder is a Participant, a Sub-Account Holder in respect of whom the Participant is the Controlling Participant, provided that a request in writing in this regard has been obtained by the Participant from the Sub-Account Holder.

8AA.5.2 An Account Holder processing the subscription of Rights Entitlements into the CDS shall, in accordance with the Procedures:

- (a) Transmit, within the Designated Time, a Valid Rights Subscription Request Transaction to CDC specifying, inter alia, as the Source Holding:
  - (i) any Sub-Account controlled by the Account Holder as a Participant, or
  - (ii) any House Account of the Account Holder,

in which the Book-entry Securities representing the Rights Entitlements are entered;

- (c) specify the number of Rights Entitlements to be subscribed; and
- (d) provide two copies of printout generated by the Computer System to the Subscriber in acknowledgement of Transmission of the Rights Subscription Request Transaction for the purpose of payment of the subscription amount.

8AA.5.3 If the CDC receives Transmission, within the Designated Time, of a Valid Rights Subscription Request Transaction from an Account Holder, it shall, subject to Procedures:

- (a) forthwith freeze the number of Rights Entitlements in the Source Holding and thereafter reject any Transaction Transmitted by the Account Holder in respect of such Rights Entitlements; and
- (b) notify the fact to the Issuer.

#### **8AA.6 Allotment of Securities**

8AA.6.1 Within 14 Business Days of the last date for payment of the subscription price of the Rights Entitlements, the Issuer shall, after reconciliation of the subscription data in accordance with the Procedures, allot in the name of the CDC, as of the date of actual allotment, such number of Securities as is equal to the total of the subscribed Rights Entitlements and the Issuer shall Transmit, forthwith upon the Start of Day on immediately succeeding Business Day after the date of allotment, a report of allotment to CDC, prepared in accordance with the Procedures, setting out the names of the Subscribers, the Account or, as the case may be, the Sub-Account numbers with CDC of such Subscribers and the number of Book-entry Securities corresponding to such Securities to be entered in the said Accounts or Sub-Accounts with CDC and CDC shall forthwith, upon receiving such report, but not later than the End of Day of the Business Day on which such report is received, enter in the corresponding Accounts or Sub-Accounts, the Book-entry Securities relating to the Securities allocated to the Subscribers in the said report.

#### **8AA.7 Freezing of Rights Entitlements**

8AA.7.1 After the End of Day on the last date for payment of subscription price for the Rights Entitlements, the CDC shall reject all Valid Transactions Transmitted to it in respect of such Rights Entitlements.

#### **8AA.8 Cancellation of Rights Entitlements**

8AA.8.1 Upon receipt of a report under Regulation 8AA.6.1 and Regulation 8F.1 (if applicable), CDC shall, as of the Relevant Time, in accordance with the Procedures, cancel the corresponding entries in respect of the Book-entry Securities relating to the Rights Entitlements appearing in every Holding in which entries in respect of such Book-entry Securities may have been appearing as of the Relevant Time.

8AA.8.2 Contemporaneously with the cancellation of entries in respect of the Book-entry Securities relating to the Rights Entitlements under Regulation 8AA.8.1, the CDS Eligibility of such Rights Entitlements shall be deemed to have been revoked.

**8AA.9 Issuer Warranties and Indemnities**

- 8AA.9.1 An Issuer to which provisions of this Chapter apply, shall be deemed to have warranted that:
- (a) it has obtained all necessary approvals from the relevant regulatory authorities with respect to such rights issue;
  - (b) the Securities which have been allotted in the name of the CDC representing the Rights Entitlements issued by the Issuer were freely transferable in the CDS as Book-entry Securities and all restrictions on transfer and formalities associated with transfer have been satisfied;
  - (c) it has ensured that every Holder of the Existing Securities of the Issuer entitled to receive the Rights Entitlements is credited with Book-entry Securities representing his entitlement to such Securities;
  - (d) that every subscriber of the Rights Entitlements is credited with Book-entry Securities representing the Securities of the Issuer; and
  - (e) indemnify the CDC if it suffers or incurs any losses, damages, costs or expenses as a result of any breach of the warranties contained in paragraphs (a) to (d) of this Regulation 8AA.9.1.

**CHAPTER 8B: DEPOSIT OF REGISTERED FORM ELIGIBLE SECURITIES INTO THE CDS PURSUANT TO OFFER FOR SALE OF SECURITIES****8B.1 WHERE:**

- (i) any issued Securities of any Issuer have been or are proposed to be offered by any person (hereinafter referred to as the "Offeror") to (a) public, or (b) other investors as part of public offer;
- (ii) CDC has declared such Securities to be "Eligible Securities" pursuant to Regulation 5.1;
- (iii) the application forms prescribed by the Offeror for such Securities give an option to the applicants (hereinafter in this Chapter referred to as the "Applicants") to request that the Securities to be transferred to them be actually transferred to CDC and be credited to the Accounts or Sub-Accounts of Applicants with CDC or be credited to the Group Accounts of any Participants and any Applicants exercise such option by completing the appropriate column in the application forms for the Securities,

such Securities shall be transferred by the Issuer directly to CDC at the request of the Offeror and for that purpose any officer or officers of the Issuer empowered by it for this purpose shall be authorized to sign, as agent and on behalf of CDC as transferee, the transfer deeds or other instruments of transfer comprised in the Registrable Transfer Documents relating to such Securities submitted by the Offeror to the Issuer. The Issuer shall Transmit, forthwith upon the Start of Day on immediately succeeding Business Day after the date of registration of transfer to CDC of the said Securities a report of transfer to CDC prepared in accordance with the Procedures, setting out the names of the Applicants, the Account, Sub-Account or Group Account numbers with CDC as specified by such Applicants in the relevant column of the application forms, and the number of Book-entry Securities corresponding to such Securities to be entered in the said Accounts, or Sub-Accounts or Group Accounts, as the case may be, with CDC and CDC shall forthwith, upon receiving such report, but not later than the End of Day of the Business Day on which such report is received, enter into the corresponding Accounts or Sub-Accounts or Group Accounts, as the case may be, with CDC the Book-entry Securities relating to the Securities allocated to the Applicants in the said report. This Regulation constitutes an arrangement between the Offeror and CDC as regards the matters set out herein in terms of Section 14(3) of the Act.

**CHAPTER 8C: AMALGAMATION OF COMPANIES****8C.1 Complete Amalgamation, Cancellation of CDS Eligibility and of entries in certain Holdings**

W H E R E:

- (i) an Issuer which is a company or other body corporate (hereinafter in this Chapter referred to as the "Transferor Company") is amalgamated with another company or body corporate (hereinafter in this Chapter referred to as the "Transferee Company");
- (ii) the scheme of amalgamation of the Transferor Company with the Transferee Company (hereinafter in this Chapter referred to as the "Scheme of Amalgamation") provides for the dissolution of the Transferor Company and issuance by the Transferee Company of its Securities to the holders of any Securities of the Transferor Company in lieu of the Securities of the Transferor Company held by such holders in such ratio as is set out in the Scheme of Amalgamation; and
- (iii) the Securities of the Transferor Company and, subject to Regulation 8C.3, of the Transferee Company covered by the Scheme of Amalgamation are Eligible Securities and the Book-entry Securities representing certain or all of such Securities of the Transferor Company are entered in certain Holdings,

CDC shall contemporaneously with the action contemplated to be taken by CDC under Regulation 8C.2.11, cancel, in accordance with the Procedures, corresponding entries in respect of the Book-entry Securities relating to the Securities of the Transferor Company in the Holdings in which entries in respect of such Book-entry Securities may have been appearing as of the Relevant Time and simultaneously revoke the CDS Eligibility of such Securities.

**8C.2 Issuance of Securities by the Transferee Company**

**8C.2.1** After a date is fixed by the Transferee Company for the allotment of the Securities of the Transferee Company to the holders of the Securities of the Transferor Company, in terms of the Scheme of Amalgamation, the Transferee Company shall forthwith give notice to CDC of:

- (a) the date on which allotment of the Securities of the Transferee Company to the holders of the Securities of the Transferor Company shall be made by the Transferee Company;
- (b) the number of Securities of the Transferee Company to be allotted, in terms of the Scheme of Amalgamation, in lieu of the Securities registered in the names of the holders of the Securities of the Transferor Company; and

- (c) any Book Closure Period fixed by or for the Transferor Company for determining the entitlement of the holders of the Securities of the Transferor Company for the Securities of the Transferee Company.
- 8C.2.2 [DELETED]
- 8C.2.3 [DELETED]
- 8C.2.4 [DELETED]
- 8C.2.5 [DELETED]
- 8C.2.6 The Transferee Company shall, in order to allot Securities of the Transferee Company, in terms of the Scheme of Amalgamation, in lieu of the Book-entry Securities relating to the Securities of the Transferor Company entered in any Holdings, Obtain at any time after the End of Day on the 5th Business Day after the Relevant Time a Beneficial Owners Report in respect of the Book-entry Securities relating to the Securities of the Transferor Company corrected in accordance with Regulation 8C.2.7(a) [DELETED] to ascertain the Registration Details and Holding Balances as of the Relevant Time.
- 8C.2.7 CDC shall ensure that the Beneficial Owners Report Obtained by the Transferee Company under Regulation 8C.2.6 contains all:
  - (a) corrections to Registration Details and Holding Balances arising from any Deposit Approval Transactions and Withdrawal Approval Transactions Transmitted to the CDC in respect of the Book-entry Securities relating to the Securities of the Transferor Company which were existing in the Deposit Pending Position or Withdrawal Pending Position before the Start of Day on the Book Closure Date to which the Beneficial Owners Report pertains; and
  - (b) [DELETED]
- 8C.2.8 Whilst allotting its Securities to the holders of Securities of the Transferor Company, in terms of the Scheme of Amalgamation, the Transferee Company shall allot in the name of CDC such number of its Securities as is equal to the total of the integer portions of each figure obtained after the number of Securities of the Transferee Company to be issued by the Transferee Company is applied to each Holder's Holding Balance of the Book-entry Securities relating to the Securities of the Transferor Company as shown in the Beneficial Owners Report Obtained by the Transferee Company pursuant to Regulation 8C.2.6.
- 8C.2.9 The Transferee Company shall dispose of such number of Securities of the Transferee Company representing fractional entitlements of the Holders of the Securities of the Transferor Company as is equal to the number which is obtained after subtracting the number of Securities of the Transferee Company allotted to CDC pursuant to Regulation 8C.2.8 from the total number of such Securities, inclusive of any fractions, which

the Transferee Company would have allotted to CDC in the absence of the requirements of Regulation 8C.2.8.

8C.2.10 The Transferee Company shall make over the proceeds obtained pursuant to disposal under Regulation 8C.2.9 to each of the Holders shown in the Beneficial Owners Report Obtained by the Transferee Company pursuant to Regulation 8C.2.6 pro rata to their entitlement to such proceeds.

8C.2.11 Forthwith upon making allotment of its Securities to CDC, in terms of Regulation 8C.2.8, the Transferee Company shall notify this fact to CDC. Where CDC receives a notice from the Transferee Company pursuant to the preceding sentence of this Regulation, CDC shall forthwith after receiving such notice, but not later than the End of the Business Day on which the notice is received, enter into each Holding shown in the Beneficial Owners Report Obtained by the Transferee Company under Regulation 8C.2.6 such number of Book-entry Securities representing the Securities of the Transferee Company as are equal to the integer portion of the figure obtained after the number of Securities of the Transferee Company to be actually allotted, in terms of the Scheme of Amalgamation, is applied to each Holder's Holding Balance of the Book-entry Securities relating to the Securities of the Transferor Company as shown in the Beneficial Owners Report Obtained by the Transferee Company pursuant to Regulation 8C.2.6.

### **8C.3 CDS Eligibility of the Securities of the Transferee Company**

8C.3.1 Where the Securities of the Transferee Company are not Eligible Securities, CDC may, subject to Chapter 5 of the Regulations, notify the CDS Eligibility of such Securities.

8C.3.2 Notwithstanding Regulation 5.1.4, if so requested by the Transferee Company in writing, the date specified in the notice given under Regulation 5.1.1 as the CDS Eligibility Date may be a date which is less than 30 Business Days after the date of the said notice.

### **8C.4 Pledge of Book-entry Securities entered in any Holdings under Regulations 8C.2 or 8C.5**

8C.4.1 Notwithstanding Chapter 11, where any Book-entry Securities representing the Securities of the Transferee Company are to be entered under Regulation 8C.2.11 or Regulation 8C.5.9 in any Holdings in lieu of any Book-entry Securities of the Transferor Company, which are in Pledge Position in any such Holdings at the Relevant Time, such Book-entry Securities shall be entered by CDC in the Pledge Position in such Holdings.

8C.4.2 Notwithstanding Chapter 11, a Pledge on the Book-entry Securities entered in Pledge Position in any Holdings under Regulation 8C.4.1 shall take effect in favour of the Eligible Pledges concerned as soon as such Book-entry Securities are entered by CDC in Pledge Position in such Holdings and no further action, as contemplated in Chapter 11, shall be required to be taken for this purpose.

8C.4.3 Notwithstanding Chapter 11, where as a consequence of the cancellation of a part of the Securities of the Transferor Company registered in the name of CDC, any Book-entry Securities representing the Securities of the Transferor Company are to be entered under Regulation 8C.5.9 in any Holdings in lieu of any Book-entry Securities of the Transferor Company which are in Pledged Position in any such Holdings at the Relevant Time, the Book-entry Securities of the Transferor Company to be entered in any such Holdings shall be entered by CDC in the Pledged Position in such Holdings.

**8C.5 Partial Amalgamation and cancellation of part of entries in certain Holdings**

8C.5.1 The provisions contained in Regulation 8C.2 shall mutatis mutandis apply where the Scheme of Amalgamation provides, inter alia, for (i) transfer to the Transferee Company of one or more but not all undertakings of the Transferor Company, (ii) issuance by the Transferee Company of its Securities to the holders of the Securities of the Transferor Company in such ratio as is set out in the Scheme of Amalgamation, but (iii) does not provide for the dissolution of the Transferor Company.

8C.5.2 In the case of an amalgamation referred to in Regulation 8C.5.1:

8C.5.2.i The CDC Eligibility of the Securities of the Transferor Company shall not be revoked.

8C.5.2.ii Entries in any Holdings in respect of the Book-entry Securities relating to the Securities of the Transferor Company shall not be cancelled, provided that if the Scheme of Amalgamation provides for reduction of capital of the Transferor Company, the number of Book-entry Securities relating to the Securities of the Transferor Company forming part of such capital and entered in any Holdings shall be reduced pro rata to the amount of capital of the Transferor Company cancelled by virtue of the Scheme of Amalgamation in accordance with Regulation 8C.5.3 to 8C.5.9.

8C.5.3 The Transferor Company shall Obtain at any time after the End of Day on the 5th Business Day after the Relevant Time a Beneficial Owners Report in respect of the Book-entry Securities relating to the Securities of the Transferor Company corrected in accordance with Regulation 8C.5.4 to ascertain the Registration Details of the Holders whose Holdings showed as of the Relevant Time a Holding Balance of the Book-entry Securities representing the Securities of the Transferor Company.

8C.5.4 CDC shall ensure that the Beneficial Owners Report Obtained by the Transferor Company under Regulation 8C.5.3 contains all corrections to Registration Details and Holding Balances arising from any Deposit Approval Transactions and Withdrawal Approval Transactions Transmitted to CDC in respect of the Book-entry Securities relating to the Securities of the Transferor Company which were existing in the Deposit Pending Position or Withdrawal Pending Position before the Start of Day



- on the Book Closure Date to which the Beneficial Owners Report pertains.
- 8C.5.5 Forthwith upon CDC receiving a notice under Regulation 8C.2.1 in respect of the Registered-Form Eligible Securities relating to the Securities of the Transferee Company to be allotted to the holders of the Securities of the Transferor Company, CDC shall, in accordance with the Procedures, record such new Securities of the Transferee Company on the CDR.
- 8C.5.6 Whilst cancelling in part the holdings of Securities of the Transferor Company, in terms of the Scheme of Amalgamation, the Transferor Company shall retain in the name of CDC such number of its Securities as is equal to the total of the integer portions of each figure obtained after the number of Securities of the Transferor Company to be retained by the Transferor Company is applied to each Holder's Holding Balance of the Book-entry Securities relating to the Securities of the Transferor Company as shown in the Beneficial Owners Report Obtained by the Transferor Company pursuant to Regulation 8C.5.3.
- 8C.5.7 The Transferor Company shall dispose of such number of Securities of the Transferor Company representing fractional entitlements of the Holders of the Securities of the Transferor Company as is equal to the number which is obtained after subtracting the number of Securities of the Transferor Company retained in the name of CDC pursuant to Regulation 8C.5.6 from the total number of such Securities, inclusive of any fractions, which the Transferor Company would have retained in the name of CDC in the absence of the requirements of Regulation 8C.5.6.
- 8C.5.8 The Transferor Company shall make over the proceeds of sale obtained pursuant to disposal under Regulation 8C.5.7 to each of the Holders shown in the Beneficial Owners Report Obtained by the Transferor Company pursuant to Regulation 8C.5.3 pro rata to their entitlement to such proceeds.
- 8C.5.9 Forthwith after cancelling a part of the Securities registered in the name of CDC, in terms of Regulation 8C.5.6, the Transferor Company shall notify to CDC the number of uncanceled Securities. Where CDC receives a notice from the Transferor Company pursuant to the preceding sentence of this Regulation, CDC shall forthwith, after receiving such notice, but not later than the End of the Business Day on which the notice is received, enter into each Holding shown in the Beneficial Owners Report Obtained by the Transferor Company under Regulation 8C.5.3, in substitution for the entry in respect of the Securities of the Transferor Company to be partly cancelled, such number of Book-entry Securities representing the Securities of the Transferor Company as are equal to the integer portion of the figure obtained after the number of Securities of the Transferor Company to be actually retained, in terms of the Scheme of Amalgamation, is applied to each Holder's Holding Balance of the Book-entry Securities relating to the Securities of the Transferor Company as shown in the Beneficial Owners Report Obtained by the Transferee Company pursuant to Regulation 8C.5.3.

**CHAPTER 8D: CONSOLIDATION OR SUB-DIVISION OF SECURITIES****8D.1 Consolidation or sub-division of CDS Eligible Securities****W H E R E:**

- (i) an Issuer which is a company or other body corporate consolidates and divides the whole of its share capital in to shares of larger amount than its existing shares (hereinafter referred to as the "Existing Shares") or sub-divides the whole of its share capital in to shares of smaller amount than its Existing Shares;
- (ii) the consolidated or sub-divided paid-up shares created as above stated are equal in paid-up value of the paid-up Existing Shares of the Issuer consolidated or sub-divided; and
- (iii) the shares of the Issuer are Eligible Securities and the Book-entry Securities representing some or all of the Existing Shares of the Issuer are entered in certain Holdings,

CDC shall, in accordance with Regulation 8D.2 and the Procedures, decrease or increase the number of Book-entry Securities representing the Existing Shares entered in any Holdings to reflect the new paid-up value of the consolidated or sub-divided shares created as a consequence of the consolidation or sub-division of the Existing Shares.

**8D.2 Creation of Consolidated or Sub-divided Shares by the Issuer**

8D.2.1 After a date is fixed by the Issuer for the purpose of passing a resolution of its shareholders for consolidating or sub-dividing the Existing Shares, the Issuer shall forthwith, after such date is fixed, and in any event before the Books Closure Date notified by the Issuer under Regulation 12.1.1, give notice to CDC of:

- (a) the paid-up value of the consolidated or sub-divided shares to be created in lieu of the Existing Shares as a consequence of the consolidation or sub-division of the share capital of the Issuer; and
- (b) any Books Closure Period fixed by the Issuer for determining the entitlement of the holders of its Existing Shares to the consolidated or sub-divided shares created as above.

8D.2.2 Forthwith upon CDC receiving a notice from the Issuer under Regulation 8D.2.1 in respect of the consolidated or sub-divided shares, as the case may be, to be created as a consequence of the consolidation or sub-division, as the case may be, of the Existing Shares, CDC shall, in accordance with the Procedures, record the paid-up value of such consolidated or sub-divided shares on the CDR.

- 8D.2.3 The Issuer shall, in order to allocate consolidated or sub-divided shares, in lieu of the Book-entry Securities relating to the Existing Shares entered in any Holdings, Obtain at any time after the End of Day on the 5<sup>th</sup> Business Day after the Relevant Time a Beneficial Owners Report in respect of the Book-entry Securities relating to the Existing Shares corrected in accordance with Regulation 8D.2.4 to ascertain the Registration Details and Holding Balances as of the Relevant Time.
- 8D.2.4 CDC shall ensure that the Beneficial Owners Report Obtained by the Issuer under Regulation 8D.2.3 contains all corrections to the Registration Details and Holding Balances arising from any Deposit Approval Transactions and Withdrawal Approval Transactions Transmitted to CDC in respect of the Book-entry Securities relating to the Existing Shares which were in the Deposit Pending Position or Withdrawal Pending Position before the Start of Day on the Books Closure Date to which the Beneficial Owners Report pertains.
- 8D.2.5 Whilst allocating consolidated or sub-divided shares to the holders of the Existing Shares, the Issuer shall allocate in the name of CDC such number of the consolidated or sub-divided shares as is equal to the total of the integer portions of each figure obtained after the number of the consolidated or sub-divided shares of the Issuer to be allocated by the Issuer is applied to each Holder's Holding Balance of the Book-entry Securities relating to the Existing Shares as shown in the Beneficial Owners Report Obtained by the Issuer pursuant to Regulation 8D.2.3.
- 8D.2.6 The Issuer shall dispose of such number of the consolidated or sub-divided shares representing fractional entitlements of the Holders of the Book-entry Securities representing such shares as is equal to the number which is obtained after subtracting the number of the consolidated or sub-divided shares of the Issuer allocated to CDC pursuant to Regulation 8D.2.5 from the total number of such shares, inclusive of any fractions, which the Issuer would have allocated to CDC in the absence of the requirements of Regulation 8D.2.5.
- 8D.2.7 The Issuer shall make over the proceeds obtained pursuant to disposal under Regulation 8D.2.6 to each of the Holders shown in the Beneficial Owners Report Obtained by the Issuer pursuant to Regulation 8D.2.3 pro rata to their entitlement to such proceeds.
- 8D.2.8 Forthwith upon the allocation to CDC of the consolidated or sub-divided shares as aforesaid, in terms of Regulation 8D.2.5, the Issuer shall notify this fact to CDC. Where CDC receives a notice from the Issuer pursuant to the preceding sentence of this Regulation, CDC shall forthwith, in accordance with the Procedures, after receiving such notice, but not later than the Start of Day next following the Business Day on which the notice is received:
- (a) in the case of the consolidation of the Existing Shares, increase the paid-up value of the Book-entry Securities representing the Existing Shares entered in each Holding in accordance with the notice received by CDC from the Issuer under Regulation 8D.2.1(a) and

reduce the Holding Balance of such Book-entry Securities in each such Holding to such extent that the resulting Holding Balance of the Book-entry Securities representing the consolidated shares shall equal the integer portion of the figure obtained after the number of the consolidated shares actually allocated by the Issuer to CDC under Regulation 8D.2.5 is applied to the Holding Balance in such Holding as shown in the Beneficial Owners Report Obtained by the Issuer pursuant to Regulation 8D.2.3; or

- (b) in the case the sub-division of the Existing Shares, decrease the paid-up value of the Book-entry Securities representing the Existing Shares entered in each Holding in accordance with the notice received by CDC from the Issuer under Regulation 8D.2.1(a) and increase the Holding Balance of such Book-entry Securities in each such Holding to such extent that the resulting Holding Balance of the Book-entry Securities representing the sub-divided shares shall equal the integer portion of the figure obtained after the number of the sub-divided shares actually allocated by the Issuer to CDC under Regulation 8D.2.5 is applied to the Holding Balance in such Holding as shown in the Beneficial Owners Report Obtained by the Issuer pursuant to Regulation 8D.2.3.

### **8D.3 Pledge of Book-entry Securities entered in any Holdings under Regulations 8D.2**

- 8D.3.1 Notwithstanding Chapter 11, where any Book-entry Securities representing any Existing Shares of the Issuer are in Pledge Position in any Holdings at the Relevant Time, and the paid-up value and number of such Book-entry Securities are changed in accordance with Regulation 8D.2.8, such changed Book-entry Securities shall remain in Pledge Position under Pledge to the Eligible Pledgee concerned and no further action, as contemplated by Chapter 11, shall be required to be taken for this purpose.

### **8D.4 CDS ELIGIBILITY**

- 8D.4.1 Notwithstanding the requirements of Chapter 5, forthwith upon the passing of a resolution of the shareholders of the Issuer for the consolidation or sub-division of the Existing Shares, the CDS Eligibility of the Existing Shares shall stand cancelled and the consolidated or sub-divided shares, as the case may be, created as a consequence of the consolidation or sub-division of the Existing Shares shall stand declared as Eligible Securities whether or not the Issuer has made an application for those shares to be declared as Eligible Securities. The CDC shall give a notice of the CDS Eligibility of the consolidated or sub-divided shares to the Issuer, the Commission and, if the Securities are listed on a Stock Exchange, also to such Stock Exchange.

**CHAPTER 8E: UNITS OF OPEN-END SCHEME****8E.1 Issuance of New Units in CDS**

8E.1.1 Where (i) the Units in a Scheme have been declared by CDC as “Eligible Security” pursuant to Regulation 5.1; and (ii) the Offering Document and/or the application forms for such Units give(s) an option to the applicants (hereinafter in this Regulation 8E.1 referred to as the “Applicants”) to request that the Units to be purchased by the Applicants be allotted in the name of CDC and be credited to the Accounts or Sub-Accounts, as the case may be, of the Applicants with CDC and any Applicants exercise such option by completing the appropriate column in the application forms for the Units, such Units shall be allotted directly to CDC by the AMC which has offered the Scheme.

8E.1.2 After the date of allotment of any Units to CDC under Regulation 8E.1.1, an AMC shall, in accordance with the Procedures, Transmit within the Designated Time, a Report to CDC, prepared in accordance with the Procedures, setting out the names of the Applicants, the Account and/or the Sub-Account numbers as specified by such Applicants in their application forms and the number of Book-entry Securities representing the Units allocated to the Applicants in such Report and to be entered in the Accounts and/or Sub-Accounts, as the case may be, with CDC.

8E.1.3 An AMC shall transmit to CDC the Report referred to in Regulation 8E.1.2 after obtaining a confirmation of the Trustee that the Trustee has received the Offer Price for the Units covered by such Report of AMC.

8E.1.4 CDC shall, in accordance with the Procedures, enter in to the corresponding Accounts and/or Sub-Accounts, as the case may be, the Book-entry Securities representing the Units allocated to the Applicants in the Report of the AMC referred to in Regulation 8E.1.2 by the Designated Time on the Business Day on which such Report is received by CDC.

8E.1.5 Notwithstanding the foregoing, Book-entry Securities representing the Units allocated to any Applicants shall not be entered in any Main or Group Accounts.

**8E.2 Cancellation of Entry in Respect of Redeemed Units**

8E.2.1 Any Holder may apply for the redemption of the Book-entry Securities representing any Units entered in his Account or Sub-Account by completing and submitting a Redemption Form to the Participant or IAS controlling such Account or Sub-Account in accordance with the Procedures.

8E.2.2 The Participant or IAS, as the case may be, shall:

- (a) Transmit, within the Designated Time, a Redemption Request Transaction to CDC using the information entered in the Redemption Form specifying, inter alia, the Source Holding in which

the Book-entry Securities representing the Units to be redeemed from CDS are entered; and

- (b) take other steps in the manner set out in the Procedures, which inter alia include sending to the AMC for verification a copy each of Redemption Form and printout generated by the Computer System in acknowledgment of the Transmission of the Redemption Request Transaction.

8E.2.3 Where the AMC Transmits to CDC the Redemption Approval Transaction with respect to request for redemption covered by the Redemption Form, CDC shall, in terms of the Procedures, cancel the corresponding entry appearing in the Source Holding in respect of the Book-entry Securities representing the Units covered by such Redemption Form.

8E.2.4 Where the AMC Transmits to CDC the Redemption Rejection Transaction with respect to request for redemption covered by the Redemption Form, CDC shall, in terms of the Procedures, give Notice of the receipt of the Redemption Rejection Transaction from the AMC to the Originating Participant or IAS, as the case may be.

8E.2.5 It shall be the duty of the AMC to ensure that:

- (a) it Transmits to CDC the Redemption Approval Transaction or Redemption Rejection Transaction pertaining to redemption request covered by the Redemption Form to CDC after receiving for verification a copy of such Redemption Form from a Participant or IAS, as the case may be, for verification, in terms of the Procedures and the NBFC Rules;
- (b) the Redemption Price is paid to the applicant for redemption in terms of the Offering Document; and
- (c) all other requirements of the Procedures have been satisfied.

8E.2.6 CDC shall have no responsibility or liability in respect of the obligations of the AMC as set out in paragraphs (a), (b) and (c) of Regulation 8E.2.5.

### **8E.3 Transfer of Units**

8E.3.1 Any Holder may apply for the transfer of the Book-entry Securities representing any Units entered in his Account or Sub-Account, as the case may be, by completing and submitting a Transfer Form to the Participant or IAS controlling such Account or Sub-Account in accordance with the Procedures.

8E.3.2 The Participant or IAS, as the case may be, shall:

- (a) Transmit, within the Designated Time, a Transfer Request Transaction to CDC using the information entered in the Transfer Form specifying, inter alia, the Source Holding in which the Book-

entry Securities representing the Units to be transferred are entered and the Target Holding to which such Units are to be transferred; and

- (b) take other steps in the manner set out in the Procedures, which inter alia include sending to the AMC for verification a copy each of Transfer Form and printout generated by the Computer System in acknowledgment of the Transmission of the Transfer Request Transaction.

8E.3.3 Where the AMC Transmits to CDC the Transfer Approval Transaction with respect to request for transfer of Units covered by the Transfer Form, CDC shall, in terms of the Procedures, deduct the corresponding entry appearing in the Source Holding in respect of the Book-entry Securities representing the Units covered by such Transfer Form and enter that number of Units into the Target Holding.

8E.3.4 Where the AMC Transmits to CDC the Transfer Rejection Transaction with respect to request for Units covered by the Transfer Form, CDC shall, in terms of the Procedures, give Notice of the receipt of the Transfer Rejection Transaction from the AMC to the Originating Participant or IAS, as the case may be.

8E.3.5 It shall be the duty of the AMC to ensure that it Transmits to CDC the Transfer Approval Transaction or Transfer Rejection Transaction with respect to transfer of Units covered by the Transfer Form to CDC after receiving for verification a copy of such Transfer Form from a Participant or IAS, as the case may be, for verification, in terms of the Procedures and the NBFC Rules and CDC shall have no responsibility or liability in respect of the obligation of the AMC as set out in this Regulation 8E.3.5.

8E.3.6 Notwithstanding the foregoing, transfer of Book-entry Securities representing the Units shall not be permitted into a Group Account or a Main Account.

#### **8E.4 Miscellaneous**

8E.4.1 Subject to this Chapter and the Procedures, all provisions of the Regulations contained in other Chapters, including (without limitation) those dealing with Deposit, Withdrawal, Pledge and Corporate Actions, will mutatis mutandis apply to the Units and the Book-entry Securities representing the Units.

8E.4.2 Notwithstanding any provisions of this Chapter, verification or approval of AMC shall not be required for Pledge Security Transactions or Pledge Call Transactions in respect of Book-entry Securities representing the Units.

8E.4.3 Issuance of new Units in a Scheme by an AMC in lieu of dividend or distribution of any new Units in a Scheme by an AMC on the existing Units shall be dealt with in CDC mutatis mutandis in the same manner as provided in Regulation 8E.1 and Chapter 12 for bonus issue, respectively.

8E.4.4 Subject to the Procedures, CDC shall not enter Book-entry Securities representing any fractions of Units, if any, in the relevant Holdings.

**CHAPTER 8F      ENTERING      OF      CERTAIN      SECURITIES      IN  
ACCOUNTS/SUB-ACCOUNTS IN CDS****8F.1      WHERE:**

- (i) any Securities are to be issued, in compliance with any law or statute for the time being in force and where all the necessary approvals from the relevant regulatory authorities have been obtained, by any Issuer to:
  - (a) its shareholders by way of rights issue;
  - (b) any person or persons otherwise than by way of rights issue;
  - (c) any person or persons who have subscribed (otherwise than as underwriters) any unsubscribed rights shares;
  - (d) any person or persons in terms of any pre-public offering of such Securities by the Issuer;
  - (e) any person or persons by reason of conversion of any debt or debt instruments into shares of the Issuer;
  - (f) any person or persons by reason of conversion of preference shares into ordinary shares or into an other type of preference shares;
  - (g) any person or persons by reason of conversion of one type of equity Security into an other type of equity Security;
  - (h) any person or persons by reason of conversion of a Closed-end Scheme into Open-end Scheme;
  - (i) any person or persons as consideration for purchase of the Securities of any other Issuer from such person or persons;
  - (j) any person or persons in settlement of any loan due to such person; or
  - (k) any person or persons for any other reason not covered in this Chapter or any other Regulations of these Regulations;
- (ii) CDC has declared such Securities to be Eligible Securities pursuant to Regulation 5.1; and
- (iii) the application forms for such Securities, or other agreements entered into by the Issuer for any of the above purposes, give an option to the persons to whom the Securities are to be allotted



(such persons being hereinafter in this Chapter referred to as the "Allottees") to request or to require that the Securities to be allotted to them be actually allotted to CDC and be credited to the Accounts or Sub-Accounts of the Allottees with CDC and any Allottees exercise such option by completing the appropriate column in the application forms for the Securities, or otherwise request for the allotment of the Securities to CDC in terms of the relevant agreement,

such Securities shall be allotted by the Issuer directly to CDC and the Issuer shall Transmit, forthwith upon the Start of Day on immediately succeeding Business Day after the date of allotment a report of allotment to CDC, setting out the names of the Allottees, the Account and/or Sub-Account numbers with CDC as specified by such Allottees in the application forms, or in their request under the relevant agreement, and the number of Book-entry Securities corresponding to such Securities to be entered in the said Accounts and/or Sub-Accounts with CDC, and CDC shall forthwith, upon receiving such report, but no later than the End of Day of the Business Day on which such report is received, enter in the corresponding Accounts and/or Sub-Accounts, as the case may be, the Book-entry Securities relating to the Securities allocated to the Allottees in the said report.

**8F.2** CDC and every concerned Issuer shall comply with the requirements of the Procedures as applicable for the implementation of and taking of all necessary steps in terms of this Chapter.

**CHAPTER 9: FREE DELIVERY OF BOOK-ENTRY SECURITIES****9.1 Intra Account Deliveries**

9.1.1 Subject to Regulations 9.1.2 and 9.1.3, an Intra Account Delivery is made by means of a Valid Intra Account Delivery Transaction that:

- (a) is Transmitted, within the Designated Time, to the CDC;
- (b) includes an ID as that of the Account Holder Transmitting the Transaction;
- (c) specifies as the Source Holding, a Holding which is part of the Account Family of the Account Holder Transmitting the Transaction;
- (d) specifies as the Target Holding, a Holding which is part of the Account Family of the Account Holder Transmitting the Transaction;
- (e) specifies the number and class of Book-entry Securities to be Delivered from the Source Holding to the Target Holding; and
- (f) specifies whether the transaction of Securities represented by the Book-entry Securities to which the Intra Account Delivery Transaction pertains is a Prescribed Securities Transaction.

Provided that the Account Holder shall Transmit such Intra Account Delivery Transaction to the CDC only if the underlying Securities transaction to which such Intra Account Delivery Transaction relates:

- (g) is a market-based Securities transaction settled or, as the case may be, to be settled through the Clearing Company in accordance with the NCCPL Regulations, subject to these Regulations and the Procedures;
- (h) is an off-market Securities transaction reported to a Stock Exchange through a Stock Broker;
- (i) pertains to any lending or borrowing of Securities, provided that such lending and borrowing of Securities has been made strictly against any underlying market sale transaction and all the conditions attached to such transaction has been satisfied by the Account Holder in the manner as notified by the CDC from time to time;
- (j) has been made by way of a gift of Securities by the Holder of the Source Holding to his Family Members or other persons, provided that all the conditions attached to such transaction has been satisfied by the Account Holder in the manner as notified by the CDC from time to time;

- (k) pertains to transfer of Book-entry Securities from a Sub-Account under the control of a Participant to the House Account of such Participant for the purpose of recovery of outstanding charges or losses payable to such Participant by the Holder of such Sub-Account including for the recovery of payment against any underlying market purchase transactions made by the Participant on behalf of such Sub-Account Holder, provided that:
  - (i) In case of transfer of Book-entry Securities from a Sub-Account for the purpose of recovery of payment against the underlying market purchase transactions in respect of such Securities made by the Participant on behalf of the Holder of such Sub-Account, such Securities shall only be transferred by the Participant after the Settlement Day on which such Securities were Delivered, pursuant to Regulation 9.3A.3, into such Sub-Account;
  - (ii) the requirements as respects giving of notice to the Sub-Account Holder and maintenance of proper documentary evidence relating to serving of such notice respectively set forth under sub-clauses (i) and (iv) of clause (ka) of this Regulation 9.1.1 shall be fulfilled by the Participant prior to transferring the Book-entry Securities from the Sub-Account of such Sub-Account Holder to the House Account of the Participant;
  - (iii) proper documentary record evidencing such charges, losses and payments against the Sub-Account Holder shall be maintained by the Participant; and
  - (iv) such transaction shall be recorded by the Participant with the relevant Stock Exchange in the manner prescribed by such Stock Exchange for off-market transactions,
- (ka) pertains to transfer of Book-entry Securities from a Sub-Account under the control of a Participant to the Collateral Account of such Participant, which must be made on a Settlement Day on which such Book-entry Securities are Delivered, pursuant to Regulation 9.3A.3, into such Sub-Account, for the purpose of the recovery of payment against the underlying market purchase transactions with respect to such Securities (hereinafter in this clause (ka) of this Regulation 9.1.1 referred to as the "Outstanding Payment") made by such Participant on behalf of such Sub-Account Holder, provided that:
  - (i) at the time of transferring the Book-entry Securities pursuant to this clause (ka), the Participant shall give a formal notice to the Sub-Account Holder through facsimile, email, properly recorded telephone line or personal delivery method with such Participant's advice to clear the Outstanding Payment not later than the close of banking hours on the immediately succeeding Settlement Day

- failing which the Participant shall be invested with the right to dispose of the Book-entry Securities without further notice to the Sub-Account Holder at his (Sub-Account Holder's) own risk and costs;(ii) the Participant shall not transfer such Book-entry Securities from the Sub-Account of the Sub-Account Holder to his Collateral Account that exceed the number of the Book-entry Securities specified in the relevant Balance Order Delivery Transaction Transmitted by the Clearing Company pursuant to Regulation 9.3A.3 in respect of such Sub-Account;
- (iii) the Participant shall not transfer the Book-entry Securities from a specific Sub-Account under his control to his Collateral Account on more than one occasion in a calendar month;(iv) proper documentary record evidencing such Outstanding Payment against the Sub-Account Holder including the record pertaining to serving of notice pursuant to sub-clause (i) of this clause (ka) shall be maintained by the Participant;
  - (v) the Participant shall ensure that the Book-entry Securities transferred, pursuant to this clause (ka), to the Collateral Account shall not remain parked in such Account for more than three (3) consecutive Settlement Days (hereinafter in this sub-clause (v) referred to as the "Time Period") from the date of such transfer and such Book-entry Securities shall either be transferred back to the Sub-Account from which these were transferred by the Participant to the Collateral Account or to the House Account of the Participant before the expiry of the Time Period; and
  - (vi) where the Book-entry Securities are transferred, pursuant to sub-clause (v) of this clause (ka), from the Collateral Account to a House Account of a Participant, such transaction shall be recorded by the Participant with the relevant Stock Exchange in the manner prescribed by such Stock Exchange for off-market transactions,
- (l) pertains to a movement by a Sub-Account Holder of his Book-entry Securities from his Sub-Account under the control of a Participant to his another Sub-Account under the control of the same Participant;
  - (m) pertains to a movement by an Account Holder of his Book-entry Securities from his Account under his control to his another Account under his control; or
  - (n) pertains to any of the other Securities transactions prescribed by the CDC under paragraphs (d), (h), (i), (l), (m), (n) and (o) of Regulation 3.17.1.

9.1.2 If an Intra Account Delivery Transaction complies with Regulation 9.1.1 and:

- (a) there is sufficient Available Balance in the Source Holding; and
- (b) the Intra Account Delivery Transaction specifies that the transaction of Securities represented by the Book-entry Securities to which the Intra Account Delivery Transaction pertains is a Prescribed Securities Transaction,

the CDC shall:

- (c) deduct the number of Book-entry Securities specified in the Intra Account Delivery Transaction from the Source Holding; and
- (d) enter that number of Book-entry Securities into the Target Holding.

9.1.3 An Intra Account Delivery:

- (a) may only be a Free Delivery; and
- (b) takes effect when, under Regulation 9.1.2, the CDC deducts Book-entry Securities specified in the Intra Account Delivery Transaction from the Source Holding and adds them to the Target Holding.

9.1.4 If an Intra Account Delivery Transaction complies with Regulation 9.1.1 but:

- (a) there is an insufficient Available Balance in the Source Holding; or
- (b) the Intra Account Delivery Transaction does not specify that the transaction of Securities represented by the Book-entry Securities to which the Intra Account Delivery Transaction pertains is a Prescribed Securities Transaction,

the CDC shall:

- (c) reject the Transaction; and
- (d) Notify the rejection to the Originating Account Holder.

9.1.5 An Intra Account Delivery shall be deemed to be effected by the Account Holder whose ID is referred to in Regulation 9.1.1(b).

## **9.2 Inter Account Free Deliveries**

9.2.1 Subject to Regulations 9.2.2 and 9.2.3, an Inter Account Free Delivery is made by means of a Valid Inter Account Free Delivery Transaction that:

- (a) is Transmitted, within the Designated Time, to the CDC in

- accordance with the Procedures;
- (b) includes an ID as that of the Account Holder Transmitting the Transaction;
  - (c) specifies as the Source Holding, a Holding (including, where permissible under the Procedures, the Main Account) under the control of the Account Holder Transmitting the Transaction;
  - (d) specifies as the Target Holding, a Holding (including, where permissible under the Procedures, the Main Account) under the control of another Account Holder;
  - (e) specifies the ID of the Account Holder controlling the Target Account;
  - (f) specifies the number and class of Book-entry Securities to be Delivered from the Source Holding to the Target Holding; and
  - (g) specifies whether the transaction of Securities represented by the Book-entry Securities to which the Inter Account Delivery Transaction pertains is a Prescribed Securities Transaction.

Provided that the Account Holder shall Transmit such Inter Account Delivery Transaction to the CDC only if the underlying Securities transaction to which such Inter Account Delivery Transaction relates:

- (h) is a market-based Securities transaction settled or, as the case may be, to be settled through the Clearing Company in accordance with the NCCPL Regulations, subject to these Regulations and the Procedures;
- (i) is an off-market Securities transaction reported to a Stock Exchange through a Stock Broker;
- (j) pertains to any lending or borrowing of Securities, provided that such lending and borrowing of Securities has been made strictly against any underlying market sale transaction and all the conditions attached to such transaction has been satisfied by the Account Holder in the manner as notified by the CDC from time to time;
- (k) has been made by way of a gift of Securities by the Holder of the Source Holding to his Family Members or other persons, provided that all the conditions attached to such transaction has been satisfied by the Account Holder in the manner as notified by the CDC from time to time;
- (l) pertains to a movement by a Sub-Account Holder of his Book-entry Securities from his Sub-Account under the control of the Account Holder as a Participant to his another Sub-Account under the control of another Participant;

- (m) pertains to a movement by an Account Holder of his Book-entry Securities from his Account under his control to his another Account under his control or to his Sub-Account under the control of another Account Holder who is a Participant; or
- (n) pertains to any of the other Securities transactions prescribed by the CDC under paragraphs (c), (d), (h), (i), (l), (m), (n) and (o) of Regulation 3.17.1.

9.2.2 If an Inter Account Free Delivery Transaction complies with Regulation 9.2.1 and the Procedures and:

- (a) there is sufficient Available Balance in the Source Holding; and
- (b) the Inter Account Delivery Transaction specifies that the transaction of Securities represented by the Book-entry Securities to which the Inter Account Delivery Transaction pertains is a Prescribed Securities Transaction,

the CDC shall:

- (c) deduct the number of Book-entry Securities specified in the Inter Account Free Delivery Transaction from the Source Holding; and
- (d) enter that number of Book-entry Securities into the Target Holding.

9.2.3 An Inter Account Free Delivery:

- (a) may only be a Free Delivery; and
- (b) takes effect when, under Regulation 9.2.2, the CDC deducts Book-entry Securities specified in the Inter Account Free Delivery Transaction from the Source Holding and adds them to the Target Holding.

9.2.4 If an Inter Account Free Delivery Transaction complies with Regulation 9.2.1 but:

- (a) does not comply with the Procedures;
- (b) there is an insufficient Available Balance in the Source Holding; or
- (c) the Inter Account Delivery Transaction does not specify that the transaction of Securities represented by the Book-entry Securities to which the Inter Account Delivery Transaction pertains is a Prescribed Securities Transaction,

the CDC shall:

- (d) reject the Transaction; and

(e) Notify the rejection to the Originating Account Holder.

9.2.5 An Inter Account Free Delivery shall be deemed to be effected by the Account Holder whose ID is referred to in Regulation 9.2.1(b).

### **9.3 DELETED**

#### **9.3A Delivery of Book-entry Securities under Balance Order Settlement**

9.3A.1 Where an Account Holder has been admitted as a Clearing Member by the Clearing Company, the Account Holder shall, in accordance with the Procedures, give notice to the CDC of his admission as a Clearing Member together with the Instructions.

9.3A.2 If the CDC receives a notice together with the Instructions from an Account Holder pursuant to Regulation 9.3A.1, the CDC shall, in accordance with the Procedures, register the Account Holder as a Clearing Member in the CDS so as to allow, pursuant to the Instructions, Delivery of Book-entry Securities from and to his Account or, as the case may be, Sub-Accounts under his control as a Participant in respect of any Securities transaction to be settled through the Clearing Company from time to time.

9.3A.3 Where a Valid Balance Order Delivery Transaction is Transmitted to CDC by the Clearing Company in accordance with the NCCPL Regulations with respect to an Account Holder, who is a Clearing Member, for the purpose of Delivery of Book-entry Securities from or to a Holding which is part of the Account Family of such Account Holder that:

- (a) is Transmitted, within the Designated Time, to CDC;
- (b) includes the ID as that of the Account Holder controlling the Source Holding as referred to in paragraph (c) below;
- (c) specifies as the Source Holding, a Holding which is under the control of the Account Holder [as referred to in paragraph (b) above] from which the Delivery of Book-entry Securities are to be made under this Regulation 9.3A.3;
- (d) includes the ID as that of the Account Holder controlling the Target Holding as referred to in paragraph (e) below;
- (e) specifies as the Target Holding, a Holding (including, where permissible under the NCCPL Regulations, the Main Account) which is under the control of the Account Holder [as referred to in paragraph (d) above] in which the Delivery of Book-entry Securities is to be made under this Regulation 9.3A.3;
- (f) specifies the number and class of Book-entry Securities to be Delivered from the Source Holding to the Target Holding; and
- (g) there is sufficient Available Balance in the Source Holding;



THEN, subject to these Regulations, the Book-entry Securities specified in the Balance Order Delivery Transaction Transmitted by the Clearing Company shall be Delivered from the Available Balance in the Source Holding to the Target Holding in Blocked Status.

Provided that, where the Target Holding is blocked or, as the case may be, closed for any reason whatsoever, the Book-entry Securities which were originally to be Delivered in the Target Holding as referred to in paragraph (e) of this Regulations 9.3A.3, shall be Delivered in Blocked Status in the Main Account of the Account Holder controlling such Target Holding.

9.3A.4 The Delivery of Book-entry Securities under Regulation 9.3A.3 shall, subject to Regulation 9.4, take effect when under that Regulation the CDC deducts the number of Book-entry Securities specified in the Balance Order Delivery Transaction from the Source Holding and adds them to the Target Holding or, as the case may be, the Main Account of the Account Holder controlling the Target Holding.

9.3A.5 Subject to Regulation 6.7.2 and clauses (k) and (ka) of Regulation 9.1.1 and the terms and conditions of the Sub-Account Opening Form, an Account Holder shall have the right to dispose of the Book-entry Securities held in a Sub-Account under his control for the purpose of recovery of any outstanding charges or losses payable to the Participant by the Holder of such Sub-Account including for the recovery of the payment against any underlying market purchase transactions made by the Participant on behalf of such Sub-Account Holder.

#### **9.4 Delivery of Book-entry Securities to a Holding in Blocked Status and Retrieval of such Securities**

9.4.1 Where a Valid Balance Order Delivery Transaction is Transmitted by the Clearing Company pursuant to Regulation 9.3A.3, the Book-entry Securities specified in such Transaction and, pursuant thereto, Delivered to a Holding under the control of an Account Holder, who is a Clearing Member, shall be Delivered in Blocked Status. The Delivery in Blocked Status of any Book-entry Securities to a Holding under the control of an Account Holder shall be deemed to have been made under the Instructions of that Account Holder and in terms of the authority vested in the Clearing Company and the obligations of the Account Holder, as a Clearing Member, under the NCCPL Regulations.

9.4.2 If the Clearing Company instructs CDC through the Computer System to remove the Blocked Status of the Book-entry Securities entered in a Target Holding under Regulation 9.3A.3, then, notwithstanding anything contained in these Regulations, CDC shall remove the Blocked Status from such Book-entry Securities and the Account Holder controlling the Target Holding shall thereafter be free to Handle such Book-entry Securities in accordance with these Regulations and/or the Procedures, subject to Section 24 of the Act as applicable.

9.4.3 If the Clearing Company instructs CDC through the Computer System to Deliver the Book-entry Securities entered in a Target Holding under Regulation 9.3A.3 (under Blocked Status) to the NCC-Retrieval Account, then, notwithstanding anything contained in these Regulations, CDC shall forthwith Deliver such Book-entry Securities to the NCC-Retrieval Account and the Clearing Company shall thereafter be free to Handle such Book-entry Securities entered in the NCC-Retrieval Account under these Regulations pursuant to the NCCPL Regulations. The Delivery of any Book-entry Securities from the Target Holding to the NCC-Retrieval Account shall be deemed to have been made under the Instructions of the Account Holder controlling the Target Holding and in terms of the authority vested in the Clearing Company and the obligations of such Account Holder, as a Clearing Member, under the NCCPL Regulations.

**9.4A Delivery of Book-entry Securities by the Clearing Company from the NCC-Retrieval Account to a Holding of or under the control of an Account Holder who is a Clearing Member**

9.4A.1 Notwithstanding anything to the contrary contained in any provisions of these Regulations, where a Valid Delivery Transaction or, as the case may be, a Valid Balance Delivery Transaction, is Transmitted to CDC by the Clearing Company that:

- (a) is Transmitted, within the Designated Time, to CDC;
- (b) includes an ID as that of the Clearing Company Transmitting the Transaction;
- (c) specifies as the Source Holding, the NCC-Retrieval Account;
- (d) specifies the ID of an Account Holder, who is a Clearing Member, controlling the Target Holding;
- (e) specifies as the Target Holding, a Holding (including, where permissible under the Procedures, the Main Account) which is under the control of the Account Holder;
- (f) specifies the number and class of Book-entry Securities to be Delivered from the Source Holding to the Target Holding;
- (g) specifies that the Delivery Transaction is a Prescribed Securities Transaction,

THEN, if there is sufficient Available Balance in the Source Holding, CDC shall, in accordance with the Procedures:

- (h) deduct from the Source Holding the number of Book-entry Securities specified in the Delivery Transaction Transmitted by the Clearing Company; and
- (i) enter that number of Book-entry Securities into the Target Holding.

9.4A.2 A Delivery under Regulation 9.4A.1 shall take effect when under that Regulation CDC deducts Book-entry Securities specified in the Delivery Transaction from the Source Holding and adds them to the Target Holding.

**9.4B Delivery of Book-entry Securities by an Account Holder, who is a Clearing Member, to the NCC-Squaring-up Account**

9.4B.1 Notwithstanding anything to the contrary contained in any provisions of these Regulations, where a Valid Delivery Transaction is Transmitted to CDC by an Account Holder who is a Clearing Member that:

- (a) is Transmitted, within the Designated Time, to CDC;
- (b) includes the ID as that of the Account Holder Transmitting the Transaction;
- (c) specifies as the Source Holding, a Holding which is the House Account of the Account Holder or, as the case may be, a Sub-Account under the control of the Account Holder as a Participant;
- (d) specifies the ID of the Clearing Company;
- (e) specifies as the Target Holding, the NCC-Squaring-up Account;
- (f) specifies the number and class of Book-entry Securities to be Delivered from the Source Holding to the Target Holding;
- (g) specifies that the Delivery Transaction is a Prescribed Securities Transaction,

THEN, if there is sufficient Available Balance in the Source Holding, CDC shall, in accordance with the Procedures:

- (h) deduct from the Source Holding the number of Book-entry Securities specified in the Delivery Transaction Transmitted by the Account Holder; and
- (i) enter that number of Book-entry Securities into the Target Holding.

9.4B.2 A Delivery under Regulation 9.4B.1 shall take effect when under that Regulation CDC deducts Book-entry Securities specified in the Delivery Transaction from the Source Holding and adds them to the Target Holding.

**9.5 Delivery of Book-entry Securities by the Clearing Company from the NCC-Squaring-up Account to a Holding of or under the control of an Account Holder who is a Clearing Member**

9.5.1 Notwithstanding anything to the contrary contained in any provisions of these Regulations, where a Valid Delivery Transaction or, as the case

may be, a Valid Balance Order Delivery Transaction, is Transmitted to CDC by the Clearing Company that:

- (a) is Transmitted, within the Designated Time, to CDC;
- (b) includes an ID as that of the Clearing Company Transmitting the Transaction;
- (c) specifies as the Source Holding, the NCC-Squaring-up Account;
- (d) specifies the ID of an Account Holder, who is a Clearing Member, controlling the Target Holding;
- (e) specifies as the Target Holding, a Holding (including, where permissible under the Procedures, the Main Account) which is under the control of the Account Holder;
- (f) specifies, where applicable under the Procedures, the UIN which is associated with the Target Holding;
- (g) specifies the number and class of Book-entry Securities to be Delivered from the Source Holding to the Target Holding;
- (h) specifies that the Delivery Transaction is a Prescribed Securities Transaction,

THEN, if there is sufficient Available Balance in the Source Holding, CDC shall:

- (i) deduct from the Source Holding the number of Book-entry Securities specified in the Delivery Transaction Transmitted by the Clearing Company; and
- (j) enter that number of Book-entry Securities into the Target Holding.

9.5.2 A Delivery under Regulation 9.5.1 shall take effect when under that Regulation CDC deducts Book-entry Securities specified in the Delivery Transaction from the Source Holding and adds them to the Target Holding.

**9.6 DELETED**

**9.7 Clearing Company Warranty and Indemnity**

9.7.1 The Clearing Company Transmitting, pursuant to NCCPL Regulations, any Transactions to the CDC under these Regulations, shall:

- (a) be deemed to have warranted to the CDC that the Transmission of the Transactions Transmitted by it has been made pursuant to and in conformity with the NCCPL Regulations; and

- (b) indemnify the CDC in respect of any losses, damages, costs and expenses which are suffered or incurred by CDC as a result of any breach of the warranty contained in paragraph (a) of this Regulation 9.7.1.

## **9.8 Warranty and Indemnity of Clearing Member Account Holder**

- 9.8.1 Every Account Holder, who is a Clearing Member, shall be deemed to have warranted to CDC that he is fully authorized and empowered to issue the Instructions and that all Deliveries of Book-entry Securities, whether in Blocked Status or otherwise, into or form any Holdings of or controlled by the Account Holder pursuant to this Chapter 9 of these Regulations, where so provided, shall be deemed to have been made pursuant to the Instructions.
- 9.8.2 Every Account Holder, who is a Clearing Member, shall indemnify the CDC in respect of any losses, damages, costs and expenses which are suffered or incurred by CDC as a result of the CDC acting upon the Instructions and/or making Delivery of Book-entry Securities under any provisions of this Chapter which is made or deemed made under or in terms of the Instructions.

**CHAPTER 9A: CFS FINANCED SECURITIES & RELATED MATTERS**

THIS CHAPTER HAS BEEN DELETED ENTIRELY

**CHAPTER 9B: CFS Mk-II FINANCED SECURITIES & RELATED  
MATTERS**

THIS CHAPTER HAS BEEN DELETED ENTIRELY

**CHAPTER 10: DvP DELIVERY OF BOOK-ENTRY SECURITIES**

THIS CHAPTER HAS BEEN DELETED ENTIRELY



**CHAPTER 11: PLEDGE OF BOOK-ENTRY SECURITIES****11.1 Pledge of Book-entry Securities**

11.1.1 Subject to Regulations 11.1.2 and 11.1.3, a Pledge of Book-entry Securities in the CDS is made by means of a Pledge Security Transaction that:

- (a) is Transmitted, within the Designated Time, to the CDC;
- (b) includes the ID of the Account Holder Transmitting the Transaction;
- (c) specifies as the Source Holding, any Holding which is part of the Account Family of the Account Holder Transmitting the Message provided that such Source Holding is not the Main Account of the Account Holder;
- (d) specifies the ID of the Eligible Pledgee in whose favour the Pledge is sought to be effected;
- (e) specifies the number and class of Book-entry Securities to be Pledged in favour of the Eligible Pledgee; and
- (f) specifies the Pledge Group against which the Pledge is sought to be effected.

Provided that, where the Source Holding is a Collateral Account, the Eligible Pledgee in whose favour the Pledge is sought to be effected pursuant to this Regulation 11.1.1 shall be a scheduled bank as defined in the State Bank of Pakistan Act, 1956 (XXXIII of 1956).

11.1.2 If:

- (a) a Pledge Security Transaction complies with Regulation 11.1.1; and
- (b) there is sufficient Available Balance in the Source Holding, the CDC shall:
  - (c) deduct the number of Book-entry Securities specified in the Pledge Security Transaction from the Available Balance of the Source Holding; and
  - (d) enter that number of Book-entry Securities into a Pledged Position in the Source Holding in favour of the Eligible Pledgee against the Pledge Group specified in the Pledge Security Transaction.

11.1.3 A Pledge takes effect when, under Regulation 11.1.2, the CDC deducts

Book-entry Securities specified in the Pledge Security Transaction from Available Balance in the Source Holding and adds them to a Pledge Position in favour of the Eligible Pledgee against the Pledge Group specified in the Pledge Security Transaction.

- 11.1.4 If:
- (a) a Pledge Security Transaction does not comply with Regulation 11.1.1;
  - (b) there is an insufficient Available Balance in the Source Holding or if the Source Holding is a Main Account;
  - (c) specifies the ID of an Eligible Pledgee who does not exist in the CDS; or
  - (d) specifies a Pledge Group which has not been established,
- the CDC shall:
- (e) reject the Transaction; and
  - (f) Notify the rejection to the Originating Account Holder.

- 11.1.5 The Account Holder Transmitting the Pledge Security Transaction:
- (a) shall be deemed to have effected the Pledge; and
  - (b) shall indemnify the CDC against any claims made by any person who is, in case the Originating Account Holder is a Participant:
    - (i) a client of the Originating Account Holder; or
    - (ii) a Sub-Account Holder whose Sub-Account forms part of the Account Family of the Originating Account Holder,on the ground that:
    - (iii) the Pledge of the Book-entry Securities belonging to such person was not authorised by such person; or
    - (iv) on any other ground whatsoever.

## 11.2 Pledge Releases

- 11.2.1 Subject to Regulations 11.2.2 and 11.2.3, a Pledge Release is made by means of a Pledge Release Transaction that:
- (a) is Transmitted, within the Designated Time, to the CDC;
  - (b) includes the ID of the Eligible Pledgee Transmitting the Transaction;

- (c) specifies as the Source Holding, any Holding in which Book-entry Securities are Pledged in favour of the Eligible Pledgee;
- (d) specifies the ID of the Account Holder controlling the Source Holding;
- (e) specifies the number and class of Book-entry Securities to be released from Pledge existing in favour of the Eligible Pledgee in the Source Holding; and
- (f) specifies the Pledge Group against which the Pledge Release is sought to be effected.

## 11.2.2

If:

- (a) a Pledge Release Transaction complies with Regulation 11.2.1; and
- (b) the Pledge Group to which the Transaction relates shows that there are sufficient number of Book-entry Securities entered in a Pledged Position in the Source Holding in favour of the Eligible Pledgee Transmitting the Transaction,

the CDC shall:

- (c) deduct, in relation to the Pledge Group, the number of Book-entry Securities specified in the Pledge Release Transaction from the Pledged Position in favour of the Eligible Pledgee in the Source Holding; and
- (d) add that number of Book-entry Securities into the Available Balance of the Source Holding.

## 11.2.3

A Pledge Release takes effect when, under Regulation 11.2.2, the CDC deducts Book-entry Securities specified in the Pledge Release Transaction from the Pledged Position in favour of the Eligible Pledgee in the Source Holding and adds them to the Available Balance of the Source Holding.

## 11.2.4

If:

- (a) a Pledge Release Transaction does not comply with Regulation 11.2.1; or
- (b) the Pledge Group to which the Transaction relates shows that there are insufficient number of Book-entry Securities entered in a Pledged Position in the Source Holding in favour of the Eligible Pledgee Transmitting the Transaction,

the CDC shall:

- (c) reject the Transaction; and
- (d) Notify the rejection to the Originating Eligible Pledgee.

11.2.5 The Eligible Pledgee Transmitting the Pledge Release Transaction shall be deemed to have effected the Pledge Release from the Source Holding.

### **11.3 Pledge Calls**

11.3.1 Subject to Regulations 11.3.2 and 11.3.3, a Pledge Call is made by means of a Pledge Call Transaction that:

- (a) is Transmitted, within the Designated Time, to the CDC;
- (b) includes the ID of the Eligible Pledgee Transmitting the Transaction;
- (c) specifies as the Source Holding, any Holding in which Book-entry Securities are Pledged in favour of the Eligible Pledgee;
- (d) specifies as the Target Holding, a Holding which is the House Account, a Sub-Account or an Investor-Account of the Eligible Pledgee;
- (e) specifies:
  - (i) the ID of the Account Holder controlling the Source Account; and
  - (ii) the ID of the Account Holder controlling the Target Account;
- (f) specifies the number and class of Book-entry Securities to be released from Pledge in favour of the Eligible Pledgee in the Source Holding and Delivered into the Target Holding; and
- (g) specifies the Pledge Group against which the Pledge Call is sought to be effected.

11.3.2 If:

- (a) a Pledge Call Transaction complies with Regulation 11.3.1; and
- (b) the Pledge Group shows that there are sufficient number of Book-entry Securities entered in a Pledged Position in the Source Holding in favour of the Eligible Pledgee Transmitting the Transaction,

the CDC shall:

- (c) deduct, in relation to the Pledge Group, the number of Book-entry Securities specified in the Pledge Call Transaction from the Pledged Position in favour of the Eligible Pledgee in the Source Holding; and
  - (d) enter that number of Book-entry Securities into the Available Balance of the Target Holding.
- 11.3.3 A Pledge Call takes effect when, under Regulation 11.3.2, the CDC deducts Book-entry Securities specified in the Pledge Call Transaction from the Pledged Position in favour of the Eligible Pledgee in the Source Holding and adds them to the Available Balance of the Target Holding.
- 11.3.4 If:
  - (a) a Pledge Call Transaction does not comply with Regulation 11.3.1; or
  - (b) the Pledge Group shows that there are insufficient number of Book-entry Securities entered in a Pledged Position in the Source Holding in favour of the Eligible Pledgee Transmitting the Transaction,the CDC shall:
  - (c) reject the Transaction; and
  - (b) Notify the rejection to the Originating Eligible Pledgee.
- 11.3.5 The Eligible Pledgee Transmitting the Pledge Call Transaction:
  - (a) shall be deemed to have effected the Pledge Call of the Book-entry Securities Pledged in favour of the Eligible Pledgee in the Source Holding; and
  - (b) shall indemnify the CDC against any claims made by any person on the ground that the Book-entry Securities which are the subject of the Pledge Call should not have been Pledge Called for any reason whatsoever.
- 11.3A DELETED**
- 11.4 Pledge Groups**
- 11.4.1 A Pledge Group is established by means of a Valid Pledge Group Open Transaction that:
  - (a) is Transmitted, within the Designated Time, to the CDC;
  - (b) includes the ID of the Account Holder Transmitting the Transaction; and
  - (c) specifies the ID of the Eligible Pledgee in whose favour the

Pledge Group is to established.

11.4.2 A Pledge Group is closed by means of a Valid Pledge Group Close Transaction that:

- (a) is Transmitted, within the Designated Time, to the CDC;
- (b) includes the ID of the Account Holder Transmitting the Transaction; and
- (c) specifies the Pledge Group which is to be closed.

11.4.3 If:

- (a) a Pledge Group Close Transaction complies with Regulation 11.4.2; and
- (b) there are no Book-entry Securities in a Pledged Position in the Pledge Group to be closed,

the CDC shall close the Pledge Group or else reject the Transaction.

**CHAPTER 12: CORPORATE ACTIONS****12.1 Closure of CDR by the CDC and structure of Changed Registration Details Reports**

12.1.1 An Issuer of Eligible Securities shall give a notice to the CDC of any Books Closure Period fixed by the Issuer in respect of any Registered-Form Securities of the Issuer, specifying in the notice the Books Closure Date and the Books Closure End Date determined by the Issuer. Such notice shall be given by the Issuer at least seven (7) Business Days prior to the Books Closure Date.

12.1.2 Forthwith upon an Issuer giving notice to the CDC under Regulation 12.1.1 in respect of any Securities of the Issuer, the CDC shall, in accordance with the Procedures, record the Books Closure Period on the CDR in respect of any Book-entry Securities representing the Securities of the Issuer.

12.1.3 The CDC shall, after recording a Books Closure Period on the CDR under Regulation 12.1.2 in relation to any class of Book-entry Securities:

- (a) reject:
  - (i) any Valid Deposit Request Transaction Transmitted to the CDC in respect of Securities represented by that class of Book-entry Securities during such Books Closure Period; and
  - (ii) any Valid Withdrawal Request Transaction Transmitted to the CDC in respect of Book-entry Securities in that class during such Books Closure Period; and
- (b) Notify the rejection to the Originating Account Holder together with the reasons for the rejection.

12.1.4 Any Changed Registration Details Report provided by a Participant to the CDC under these Regulations shall comply with such directions as the Board may, from time to time, give regarding:

- (a) the structure of Changed Registration Details Reports to be provided by Participants to the CDC under these Regulations; and
- (b) the medium, which may be electronic, magnetic or other, in which such Changed Registration Details Reports shall be provided by Participants to the CDC.

12.1.5 A Participant providing the CDC with a Changed Registration Details Report under these Regulations shall:

- (a) be deemed to have warranted that the contents of the Changed

Registration Details Report are true and correct and have been prepared in accordance with the requirements of these Regulations; and

- (b) indemnify the CDC if any losses, damages, costs and expenses are suffered or incurred as a result of any adjustments made to a Beneficial Owners Report provided by the CDC to any Issuer of Eligible Securities as a result of the Changed Registration Details Report accepted by the CDC from the Participant.

## **12.2 Notices sent by an Issuer to holders of its Securities**

12.2.1 An Issuer of Eligible Securities to which any of Sections 9(1)(a) or 9(1)(b), as the case may require, of the Act applies shall, not later than 7 Business Days before sending a Statutory Notice, give notice to the CDC of its intention to send a Statutory Notice, specifying in the notice:

- (a) the date on which it shall send the Statutory Notice; and
- (b) the Securities of the Issuer to which the Statutory Notice relates.

12.2.2 If the CDC receives a notice under Regulation 12.2.1 from an Issuer of Eligible Securities, the CDC shall, not later than End of Day on the immediately succeeding Business Day after the date on which it receives the notice, forward a copy of the notice to all Participants maintaining Group Accounts in the CDS.

12.2.3 Any Participant who receives a notice from the CDC under Regulation 12.2.2 may send to the CDC, by the End of Day on the 3rd Business Day before the Relevant Time, a Changed Registration Details Report prepared in compliance with Regulation 12.2.4.

12.2.4 A Changed Registration Details Report sent by any Participant to the CDC shall give:

- (a) the Registration Details of the persons who own the Book-entry Securities, representing the Securities in respect of which the notice under Regulation 12.2.1 was given, which are constituted in the Holding Balance of the Participant's Group Account as of the End of Day on the 5th Business Day before the Relevant Time; and
- (b) the number of Book-entry Securities owned by each such person as of the End of Day on the 5th Business Day before the Relevant Time.

12.2.5 If the CDC, after giving the notice under Regulation 12.2.2:

- (a) receives from any Participant a Changed Registration Details Report which has been prepared and provided in accordance with any directions given under Regulation 12.1.4;



- (b) the Changed Registration Details Report is received by the CDC before the expiry of the period specified in Regulation 12.2.3; and
- (b) the total number of Book-entry Securities to which the Changed Registration Details Report pertains equals the total number of the Book-entry Securities, representing the Securities in respect of which the notice under Regulation 12.2.1 was given, constituted in the Holding Balance of the Group Account of that Participant as of the End of Day on the 5th Business Day before the Relevant Time,

the CDC shall accept such Changed Registration Details Report.

12.2.6 If the CDC, after giving the notice under Regulation 12.2.2, receives from any Participant a Changed Registration Details Report which does not comply with the requirements of Clauses (a), (b) and (c) of Regulation 12.2.5, the CDC shall reject such Changed Registration Details Report.

12.2.7 An Issuer of Eligible Securities to which any of Sections 9(1)(a) and 9(1)(b), as the case may require, of the Act applies shall:

- (a) Obtain, at any time after the End of Day on the 4th Business Day before the Relevant Time, a Beneficial Owners Report, adjusted in accordance with Regulation 12.2.8, to ascertain the Registration Details of Holders whose Holdings show, as of the End of Day on the 7th Business Day before the Relevant Time, a Holding Balance of Book-entry Securities representing the Securities of the Issuer in respect of which the notice under Regulation 12.2.1 was given; and
- (b) take action in accordance with Section 9(6) of the Act on the basis of the Registration Details shown in the Beneficial Owners Report.

12.2.8 The CDC shall ensure that the Beneficial Owners Report Obtained by the Issuer under Regulation 12.2.7 contains all adjustments resulting from the Changed Registrations Details Reports which are accepted by the CDC pursuant to Regulation 12.2.5.

### **12.3 Meetings of an Issuer of Eligible Securities and dividends or other payments made by such Issuer**

12.3.1 Any Participant may send to the CDC, by the End of Day on the 3rd Business Day after the Relevant Time, a Changed Registration Details Report prepared in compliance with Regulation 12.3.2.

12.3.2 A Changed Registration Details Report sent by any Participant to the CDC shall give:

- (a) the Registration Details of the persons who own the Book-entry Securities, representing the Securities in respect of which Statutory Action is to be taken by the Issuer, which are constituted in the Holding Balance of the Participant's Group Account as of

the Relevant Time; and

- (b) the number of Book-entry Securities owned by each such person as of the Relevant Time.

12.3.3 If the CDC:

- (a) receives from any Participant a Changed Registration Details Report which has been prepared and provided in accordance with any directions given under Regulation 12.1.4;
- (b) the Changed Registration Details Report is received by the CDC before the expiry of the period specified in Regulation 12.3.1; and
- (c) the total number of Book-entry Securities to which the Changed Registration Details Report pertains equals the total number of Book-entry Securities, representing the Securities in respect of which Statutory Action is to be taken by the Issuer, which are constituted in the Holding Balance of the Participant's Group Account as of the Relevant Time,

the CDC shall accept such Changed Registration Details Report.

12.3.4 If the CDC receives from any Participant, at any time after the Relevant Time, a Changed Registration Details Report which does not comply with the requirements of Clauses (a), (b) and (c) of Regulation 12.3.3, the CDC shall reject such Changed Registration Details Report.

12.3.5 An Issuer of Eligible Securities to which any of Sections 9(1)(c), 9(1)(d), 9(1)(e) and 9(1)(f), as the case may require, of the Act applies shall:

- (a) Obtain, at any time after the End of Day on the 2nd Business Day after the Relevant Time, a Beneficial Owners Report, corrected in accordance with Regulation 12.3.6(a) and adjusted in accordance with Regulation 12.3.6(b), to ascertain the Registration Details and Holding Balances of Holders whose Holdings show, as of the Relevant Time, a Holding Balance of Book-entry Securities representing the Securities of the Issuer in respect of which a Statutory Action is to be taken by the Issuer; and
- (b) take action in accordance with Sections 5(4), 5(5) or 9(5), as the case may require, of the Act on the basis of the Registration Details shown in the Beneficial Owners Report.

12.3.6 The CDC shall ensure that the Beneficial Owners Report Obtained by an Issuer under Regulation 12.3.5 contains all:

- (a) corrections to Registration Details and Holding Balances arising from any Deposit Approval Transactions and Withdrawal Approval Transactions Transmitted to the CDC in respect of any Book-entry Securities in that class which were existing in the Deposit Pending Position or Withdrawal Pending Position before the Start of Day

on the Books Closure Date to which the Beneficial Owners Report pertains; and

- (b) adjustments resulting from the Changed Registrations Details Reports which are accepted by the CDC pursuant to Regulation 12.3.3.

## **12.4 Bonus issue of Registered-Form Securities made by an Issuer**

12.4.1 If the board of directors of an Issuer of Registered-Form Eligible Securities decides a bonus issue to be made of any of its Eligible Securities, the Issuer shall, forthwith upon such decision and in any event before the Books Closure Date notified by the Issuer to the CDC in respect of such bonus issue under Regulation 12.1.1, give notice to the CDC of:

- (a) the date on which allotment of bonus Securities is proposed to be made by the Issuer; and
- (b) the number of bonus Securities to be issued for the Securities registered in the name of a holder.

*Examples for Regulation 12.4.1:*

1. *The date relevant for the purposes of Regulation 12.4.1(a) would be the date determined by the board of directors of the Issuer of Registered-Form Eligible Securities at which the general meeting of the Issuer is called to be held for declaring the bonus recommended by the board of directors.*
2. *Where an Issuer announces a bonus of '12' Securities for every '100' Securities of the Issuer, the figure relevant for the purposes of Regulation 12.4.1(b) would be the figure '12'.*

12.4.2 Forthwith upon an Issuer giving notice to the CDC under Regulation 12.4.1 in respect of any Registered-Form Eligible Securities of the Issuer, the CDC shall, in accordance with the Procedures, record the bonus issue on the CDR in respect of Book-entry Securities representing the Securities of the Issuer.

12.4.3 An Issuer which has given notice to the CDC under Regulation 12.4.1 shall Obtain, after the End of Day on the 5th Business Day after the Relevant Time, a Beneficial Owners Report to ascertain the Registration Details and Holding Balances of Holders whose Holdings show, as of the Relevant Time, corrected in accordance with Regulation 12.4.4, a Holding Balance of Book-entry Securities representing the Securities of the Issuer in respect of which the bonus issue is proposed to be made by the Issuer.

12.4.4 The CDC shall ensure that the Beneficial Owners Report Obtained by an Issuer under Regulation 12.4.3 contains all adjustments to Registration Details and Holding Balances arising from any Deposit Approval

Transactions and Withdrawal Approval Transactions Transmitted to the CDC in respect of any Book-entry Securities which were existing in the Deposit Pending Position or Withdrawal Pending Position before the Start of Day on the Books Closure Date to which the Beneficial Owners Report pertains.

12.4.5 If an Issuer proceeds to allotment:

- (a) on a basis which is in accordance with the details notified by the Issuer to the CDC under Regulation 12.4.1; or
- (b) on a basis which is at variance from the details notified by the Issuer to the CDC under Regulation 12.4.1 and the cause of the variation is the fact that:
  - (i) the date on which actual allotment of bonus Securities is made by the Issuer is subsequent to the date notified by the Issuer to the CDC under Regulation 12.4.1(a) due to the fact that:
    - the general meeting of the Issuer convened for the purpose of declaring the bonus issue was adjourned for any reason whatsoever before declaring the bonus issue; and
    - the bonus issue was declared at the adjourned general meeting; or
  - (ii) the number of bonus Securities actually declared is less than the number of bonus Securities notified to the CDC under Regulation 12.4.1(b),

the Issuer shall, forthwith upon the Start of Day on the immediately succeeding Business Day after the date of actual allotment of bonus Securities:

- (c) allot in the name of the CDC, as of the date of actual allotment, such number of bonus Securities as is equal to the total of the integer portions of each figure obtained after the number of bonus Securities actually declared by the Issuer is applied to each Holder's Holding Balance as shown in the Beneficial Owners Report Obtained by the Issuer pursuant to Regulation 12.4.3;
- (d) dispose of, in the manner of fractional entitlements to the bonus issue declared by the Issuer, such number of Securities as is equal to the number which is obtained after subtracting the number of Securities allotted by the Issuer to the CDC pursuant to Regulation 12.4.5(c) from the total number of Securities, inclusive of any fractions, which the Issuer would have allotted to the CDC in the absence of the requirements of Regulation 12.4.5(c);

- (e) make over the proceeds obtained pursuant to Regulation 12.4.5(d) to each of the Holders shown in the Beneficial Owners Report Obtained by the Issuer pursuant to Regulation 12.4.3 *pro rata* to their entitlement to such proceeds; and
- (f) forthwith upon the occurrence of the event specified in Regulation 12.4.5(c), notify the fact to the CDC together with any variation in the date of actual allotment of the bonus Securities and the actual number of bonus Securities allotted by the Issuer.

*Example for Regulation 12.4.5:*

1. *An Issuer declares a bonus issue of '1' bonus Security of the Issuer for every '10' Securities and the amounts shown in the Holding Balances of Holders in the Beneficial Owners Report Obtained pursuant to Regulation 12.4.3 for that Security are as follows: Mr. A has a Holding Balance of '5' Book-entry Securities in his Sub-Account; Account Holder B has a Holding Balance of '17' Book-entry Securities in his Main Account; and Participant C has a Holding Balance of '30' Book-entry Securities in his Client Account. In this scenario, the number of bonus Securities to be allotted by the Issuer to the CDC pursuant to Regulation 12.4.5(c) shall be '4' and the number of Securities to be disposed of by the Issuer pursuant to Regulation 12.4.5(d) shall be '1.2'. If, say, the proceeds realised from the disposition of this number of Securities as fractional entitlements is Rs.20, this sum shall be distributed to A and B in the ratio of  $\frac{0.5}{1.2} \times \text{Rs.20}$  and  $\frac{0.7}{1.2} \times \text{Rs.20}$  respectively.*

- 12.4.6 If the CDC receives notice from an Issuer pursuant to Regulation 12.4.5(f), the CDC shall forthwith upon receiving the notice, but not later than the End of Day of the Business Day on which the notice is received, enter into the Available Balance of each Holder shown in the list Obtained by the Issuer under Regulation 12.4.3 such number of Book-entry Securities as are equal to the integer portion of the figure obtained after the number of bonus Securities actually declared by the Issuer is applied to the Holder's Holding Balance as shown in the Beneficial Owners Report Obtained by the Issuer pursuant to Regulation 12.4.3.
- 12.4.7 If the Issuer which has made a notification to the CDC under Regulation 12.4.1 does not proceed to allotment of the bonus issue, forthwith upon it becoming certain that the bonus issue shall not proceed to allotment the Issuer shall notify the fact to the CDC.
- 12.4.8 If the CDC receives notice from the Issuer under Regulation 12.4.7, the CDC shall, in accordance with the Procedures, remove the bonus issue from the CDR in respect of the Securities.

**CHAPTER 12A: TERMS AND CONDITIONS FOR INVESTOR ACCOUNTS****12A.1 Binding effect of the Terms and Conditions**

Terms and Conditions for Investor Accounts set out in this Chapter shall govern the Investor Accounts and be binding on the Investor-Accountholders and, to the extent applicable, on the CDS Elements.

**12A.2 Definitions**

12A.2.1 In this Chapter, the following terms shall have the meaning assigned thereagainst:

- |     |                                |   |
|-----|--------------------------------|---|
| a.  | Investor Account Opening Form: | means the standard application form prescribed by CDC for opening of Investor Accounts with CDC.  |
| b.  | Account Closing Request Form:  | means the standard form prescribed by CDC for making of application by the Investor-Accountholder to CDC for closing of the Investor Account.                   |
| c.  | Book-entry Securities:         | mean the book-entry securities as defined in the Act.   |
| d.  | Commission:                    | means the Securities and Exchange Commission of Pakistan.   |
| e.  | Delivery-in:                   | means the transfer to the Investor Account of Book-entry Securities in accordance with the Terms and Conditions and the Operating Procedures.                   |
| f.  | Delivery-out:                  | means the transfer of Book-entry Securities from the Investor Account in accordance with the Terms and Conditions and the Operating Procedures.                 |
| fa. | Due Date:                      | in relation to payment of charges by the Investor-Accountholder under Regulation 12A.10.1 for the services availed, means the last Business Day of every month. |
| fb. | Overdue Investor Account:      | means an Investor Account against which a negative cash balance appears for a continuous period of one year.  |

- g. Investor Account: means the account opened by an Investor-Accountholder with CDC in connection with custody and other transactions of Book-entry Securities in terms of the Terms and Conditions.
- h. Investor-Accountholder: means any individual who, or other entity which, is allowed by CDC at its discretion to open and maintain an Investor Account with CDC without having direct access to CDS.
- i. Operating Procedures: mean the procedures made by the Board from time to time for the day to day operation of CDC in connection with Investor Accounts and for giving effect to the Terms and Conditions.
- j. Pledge: means creation of a pledge over Book-entry Securities in an Investor Account by the Investor-Accountholder in favour of any Eligible Pledgee as provided in the Act and, to the extent applicable, Chapter 11 of the Regulations, subject to the Terms and Conditions and the Operating Procedures.
- k. Pledged Book-entry Securities: mean the Book-entry Securities which are pledged in favour of any Eligible Pledgee under Regulation 12A.7 below.
- l. Pledge Call: means the deduction of Pledged Book-entry Securities from a Pledged Position in an Investor Account and transfer of such Pledged Book-entry Securities to a House Account, a Sub-Account or an Investor-Account of the Eligible Pledgee Transmitting the Pledge Call Instructions to the CDC pursuant to Regulation 12A.7.8.
- m. Pledge Call Instructions: mean the instructions Transmitted by an Eligible Pledgee to CDC, in the manner prescribed by these Regulations, for moving the Pledged Book-entry Securities from the Pledged Position to a House Account, a Sub-Account or an Investor-Account of the Eligible Pledgee Transmitting the Pledge Call Instructions.

- n. Pledge Position: shall have the meaning set out in Regulation 12A.7.5.
- o. Pledge Release Instructions: mean the instructions issued by the Eligible Pledgee to CDC, through CDS, for unblocking the Pledged Securities for the purpose of releasing the same from the Pledge.
- oa. Securities Deposit Form means the standard instruction form prescribed by CDC for submission by the Investor-Accountholder in quadruplicate to CDC for the purpose of deposit of Registered-Form Eligible Securities in CDS.
- p. Securities Pledge Form: means the standard instruction form prescribed by CDC for submission by the Investor-Accountholder to CDC for blocking any Book-entry Securities in the Investor Account for the purpose of creating a Pledge.
- q. Securities Withdrawal Form: means the standard application form prescribed by CDC for submission by the Investor-Accountholder to CDC for Withdrawal.
- r. Transaction Order: means the standard application form prescribed by CDC for submission by the Investor- Accountholder to CDC for the purpose of Delivery-out of any Book-entry Securities.
- s. Transaction Reversal Form: means the standard instruction form prescribed by CDC for submission by the Investor-Accountholder to CDC for transferring from the Investor Account any Book-entry Securities Delivered-in the Investor Account erroneously or without authority.
- t. Withdrawal: means withdrawal of Book-entry Securities by the Investor-Accountholder from CDC.

12A.2.2 Other capitalized terms used in this Chapter 12A and defined in the Act or in Regulation 2.11, as the case may be, shall have the same meaning as given to such terms in the Act or in Regulation 2.11, as the case may be.



12A.2.3 Unless the context otherwise requires, the words importing the singular shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender, and words importing persons shall include bodies corporate.

### **12A.3 Opening of an Investor Account**

12A.3.1 The Investor-Accountholder shall complete, sign and submit the Investor Account Opening Form to CDC for opening of the Investor Account. The Investor Account Opening Form shall be accompanied with such documents as are listed therein. CDC shall have the right not to accept, without assigning any reasons whatsoever, any request for opening of the Investor Account.

12A.3.2 Fees and other charges as are prescribed by CDC, and approved by the Commission, from time to time for opening of the Investor Account shall be paid to CDC together with the Investor Account Opening Form.

12A.3.3 CDC shall have the right to close the Investor Account if the details, particulars and other information set out in the Investor Account Opening Form relating to such Investor Account are found to be incorrect. Provided, however, that before closing the Investor Account for the said reason, CDC shall give a reasonable opportunity to the Investor-Accountholder to explain his position.

### **12A.4 Delivery-in**

The Investor Account shall be credited with any Book-entry Securities that are:

- (a) transferred by an Account Holder, subject to these Regulations;
- (aa) deposited pursuant to Regulations 12A.4A to 12A.4C below;
- (b) transferred from any other Investor Account (where permissible under these Regulations);
- (c) received by CDC from an Issuer for the account of the Investor-Accountholder.

### **12A.4A Deposit of Registered-Form Eligible Securities in CDS to be credited to Investor Accounts**

12A.4A.1 CDC may process any request made by an Investor-Accountholder for deposit in CDS, in accordance with the Procedures, any Registered-Form Eligible Securities the Registrable Transfer Documents in respect of which are held by such Investor-Accountholder.

12A.4A.2 Notwithstanding anything contained in the Regulations, in processing any request for the deposit into CDS of any Registered-Form Eligible Securities under Regulation 12A.4A.1, CDC shall be authorised to sign as transferee all transfer deeds or other instruments of transfer pertaining

to such Eligible Securities to be transferred in the name of the CDC for the purpose of deposit in CDS.

12A.4A.3 The Investor-Accountholder shall be responsible to pay any stamp duty payable on the transfer of any Registered-Form Eligible Securities in the name of CDC for the purpose of deposit of such Securities in CDS.

**12A.4B Duties of Investor-Accountholders in connection with deposit of Registered-Form Eligible Securities into CDS**

12A.4B.1 The Investor-Accountholder requesting deposit into CDS of any Registered-Form Eligible Securities shall:

- (a) Validly complete the Securities Deposit Form;
- (b) use separate Securities Deposit Form for each class of Eligible Securities to be processed for deposit into CDS;
- (c) submit within Designated Time to CDC the Securities Deposit Form in quadruplicate together with the Registrable Transfer Documents, provided that where a Book Closure Period has been publicised by any Issuer of any Eligible Securities pursuant to Regulation 12.1.1, CDC may refuse to accept any Securities Deposit Form in respect of such Securities submitted to CDC later than five Business Days before the Book Closure Date; and
- (d) pay to CDC the fees and other charges prescribed by CDC from time to time in respect of deposit of Registered-Form Eligible Securities into CDS for Investor-Accountholders.

**12A.4C Application of Chapter 8 in connection with deposit of Registered-Form Eligible Securities into CDS**

12A.4C.1 Subject to Regulations 12A.4A and 12A.4B above, the provisions of Chapter 8 dealing with deposit of Registered-Form Eligible Securities in CDS shall *mutatis mutandis* apply to the deposit of Registered-Form Eligible Securities in CDS to the credit of Investor Accounts. For the said purpose, the terms “Depositing Account Holder”, “Depositor” and “Target Holding” appearing in Chapter 8 shall be deemed to have been substituted by the terms “CDC”, “Investor Accountholder” and “Investor Account” respectively.

**12A.5 Restriction on Delivery-in and Reversal of Erroneous Transfers**

12A.5.1 Any Registered-Form Eligible Securities which have not already been deposited in CDS, in accordance with the Regulations, will not be permitted to be Delivered-in the Investor Accounts.

12A.5.2 Notwithstanding anything contained in the Terms and Conditions and the Regulations, in the case of erroneous or unauthorized transfer of Book-entry Securities to:

- (a) an Investor Account, CDC shall reverse such transfer by transferring such Book-entry Securities from the said Investor Account if instructed in writing by the Investor-Accountholder maintaining such Investor Account in CDC, or
- (b) any other account maintained with CDC under the Regulations, the CDC Element controlling such account shall forthwith reverse such transfer, through CDS, upon receiving CDC's request for this purpose.

## **12A.6 Delivery-out**

12A.6.1 An Investor Account shall be debited with any Book-entry Securities that are:

- (a) transferred to a Holding under the control of an Account Holder;
- (b) transferred to any other Investor Account (where permissible under the Regulations).

12A.6.2 For the purpose of Delivery-out, the Investor-Accountholder shall submit the Transaction Order to CDC and pay the amount of CDC's charges as in force at that time or allow CDC to recover its charges from any amount the Investor-Accountholder has paid in advance to CDC. Incomplete or unsigned Transaction Orders or any Transaction Orders covering any Book-entry Securities which are in excess of the credit balance in the Investor Account will not be accepted or acted upon. CDC will, subject to aforesaid, transfer the Book-entry Securities specified in the Transaction Order from the Investor Account in accordance with the instructions contained in such Transaction Order.

## **12A.7 Pledge of Book Entry Securities**

12A.7.1 The Investor-Accountholder may pledge any or all Book-entry Securities entered in his Investor Account in favour of an Eligible Pledgee by giving instructions to CDC on the Securities Pledge Form.

12A.7.2 CDC will scrutinize the Securities Pledge Form received from the Investor-Accountholder and shall verify that sufficient number of Book-entry Securities are available in the Investor Account for creation of the Pledge requested in such Securities Pledge Form. If sufficient number of Book-entry Securities are available in the Investor Account, CDC shall block, through CDS, the number of Book-entry Securities ("Pledged Book-entry Securities") as are specified in the Securities Pledge Form.

12A.7.3 Upon the blocking of the number of Book-entry Securities specified in the Securities Pledge Form, notice of such blocking shall be available, through CDS, to the Eligible Pledgee named in the Securities Pledge Form. The Pledge shall take effect upon such notification to the Eligible Pledgee.

- 12A.7.4 Upon creation of a Pledge, the Investor-Accountholder shall cease to have the right to make Withdrawal or transfer or to otherwise handle the Pledged Book-entry Securities.
- 12A.7.5 Upon the creation of a Pledge, CDC shall deduct the number of the Pledged Book-entry Securities from the available balance of Book-entry Securities in the Investor Account and shall enter such Pledged Book-entry Securities in a special position within the Investor Account ("Pledge Position") in favour of the Eligible Pledgee, in accordance with the Operating Procedures.
- 12A.7.6 No request for Pledge shall be entertained if there are insufficient number of Book-entry Securities in the available balance of the Investor-Accountholder in the Investor Account or if the amount of CDC's charges for creation of Pledge, if any, are not paid to CDC.
- 12A.7.7 A Pledge shall be released and Pledged Book-entry Securities unblocked upon receipt by CDC, through CDS, of the Pledge Release Instructions. Upon the unblocking of any Book-entry Securities, as stated above, such Book-entry Securities shall be moved back to the normal position of Book-entry Securities in the Investor Account from the Pledge Position.
- 12A.7.8 A Pledge Call may be made by an Eligible Pledgee by Transmitting a Pledge Call Instructions to the CDC, through CDS. Upon receipt of the Pledge Call Instructions under this Regulation 12A.7.8, the Pledged Book-entry Securities covered by such Pledge Call Instructions shall be transferred, through CDS, from the Pledged Position to a House Account, a Sub-Account or an Investor-Account of the Eligible Pledgee Transmitting the Pledge Call Instructions.

## **12A.8 Withdrawal of Securities**

The Investor-Accountholder may request Withdrawal from CDC of any Book-entry Securities in his Investor Account by signing and submitting to CDC a Securities Withdrawal Form, in quadruplicate, together with the amount of CDC's charges for Withdrawal as in force at that time. After verification of the available balance and scrutinizing the Securities Withdrawal Form submitted, CDC shall, subject to receipt of its charges, permit Withdrawal by forwarding two copies of the Securities Withdrawal Form to the concerned Issuer, or its registrar, for issuance of definitive certificates in respect of the Book-entry Securities withdrawn from CDS. The Issuer shall thereupon register, in the name of the Investor-Accountholder, Registered Form securities corresponding to the number of Book-entry Securities withdrawn by the Investor-Accountholder from CDC and prepare definitive certificates in respect of such securities. The Investor-Accountholder will be entitled to receive such definitive certificates from the Issuer, or its Registrar, upon presenting to the Issuer or its Registrar, a copy of the Securities Withdrawal Form endorsed by CDC as the Investor-Accountholder's copy. CDC shall not be liable for failure or delay on the part of the Issuer

and/or its registrar in issuing definitive certificates to the Investor-Accountholder.

### **12A.9 Corporate Actions**

The provisions of Chapter 12 shall be mutatis mutandis applicable in connection with all corporate actions affecting the Book-entry Securities in the Investor Account as if the Investor-Accountholder was the "Holder" and the credit balance of the Book-entry Securities in the Investor Account was the "Holding" as described in Chapter 12.

### **12A.10 Charges**

12A.10.1 Subject to Regulation 12A.10.2, the Investor-Accountholder shall pay to CDC the charges from time to time notified by CDC, as approved by the Commission, for CDC's services under the Terms and Conditions. Such charges shall be paid by the Investor-Account Holder regularly and punctually but not later than the Due Date in every case. These charges may be revised by CDC from time to time with the prior approval of the Commission.

12A.10.2 CDC shall have a paramount lien on the Book-entry Securities (other than any Book-entry Securities which are in a Pledged-Position) in the Investor Account for the recovery of the charges which have not been paid by the Investor-Accountholder for the consecutive two years after the Due Date.

12A.10.3 Subject to serving by CDC of three prior written notices on the Investor-Accountholder in accordance with the Procedures requiring him to clear the outstanding charges within seven Business Days of receipt of each such notice, CDC shall have the right to dispose of the necessary number of Book-entry Securities entered in the Investor Account of the Investor-Accountholder in accordance with the Procedures and apply the net proceeds thereof towards the adjustment of such outstanding charges.

12A.10.4 Where the CDC exercises its right under Regulation 12A.10.3, CDC shall close the relevant Investor Account in accordance with the Procedures.

### **12A.11 Regulations**

The Regulations contained in the other Chapters shall mutatis mutandis apply to the Investor Account and shall, subject to the Terms and Conditions, govern the rights and obligations of CDC and the Investor-Accountholder, as if the Investor-Accountholder was the holder of a sub-account in CDC in terms of the Act. PROVIDED, however, if any such Regulations are inconsistent with or are otherwise irrelevant under the Terms and Conditions, such Regulations shall not be applicable.

### **12A.12 No Liability of CDC**

- 12A.12.1 Neither CDC nor any of its directors, officers, employees or agents shall be liable for any loss or damage that may be suffered or sustained by the Investor-Accountholder in opening and maintaining the Investor Account, except in the case of negligence or wrongful acts.
- 12A.12.2 Neither CDC nor its directors, officers, employees or agents shall be liable for any loss or damage that may be suffered or sustained by the Investor-Accountholder due to any negligence, inaction, fraud or failure to fulfill any legal obligation by any CDS Element or any Investor-Accountholder.
- 12A.12.3 Neither CDC nor any of its directors, employees or agents shall, if acting in good faith and without having committed any negligent or wrongful act, be liable for any loss, destruction or misdelivery of any Book-entry Securities, or for any action taken or omitted or purported to be taken or omitted, in good faith, by any of them under or in connection with the Terms and Conditions, or if they are prevented or delayed by law or any circumstances beyond their control in performing CDC's obligations under the Terms and Conditions.
- 12A.12.4 Neither CDC nor any of its officers, employees or agents shall, apart from any wrongful act, omission, negligence or fraud, be liable for any loss or damage that may be suffered, incurred or sustained by the Investor-Accountholder as a result of any computer or machinery break-down or malfunction, or as a result of the closure, malfunction, break-down, repair, servicing, mechanical or other defect of the computer and allied equipment of CDC.
- 12A.12.5 CDC may at any time suspend, add to or modify the CDS. CDC may also at any time, without any notice to the Investor-Accountholder suspend the operation of the Investor Account and CDC's services under the Terms and Conditions if CDC deems it necessary to do so for reason of security, for maintenance work, for force majeure, for any other reason beyond the reasonable control of CDC, or for compliance with any law, rule, regulation or directive of any lawful authority.
- 12A.12.6 CDC shall be free of any and all liabilities for any loss of the Book-entry Securities in the Investor Account due to any Governmental act, orders, decrees, regulations, political disputes, laws, tax, embargo, moratorium, exchange control restrictions, expropriation, war, hostilities, civil disobedience, or any other cause beyond the control of CDC.

### **12A.13 Investor-Accountholder's Liability**

- 12A.13.1 The Investor-Accountholder represents and warrants to CDC that the registration details and other information set out in the Investor Account Opening Form or in any other document, form, instruction or communication submitted by the Investor-Accountholder to CDC in terms of the Terms and Conditions shall be true and correct. The Investor-Accountholder shall indemnify CDC for any losses, damages, costs or expenses that may be suffered, incurred or sustained by CDC as a result of any inaccuracy or mis-statement contained in the Investor Account Opening Form or any other document, form, instruction or

communication, as referred to above, submitted by the Investor-Accountholder to CDC.

12A.13.2 The Investor-Accountholder shall, during the subsistence of the Investor Account, comply with all applicable laws, rules and regulations, including the Terms and Conditions, the Regulations and the rules and regulations of Stock Exchanges.

12A.13.3 The Investor-Accountholder shall keep all information pertaining to CDC's affairs which may come to his knowledge in strict confidence.

12A.13.4 In case the Investor Account is a joint account, the liability of the joint Investor-Accountholders of such Investor Account shall be joint and several.

#### **12A.13A Overdue Investor Account**

12A.13A.1 Where an Investor Account becomes an Overdue Investor Account, CDC shall withdraw Delivery-in facility and crediting of any Book-entry Securities under these Regulations (hereinafter in this Chapter referred to as the "Services") in respect of such Overdue Investor Account, provided that such crediting of Book-entry Securities is not made pursuant to sub-clauses (e) to (h) of clause (i) of Regulation 8F.1 into such Overdue Investor Account.

12A.13A.2 CDC shall restore the Services in respect of an Investor Account which has ceased to be an Overdue Investor Account by reason of payment of CDC's charges by the Investor Account Holder.

#### **12A.14 Suspension and Closing of Investor Account**

12A.14.1 CDC may close the Investor Account at any time by giving twenty (20) Business Days' prior written notice to the Investor-Accountholder. The Investor-Accountholder may make representation against such notice within ten (10) days of receipt of the notice. The Board's decision on such representation shall be final and binding.

12A.14.2 Notwithstanding any other provisions of this Chapter, CDC shall have the right, subject to prior notice to the Investor-Accountholder, to suspend the Investor Account at any time with such condition as to the closure of Investor Account if the Investor-Accountholder commits a breach of any of the Terms and Conditions contained herein or if he violates any applicable laws, rules or regulations and such breach or violation, if capable of being rectified, is not rectified within the period of the written notice of CDC.

12A.14.3 If an Investor Account is suspended, the CDC shall withdraw all the facilities in respect of such Investor Account, provided that, subject to payment of CDC's charges and of any costs, expenses, penalties and/or damages incurred or suffered by CDC as a consequence of the circumstances which led to the suspension of the Investor Account, CDC shall allow Delivery-out and Withdrawal of Securities in respect of such

Investor Account in accordance with the Terms and Conditions and then close such Investor Account.

12A.14.4 If the CDC is satisfied that the circumstances that gave rise to the imposition of suspension under Regulation 12A.14.2 no longer exist, the CDC shall remove the suspension under notice to the concerned Investor-Accountholder.

12A.14.5 CDC may close the Investor Account where the Investor Account remains suspended for consecutive 30 days in accordance with the Procedures.

12A.14.6 The Investor-Accountholder may at any time close his Investor Account by submitting an Account Closing Request Form to CDC. Upon receiving such a form, CDC shall close the Investor Account so soon as practicably possible, subject to the payment to CDC of CDC's charges for closing of Investor Accounts and of all other charges and amounts due from the Investor-Accountholder to CDC and subject to the condition that no corporate action is pending at that point of time in connection with any Book-entry Securities in the Investor Account. Subject to aforesaid, CDC shall allow the Investor-Accountholder, prior to the closure of the Investor Account, to withdraw or transfer all Book-entry Securities entered in his Investor Account. An Investor Account will not be allowed to be closed if any Book-entry Securities entered therein are pledged and are placed in the Pledge Position.

#### **12A.15 Joint Accounts**

12A.15.1 If the Investor Account is in the name of two or more persons, the balance to the credit of such Investor Account shall belong to the Investor-Accountholders or the surviving Investor-Accountholder(s) as joint tenants.

12A.15.2 A joint Investor Account shall be allowed by CDC to be operated strictly in accordance with the instructions as regards operation of such Investor Account contained in the Investor Account Opening Form.

12A.15.3 In the case of the death of a joint Investor-Accountholder, the survivor or survivors, as the case may be, shall constitute the Investor-Accountholder(s) hereunder and, subject to the law, may be allowed by CDC, at its discretion, to continue to maintain and operate the Investor Account.

12A.15.4 Whether or not the death of any or all of the Investor-Accountholders shall have intervened, CDC may continue to act from time to time in reliance upon any signing authority conveyed to CDC until CDC shall have received notice in writing from or on behalf of any of them that such signing authority has been terminated or revoked by operation of law or otherwise.



12A.15.5 CDC is authorised to treat all the joint Investor-Accountholders as being alive unless a death certificate issued by a competent public functionary, or evidence satisfactory to CDC, has been provided to CDC.

12A.15.6 If prior to acting on instructions received from one signatory, where the joint Investor Account is operated with single signing authority, CDC received contradictory instructions from another signatory, CDC shall immediately thereafter only act on the mandate of all the joint Investor-Accountholders or their authorized signatories.

#### **12A.16 Miscellaneous**

12A.16.1 The Investor-Accountholder irrevocably submits to the non-exclusive jurisdiction of the Courts of Pakistan and consents to the service of process on him by post or in any other manner permitted by law.

12A.16.2 CDC's failure or delay to exercise or enforce any of its rights against the Investor-Accountholder shall not operate as waiver of such rights nor shall it prejudice or affect CDC's rights subsequently to act strictly in accordance with the Terms and Conditions.

12A.16.3 All costs and expenses, including legal costs, on attorney client basis, incurred by CDC in connection with the enforcement of any of its rights under the Terms and Conditions or to resolve any dispute relating to the Book-entry Securities Delivered-in or Delivered-out of the Investor Account shall be payable by the Investor-Accountholder to CDC on a full indemnity basis.

12A.16.4 The illegality, invalidity or enforceability of any provisions contained in this Chapter shall not affect the legality, validity or enforceability of the other provisions of this Chapter.

12A.16.5 Any or all applications, requests or other documents to be submitted to CDC by the Investor-Accountholder or by any other person under these Terms and Conditions shall be submitted only on a Business Day during the working hours of CDC notified by CDC for this purpose from time to time.

#### **12A.17 Notice**

Notice or document may be sent by CDC to an Investor-Accountholder and by an Investor-Accountholder to CDC in accordance with Regulation 2.6.4. Notwithstanding the above, where the Investor Account is a joint Investor Account, sending of a notice or document to the joint Investor-Accountholder named first in the Investor Account Opening Form shall be deemed to have been sent to all the joint Investor-Accountholders.

#### **12A.18 Amendment to the Terms and Conditions**

12A.18.1 CDC shall have the right at any time to amend, modify or substitute the Terms and Conditions with the prior permission of the Commission. Any

such amendment, modification or substitution shall be binding on the Investor-Accountholders.

- 12A.18.2 Notwithstanding anything to the contrary contained in this Chapter 12A, if the Commission makes any changes, or orders the making of any changes, in the Terms and Conditions, the Terms and Conditions, as amended by or in accordance with the order of the Commission, shall become applicable to the Investor Accounts, the Investor-Accountholders, the Issuers, the Eligible Pledgees and, to the extent applicable, to the CDS Elements from the date such amended Terms and Conditions come into operation.

**CHAPTER 13:                   AUDIT AND COMPLIANCE****13.1                   Monitoring compliance with the Regulations**

13.1.1               For the purpose of monitoring compliance with these Regulations by a CDS Element, the CDC may by notice require the CDS Element to provide any information:

- (a)       known to that CDS Element; and
- (b)       in connection with:
  - (i)       the performance of any obligations of the CDS Element under these Regulations; or
  - (ii)      any actions taken or required to be taken by the CDS Element under these Regulations.

13.1.2               If the CDC requires a CDS Element to provide information under Regulation 13.1.1, the CDC shall specify in the notice the form and extent of the information required and the date and time by which the information must be provided.

13.1.3               For the purpose of monitoring compliance with these Regulations by a CDS Element, the CDC may by notice require the CDS Element to permit the CDC to inspect Records:

- (a)       in connection with:
  - (i)       the performance of any obligations of the CDS Element under these Regulations; or
  - (ii)      any associated actions taken or required to be taken by the CDS Element under these Regulations; and
- (b)       in the custody, power or possession of that CDS Element.

13.1.4               If the CDC requires a CDS Element to permit inspection of Records under Regulation 13.1.4, the CDC shall specify in the notice:

- (a)       a description of the Records; and
- (b)       the date and time at which inspection will take place.

13.1.5               If a CDS Element receives notice from the CDC under Regulation 13.1.1 or 13.1.3, that CDS Element shall:

- (a)       provide information or permit inspection of Records in accordance with the notice;
- (b)       provide such other assistance as the CDC may reasonably

require; and

- (c) bear any costs incurred by the CDS Element in complying with the notice.

13.1.6 CDC may from time to time periodically or whenever CDC considers it appropriate for any reason whatsoever review the Registration Details of and other information, including zakat status, relating to Sub-Accounts for the purpose of ascertaining, in accordance with the Procedures, apparent mistakes in or apparent incompleteness of the Registration Details and such other information in terms of these Regulations. If for this purpose, CDC is required to inspect the Records of any Participant, CDC may by Notice require such Participant to permit CDC to inspect any Records. In such case, the provisions of Regulation 13.2 will be applicable and complied with by the Participant.

13.1.7 Without in any manner reducing, diluting or nullifying the rights and remedies available to or otherwise invested in CDC in the Act or any other law for the time being in force or these Regulations, CDC may monitor compliance of sub-clause (v) of clause (ka) of Regulation 9.1.1 by the Participants as may be selected by CDC in its discretion from time to time for this purpose. If for this purpose, any information is required by CDC from a Participant or, as the case may be, CDC is required to inspect the Records of any Participant, CDC may, by notice, require such Participant to provide such information or, as the case may be, permit CDC to inspect any Records. In such case, the provisions of Regulations 13.1 and 13.2 shall be *mutatis mutandis* applicable and complied with by the Participant.

## **13.2 Inspection of Records by the CDC**

13.2.1 If the CDC has reason to suspect that:

- (a) a contravention of these Regulations has occurred; or
- (b) a CDS Element has engaged in activity that has affected or may affect the integrity or orderly operation of the CDS,

the CDC may by notice require any CDS Element to permit the CDC to inspect any Records:

- (c) in connection with:
  - (i) the performance of any obligations of the CDS Element under these Regulations; or
  - (ii) any associated actions taken or required to be taken by the CDS Element under these Regulations; and
- (d) in the custody, power or possession of that CDS Element.

13.2.2 If the CDC gives notice to a CDS Element under Regulation 13.2.1, the

notice shall:

- (a) specify:
  - (i) a description of the Records to be inspected; and
  - (ii) the date and time at which the inspection shall take place (which may be the time at which the notice is given); and
- (b) state the general nature of the matter giving rise to the inspection.

13.2.3 Failure to state the general nature of the matter giving rise to an inspection in a notice in accordance with Regulation 13.2.2(b) does not affect the validity or enforceability of that notice.

13.2.4 If, under Regulation 13.2.1, the CDC seeks to inspect any Records in the custody, power or possession of a CDS Element, that CDS Element shall:

- (a) permit inspection of the Records in accordance with the notice;
- (b) provide such other assistance as the CDC may reasonably require; and
- (c) bear any costs incurred by the CDS Element in complying with the notice.

### **13.3 Confidentiality**

13.3.1 An Approved Agent may be appointed to carry out on behalf of the CDC any investigations which may be carried out by the CDC pursuant to Regulation 13.1 and 13.2.

13.3.2 The CDC or an Approved Agent shall not disclose confidential information obtained by it under Regulations 13.1 or 13.2 unless such disclosure is:

- (a) required by law; or
- (b) necessary or desirable for the purpose of monitoring or enforcing compliance with these Regulations.

### **13.4 Audit of Documents Evidencing Title cancellation process**

13.4.1 The CDC may, for the purpose of monitoring compliance with these Regulations, give notice to an Issuer of Eligible Securities requiring that Issuer to provide to the CDC a report from an independent auditor approved by the CDC that expresses an opinion as to whether or not the provisions of these Regulations relating to cancellation of the Documents Evidencing Title of Registered-Form Securities deposited into the CDS have been complied with by that Issuer.

- 13.4.2 If the CDC gives notice to an Issuer requiring that Issuer to provide a report under Regulation 13.4.1:
- (a) the CDC shall specify in the notice the date and time by which the Issuer shall provide the report and that date shall be a date not less than 1 month from the date that the CDC gives the notice; and
  - (b) the Issuer shall:
    - (i) provide the report to the CDC within the time specified in the notice; and
    - (ii) bear any costs incurred by the Issuer in obtaining the report.

### **13.5 Provision of audit certificates**

- 13.5.1 The CDC shall require an independent auditor to conduct an annual review of the CDS and that review will comprise:
- (a) reviewing the CDC's information processing facilities and the integrity of the CDS including:
    - (i) maintenance of security and confidentiality over the data of the CDS Elements;
    - (ii) security over the physical operation of the CDS;
    - (iii) CDS backup and disaster control and recovery procedures; and
    - (iv) CDS access controls; and
  - (b) assessing the integrity and accuracy of information generated by the CDS including, without limitation:
    - (i) internal controls over data input by the CDC; and
    - (ii) processing and reporting of transaction data.

13.5.2 The CDC shall provide a copy of the audit certificate to the Commission within 1 calendar month of receiving the audit certificate.

13.5.3 Except as expressly provided in these Regulations, no CDS Element shall have any right of access to, or right to inspect, the CDC's Records.

### **13.6 Periodic reconciliations by Account Holders**

13.6.1 Each Account Holder shall, for each Business Day, verify the activity taking place during that Business Day with reference to any Handling of Book-entry Securities entered in any Holding forming part of the Account

Family of the Account Holder and shall immediately report in writing any of his concerns in that regard to the CDC by the End of Day on the next succeeding Business Day.

- 13.6.2 On receipt of any written intimation from any Account Holder under Regulation 13.6.1, the CDC shall investigate the circumstances and notify the Account Holder the results of such investigation within 15 Business Days from receipt of the intimation.

### **13.7 Determination of Overage and Underage**

- 13.7.1 A. The Issuer of any Registered-Form Securities shall:
- (i) from time to time, but at least once in a month, reconcile the number of Book-entry Securities held on the CDR with the number of such Securities recorded in the name of CDC on the books of the Issuer;
  - (ii) report to CDC the findings of the reconciliation carried out under paragraph (i) of this Clause A in respect of the first six months of the financial year of the Issuer, correct as of the End of Day on the last day of such sixth month, in writing, in the form prescribed by CDC for this purpose;
  - (iii) report to CDC the findings of the reconciliation carried out under paragraph (i) of this Clause A in respect of the entire financial year of the Issuer, correct as of the End of Day on the last day of such financial year, in writing, in the form prescribed by CDC for this purpose, duly authenticated by the external auditors of the Issuer;
  - (iv) ensure that the six-monthly report referred to in paragraph (ii) of this Clause A is submitted to CDC as soon as the reconciliation referred to in paragraph (i) is complete but not later than the 10<sup>th</sup> Business Day after the end of the sixth month to which such report relates; and
  - (v) ensure that the annual report referred to in paragraph (iii) of this Clause A is submitted to CDC as soon as the reconciliation referred to in paragraph (i) is complete but not later than the end of the 4<sup>th</sup> month from the end of the financial year of the Issuer to which the report relates,

Provided that where any discrepancy is discovered as a consequence of the reconciliation carried out by the Issuer under paragraph (i) of this Clause A, the Issuer shall notify CDC the details of such discrepancy within three (3) Business Days after the date on which the discrepancy is discovered.

Provided further that the requirements of Clause A of this Regulation shall not apply where Securities concerned are representing the Rights Entitlements.

B. If the Issuer of any Registered-Form Securities commits a breach of any requirements of Clause A of this Regulation, the Chief Executive Officer or his delegate, as the case may be, may call upon such Issuer, by Notice, to rectify such breach within 3 Business Days period. In case the Issuer does not rectify such breach within 3 Business Days of receiving CDC's Notice, the Chief Executive Officer or his delegate, as the case may be, may impose a fine of up to Rs.10,000 (Rupees ten thousand) on the Issuer. The Chief Executive Officer or his delegate, as the case may be, may, for any reasonable cause, grant remission to any Issuer, in full or in part, in respect of any fine imposed by him under this Regulation. Provided that, where the Issuer does not rectify the breach within 7 Business Days of imposition of fine then, notwithstanding whether the Issuer has paid the fine or not, the Chief Executive Officer or his delegate, as the case may be, may order suspension or revocation of CDS Eligibility of Securities of the Issuer (in respect of which such breach relates) in accordance with these Regulations.

13.7.1A If the Chief Executive Officer or his delegate, as the case may be, orders suspension or revocation of CDS Eligibility of Securities of the Issuer under proviso to Clause B above, CDC shall proceed in accordance with Regulation 5.3.1.

13.7.2 Where at any time a reconciliation conducted by any issuer under Regulation 13.7.1 indicates an Overage (hereinafter called an "Overage Determination"), the CDC shall use its best efforts to determine the Holder entitled to receive the Book-entry Securities comprised in the Overage and:

(i) add such number of Book-entry Securities to the Available Balance of the Holding belonging to such Holder; and

(ii) give notice of such action to the Holder.

13.7.3 If within three months after the Overage Determination is made the Holder entitled to receive the Book-entry Securities comprised in the Overage is not found, the CDC shall deal with such Book-entry Securities in the manner as may be determined by the CDC.

13.7.4 Any Holder claiming to be entitled to receive the Book-entry Securities comprised in the Overage may within three years from the date of the Overage Determination claim such Book-entry Securities from the CDC.

13.7.5 The CDC may, but shall not be obliged so to do, entertain any claims made upon it after three years from the date of the Overage Determination by any Holder claiming to be entitled to receive the Book-entry Securities comprised in the Overage.



- 13.7.6 Where at any time a reconciliation conducted by any issuer under Regulation 13.7.1 indicates an Underage (hereinafter called an "Underage Determination") the CDC shall use its best efforts to locate the Securities comprised in the Underage and have them registered into its name.
- 13.7.7 If within 45 days after the Underage Determination is made the Securities comprised in the Underage are not found, the CDC shall purchase such Securities from its own resources and have them registered into its name.

**CHAPTER 14: DISCIPLINARY PROCEEDINGS****14.1 Establishment of the Disciplinary Panel**

14.1.1 The Board shall establish a Disciplinary Panel from which members of the Disciplinary Tribunal are to be chosen in accordance with these Regulations.

14.1.2 The Board shall constitute the Disciplinary Panel from amongst its members.

14.1.3 The Board shall appoint persons to the Disciplinary Panel from time to time so that the Disciplinary Panel has not less than 5 members at any time.

14.1.4 The Board may determine the period for which, and the terms and conditions (including as to remuneration) on which persons are appointed to the Disciplinary Panel.

14.1.5 If:

(a) a member of the Disciplinary Panel is asked to serve on the Disciplinary Tribunal; and

(b) at any time while the member serves on that Tribunal, the member becomes aware of any material interest the member has in the subject matter of Proceedings before that Tribunal,

the member shall forthwith declare the existence of that interest, and decline to serve on the relevant Tribunal.

**14.2 Establishment of the Disciplinary Tribunal**

14.2.1 Regulations 14.2.2 to 14.2.4 apply in relation to the establishment and convening of the Disciplinary Tribunal.

14.2.2 The Board shall appoint:

(a) a member of the Disciplinary Panel as the President of the Disciplinary Tribunal; and

(b) a member of the Disciplinary Panel as the Deputy President of the Disciplinary Tribunal,

and shall determine the period for which, and the terms and conditions (including as to remuneration) on which the President and Deputy President shall hold office.

14.2.3 If for any reason (including conflict of interest) the President of a Disciplinary Tribunal is unable or unwilling to perform any of the functions of the President in relation to a Proceeding, the Deputy President of the

Tribunal may act in the President's place in relation to that Proceeding.

14.2.4 Where the Deputy President of a Disciplinary Tribunal acts in place of the President under Regulation 14.2.3, the Deputy President shall be constituted as

the President of the Tribunal and he shall then co-opt on the Tribunal another member of the Disciplinary Panel as the Deputy President of the Tribunal.

14.2.5 If for any reason (including conflict of interest) the President and the Deputy President of a Tribunal are both unable or unwilling to perform the functions of the President in relation to a Proceeding, the Board may nominate a member of the Disciplinary Panel who shall act in the President's place in relation to that Proceeding.

14.2.6 The Commission shall hear and determine any Appeals under and in accordance with these Regulations.

### **14.3 Expedited disciplinary procedure**

14.3.1 If:

- (a) the CDS Element fails to comply with the notices given under Regulations 13.1.1, 13.1.3, 13.1.6, 13.2.1 or 13.4 in part or in full; or
- (b) in the reasonable opinion of the Chief Executive Officer:
  - (i) the information provided by the CDS Element pursuant to notice given under Regulation 13.1.1 or the inspection of any Records of a CDS Element carried out pursuant to notice given under Regulations 13.1.3, 13.1.6 or 13.2.1 discloses any contraventions of any provisions of these Regulations by such CDS Element; or
  - (ii) the report provided by the Issuer of Eligible Securities pursuant to notice given under Regulation 13.4.1 discloses that provisions of these Regulations relating to cancellation of the Documents Evidencing Title of Registered-Form Securities deposited into the CDS have not been complied with in part or in full by that Issuer,

THEN the Chief Executive Officer may, in respect of each contravention:

- (c) censure the CDS Element;
- (d) impose a fine not exceeding Rs.10,000 on the CDS Element;
- (e) if, because of the contravention, the CDC has suffered loss or damage, direct the CDS Element to pay to the CDC an amount not exceeding the amount of that loss or damage; and/or

- (f) if, because of the contravention, any other CDS Element has suffered loss or damage, direct the CDS Element to pay to the other CDS Element an amount not exceeding the amount of that loss or damage.
- 14.3.2 Under Regulation 14.3.1, the Chief Executive Officer:
  - (a) shall not direct a CDS Element to pay sums exceeding a total of Rs.10,000 for a single contravention; but
  - (b) may give more than one direction in respect of a single contravention.
- 14.3.3 If the Chief Executive Officer imposes a penalty on, or gives any directions to, a CDS Element under Regulation 14.3.1, the CDS Element may by notice to the CDC, within 10 Business Days of receiving notice of the penalty or direction, elect for the matter to be dealt with as a Proceeding before the Disciplinary Tribunal.
- 14.3.4 If the CDC receives a notice from a CDS Element under Regulation 14.3.3:
  - (a) any penalty imposed or direction given by the Chief Executive Officer will be stayed;
  - (b) the CDC shall give a Contravention Notice in respect of the believed contravention in accordance with Regulation 14.4.1; and
  - (c) thereafter, the believed contravention will be dealt with by way of a Proceeding.
- 14.3.5 The CDC shall not take any enforcement action in relation to a penalty or direction under Regulation 14.3.1 until the expiry of the period of 10 Business Days referred to in Regulation 14.3.3.
- 14.3A Expedited Disciplinary Procedure for Inaccurate Registration Details**
- 14.3A.1 If, under Chapter 13, CDC reviews Registration Details of and other information, including zakat status, relating to any Sub-Accounts and in the reasonable opinion of the Chief Executive Officer, such review discloses inaccurate or incomplete Registration Details and/or other information, the Chief Executive Officer may, in respect of each Sub-Account bearing such inaccurate or incomplete Registration Details and/or other information, impose a fine of Rs. 200 (Rupees two hundred) on the Participant concerned and call upon such Participant, by Notice, to correct the inaccuracy or incompleteness identified by CDC within 3 Business Days period. In case the Participant does not correct the inaccuracy or incompleteness of Registration Details and/or other information pointed out by CDC within 3 Business Days of receiving CDC's Notice, the Chief Executive Officer may impose a fine of Rs. 500 (Rupees five hundred) per day on such Participant in respect of each Sub-Account bearing such inaccurate or incomplete Registration Details

and/or other information for so long as the inaccurate or incomplete Registration Details and/or other information are not corrected. In addition, the Chief Executive Officer may order termination of the authority of the non-compliant Participant to open new Sub-Accounts and CDC shall forthwith comply with such order. The Chief Executive Officer may, for any reasonable cause, grant remission to any Participant, in full or in part, in respect of any fine imposed by him under this Regulation.

#### **14.3B Penalty on Erroneous Transaction**

14.3B.1 Notwithstanding any other provision of these Regulations, in respect of each Erroneous Transaction Transmitted by the Account Holder or the Issuer, as the case may be, to the CDC:

- (a) CDC may impose a penalty to the extent of 10% of the amount attracted in terms of Schedule of Fees and Deposits by virtue of implementation of such Transaction subject to a maximum of Rs. 20,000 (Rupees twenty thousand) on such Account Holder and/or the Issuer, as the case may be; and
- (b) the total amount attracted in terms of Schedule of Fees and Deposits by virtue of such Transaction shall be deemed to have been waived.

#### **14.3C Expedited Disciplinary Procedure for breach of conditions set forth in clause (ka) of Regulation 9.1.1**

14.3C.1 If, under Regulation 13.1.7, CDC monitors compliance of a Participant with respect to the provisions of sub-clause (v) of clause (ka) of Regulation 9.1.1 and such exercise discloses a breach of such sub-clause by such Participant, then, the Chief Executive Officer or his delegate shall:

- (a) impose a fine at the rate of 1% of the prevailing market value of the Book-entry Securities held (in contravention of the provisions of sub-clause (v) of clause (ka) of Regulation 9.1.1) in the Collateral Account or twenty five thousand rupees (Rs. 25,000), whichever is higher, subject to a maximum fine of one hundred thousand rupees (Rs.100,000) on the Participant concerned and call upon such Participant, by notice, to rectify the breach within two (2) Business Days of receipt of such notice; and
- (b) in case the Participant does not rectify the breach and/or pay the fine imposed pursuant to paragraph (a) above within two (2) Business Days of receiving CDC's notice given pursuant to the aforesaid paragraph, impose Restriction on the admission to the CDS of such Participant in accordance with the provisions of Chapter 15 by withdrawing the entitlement of the Participant to Transmit a Transaction or a class of Transactions to the CDC with respect to the Collateral Account under his control and such Restriction shall remain in place for a minimum period of 90 days from the date of imposition thereof notwithstanding that the

Participant rectifies, in accordance with the Procedures, the breach in every respect and pays the fine before the expiry of such Restriction period. Removal of Restriction imposed pursuant to this Regulation 14.3C.1 shall be subject to:

- (i) rectification of breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 in every respect and payment of fine imposed pursuant to clause (a) of this Regulation 14.3C.1; and
- (ii) expiry of the Restriction period referred to in clause (b) of this Regulation 14.3C.1

14.3C.2 The provisions of paragraphs (a) and (b) of Regulation 14.3C.1 as regards imposition of fine and Restriction on the admission to the CDS of a Participant shall mutatis mutandis apply in case a Participant is found, pursuant to CDC monitoring compliance under Regulation 13.1.7, to be in breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 for a second time.

14.3C.3 In case a Participant is found, pursuant to CDC monitoring compliance under Regulation 13.1.7, to be in breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 for a third time, the Chief Executive Officer or his delegate shall impose Restriction on the admission to the CDS of such Participant in accordance with the provisions of Chapter 15 and impose a fine on the Participant as referred to in paragraph (a) of Regulation 14.3C.1. The Restriction imposed on the admission to the CDS of a Participant under this Regulation 14.3C.3 shall remain in place for a minimum period of 90 days from the date of imposition thereof notwithstanding that the Participant rectifies, in accordance with the Procedures, the breach on account of which his admission to the CDS was Restricted and pays the fine before the expiry of such Restriction period. Removal of Restriction imposed pursuant to this Regulation 14.3C.3 shall be subject to:

- (i) rectification of breach of sub-clause (v) of clause (ka) of Regulation 9.1.1 in every respect and payment of fine imposed pursuant to clause (a) of this Regulation 14.3C.3; and
- (ii) expiry of the Restriction period referred to above.

#### **14.4 Commencement of disciplinary Proceedings**

14.4.1 If the Board has reason to believe that a CDS Element has contravened any provision of these Regulations, the CDC may give the CDS Element a Contravention Notice that complies with Regulation 14.4.2.

14.4.2 A Contravention Notice to be given to a CDS Element shall:

- (a) specify the provisions of these Regulations believed to have been contravened;

- (b) set out particulars of the believed contravention;
  - (c) state that the Board will request the President of the Disciplinary Tribunal to nominate a date, time and place for the hearing of the Proceeding; and
  - (d) state that reasonable notice will be given to the CDS Element of the date, time and place for the hearing.
- 14.4.3 The CDC shall promptly give a copy of the Contravention Notice to the President of the Disciplinary Tribunal and request that the President appoint a date, time and place for the hearing of the Proceeding.
- 14.4.4 If the President of the Disciplinary Tribunal receives a Contravention Notice from the CDC in relation to a Proceeding, subject to Regulations 14.2.3 and 14.2.4, the President shall as soon as practicable:
- (a) nominate two members of the Disciplinary Panel who, together with the President, shall constitute the Disciplinary Tribunal for the purposes of the Proceeding;
  - (b) appoint a date, time and place for the hearing of the Proceeding; and
  - (c) give reasonable notice to the Parties of the date, time and place for the hearing.
- 14.4.5 The hearing of a Proceeding shall be conducted in accordance with Regulation 14.10.
- 14.5 Penalties**
- 14.5.1 If the Disciplinary Tribunal determines that a CDS Element has contravened any provision of these Regulations, the Disciplinary Tribunal may do any one or more of the following:
- (a) censure the CDS Element;
  - (b) direct the CDC to publish to CDS Elements or the public the name of the CDS Element and any information concerning:
    - (i) the contravention; and
    - (ii) any penalty imposed or direction given;
  - (c) impose a fine not exceeding Rs.20,000 on the CDS Element;
  - (d) if, because of the contravention, the CDC has suffered loss or damage, direct the CDS Element to pay to the CDC an amount not exceeding the amount of that loss or damage;

- (e) if, because of the contravention, any other CDS Element has suffered loss or damage, direct the CDS Element to pay to the other CDS Element an amount not exceeding the amount of that loss or damage;
- (f) direct the CDS Element to institute or upgrade, in a form satisfactory to the CDC, subject to the directions of the Disciplinary Tribunal, an education or compliance programme designed to prevent future contraventions by the CDS Element;
- (g) impose Restrictions on the CDS Element's admission to the CDS for a period not longer than 1 year; and/or
- (h) suspend the CDS Element from admission to the CDS on such terms as the Tribunal thinks fit, for a period not longer than 1 year.

14.5.2 The total of the amounts which the Disciplinary Tribunal directs a CDS Element to pay under Regulation 14.5.1 in respect of each contravention must not exceed Rs.20,000.

14.5.3 If the Disciplinary Tribunal determines that any contravention by a CDS Element:

- (a) involved a failure to act honestly and fairly;
- (b) was or could reasonably be considered likely to have been prejudicial to the interests of the CDC or other CDS Elements; or
- (c) involved or formed part of a substantial or consistent failure to comply with one or more provisions of these Regulations,

the Disciplinary Tribunal may, in addition to any:

- (d) direction to publish information; or
- (e) fine imposed on the CDS Element,

terminate the CDS Element's admission to the CDS.

#### **14.5A Disciplinary Proceedings for Violation of Section 24 of the Act**

14.5A.1 If the Chief Executive Officer has reason to believe that a Participant has contravened provisions of Section 24 of the Act, the CDC may give to such Participant a Contravention Notice that complies with Regulation 14.5A.2.

14.5A.2 A Contravention Notice to be given to a Participant shall:

- (a) set out particulars of the believed contraventions of Section 24 of the Act; and
- (b) Allow three Business Days to the Participant for a reply.



- 14.5A.3 If a reply is not received by CDC to the Contravention Notice within the period stipulated in Regulation 14.5A.2(b), or the Chief Executive Office is not satisfied with the reply furnished by the Participant, the Chief Executive Officer may order that the status of the Participant be converted from a Participant to an ordinary Account Holder. A copy of the Chief Executive Officer's order shall be forthwith Transmitted to the Participant. Such order shall be a reasoned order. CDC shall, subject to the last sentence of this Regulation 14.5A.3, forthwith comply with such order of the Chief Executive Officer and shall terminate the access of the Participant to the Holdings controlled by him (not being his House Account) and may make such arrangements as may be necessary or desirable to enable the Book-entry Securities entered in any Holdings controlled by the Participant to be removed from his control. In making such arrangements, CDC shall take into account, so far as possible, the wishes of the Sub-Account Holders whose Sub-Accounts are under the control of the Participant and the wishes of the clients of the Participant whose holdings of the Book-entry Securities are recorded in the Group Account of the Participant. In case any Book-entry Securities are in Pledged Position in any Holdings controlled by the Participant, CDC shall, in making arrangements under this Regulation, take into account, so far as possible, the wishes of the Eligible Pledges in whose favour the Book-entry Securities are maintained in the Pledged Position. Where the Participant is a Stock Broker, CDC shall, before giving effect to the order of the Chief Executive Officer under this Regulation, comply with the requirements of paragraphs (d) and (e) of Regulation 14.9.
- 14.5A.4 If the Chief Executive Office passes an order under Regulation 14.5A.3, the Participant may, by notice to CDC, within 10 Business Days after receiving Transmission of the order of the Chief Executive Officer, elect for the matter to be dealt with as a Proceeding before the Disciplinary Tribunal
- 14.5A.5 If the CDC receives a notice from the Participant under Regulation 14.5A.4:
- (a) the order of the Chief Executive Officer will not be stayed;
  - (b) the CDC shall give a Contravention Notice in respect of the believed contravention in accordance with Regulation 14.5A.6; and
  - (c) thereafter, the believed contravention will be dealt with by way of a Proceeding.
- 14.5A.6 A Contravention Notice to be given to the Participant under Regulation 14.5A.5 shall:
- (a) set out particulars of the believed contravention of Section 24 of the Act;

- (b) state that CDC will request the President of the Disciplinary Tribunal to nominate a date, time and place for the hearing of the Proceeding; and
  - (c) state that reasonable notice will be given to the Participant of the date, time and place for the hearing.
- 14.5A.7 CDC shall promptly give a copy of the Contravention Notice to the President of the Disciplinary Tribunal and request that the President appoint a date, time and place for the hearing of the Proceeding.
- 14.5A.8 If the President of the Disciplinary Tribunal receives a Contravention Notice from the CDC in relation to a Proceeding, subject to Regulations 14.2.3 and 14.2.4, the President shall as soon as practicable:
  - (a) nominate two members of the Disciplinary Panel who, together with the President, shall constitute the Disciplinary Tribunal for the purposes of the Proceeding;
  - (b) appoint a date, time and place for the hearing of the Proceeding; and
  - (c) give reasonable notice to the Parties of the date, time and place for the hearing.
- 14.5A.9 The hearing of a Proceeding shall be conducted in accordance with Regulation 14.10.
- 14.5A.10 If the Disciplinary Tribunal determines that the Participant has contravened the provision of Section 24 of the Act, the Disciplinary Tribunal shall pass an order upholding the order of the Chief Executive Officer under Regulation 14.5A.3 and direct CDC to publish to CDS Elements and/or the public the name of the Participant and any information concerning:
  - (i) the contravention of Section 24 of the Act; and
  - (ii) the conversion of the status of the Participant to an ordinary Account Holder.
- 14.5A.11 If the Disciplinary Tribunal determines that a contravention of Section 24 of the Act by a Participant has occurred, the Participant may Appeal against the order of the Disciplinary Tribunal by giving an Appeal Notice to the CDC that complies with Regulation 14.5A.12. If the Disciplinary Tribunal determines that a contravention of Section 24 of the Act has not taken place, CDC may Appeal against the order of the Disciplinary Tribunal by giving an Appeal Notice to the Participant that complies with Regulation 14.5A.12.
- 14.5A.12 An Appeal Notice shall:
  - (a) set out the grounds of Appeal; and

- (b) be given no later than 10 Business Days after receipt by the appellant Party under Regulation 14.10.14 of the order of the Disciplinary Tribunal.
  - 14.5A.13 If the CDC:
    - (a) receives an Appeal Notice from the Participant; or
    - (b) gives an Appeal Notice to the Participant,

the CDC shall promptly give a copy of the Appeal Notice to the Commission and request that the Commission appoints a date, time and place for the hearing of the Appeal.
  - 14.5A.14 If the Commission receives a copy of an Appeal Notice from the CDC, the Commission shall, as soon as practicable:
    - (a) appoint a date, time and place for the hearing of the Appeal; and
    - (b) give reasonable notice to the Parties of the date, time and place for the hearing.
  - 14.5A.15 An Appeal shall be conducted in accordance with Regulation 14.10.
  - 14.5A.16 The Appeal shall not be conducted as a re-hearing of the Proceeding appealed from, but the Commission may review, and depart from, any findings of the Disciplinary Tribunal.
  - 14.5A.17 The Commission may:
    - (a) affirm; or
    - (b) set aside the order of the Disciplinary Tribunal to which the Appeal relates.
  - 14.5A.18 The CDC shall take enforcement action in accordance with the determination of the Appeal by the Commission.
  - 14.5A.19 If an Appeal is allowed in full, the reasonable costs of the appellant Party shall be borne by the other Party. In any other case, the Commission may, in its discretion, direct a Party to pay the reasonable costs, or a specified part or proportion of the costs, of the other Party to the Appeal.
  - 14.5A.20 The action taken against any Participant under this Regulation 14.5A shall not in any manner be construed as limiting, restricting, diluting, substituting or superseding the provisions of Section 28(2) of the Act.
- 14.6 Disciplinary Register and publication of determinations**
- 14.6.1 The CDC shall set up and maintain a Disciplinary Register for recording details of contraventions by CDS Elements determined to have occurred.

- 14.6.2 Subject to Regulation 14.7.1, if a Disciplinary Tribunal determines that a contravention by a CDS Element has occurred, the CDC shall, whether or not any penalty was imposed, enter the following details in the Disciplinary Register:
- (a) the name of the CDS Element;
  - (b) the provisions of these Regulations determined to have been contravened;
  - (c) summary details of the contravention; and
  - (d) summary details of any penalty imposed.
- 14.6.3 A copy of the Disciplinary Register shall be kept at the principal place of business of the CDC and shall be open for inspection by any person during normal business hours.
- 14.6.4 The CDC may provide a copy of any part of the Disciplinary Register to any person who:
- (a) requests the copy; and
  - (b) pays any reasonable fee required by the CDC.

## **14.7 Appeals**

- 14.7.1 If the Disciplinary Tribunal determines that a contravention by a CDS Element has occurred, the CDC shall not:
- (a) record details of the determination in the Disciplinary Register; or
  - (b) take any enforcement action in relation to any penalty imposed or direction given by the Disciplinary Tribunal,
- until:
- (c) if there is an Appeal, the Appeal is determined or withdrawn; or
  - (d) in any other case, the expiry of the time allowed for giving an Appeal Notice.
- 14.7.2 If the Disciplinary Tribunal determines that a contravention by a CDS Element has occurred, the CDS Element may Appeal against the determination, including the nature of any penalty imposed or direction given, by giving an Appeal Notice to the CDC that complies with Regulation 14.7.3.
- 14.7.3 An Appeal Notice shall:
- (a) identify the determination or part of a determination against which the Appeal is made;

- (b) set out the grounds of Appeal; and
- (c) be given no later than 10 Business Days after receipt by the appellant Party under Regulation 14.10.14 of the determination and written reasons of the Disciplinary Tribunal.

14.7.4 If the CDC:

- (a) receives an Appeal Notice from a CDS Element; or
- (b) gives an Appeal Notice to a CDS Element,

the CDC shall promptly give a copy of the Appeal Notice to the Commission and request that the Commission appoint a date, time and place for the hearing of the Appeal.

14.7.5 If the Commission receives a copy of an Appeal Notice from the CDC, the Commission shall, as soon as practicable:

- (a) appoint a date, time and place for the hearing of the Appeal; and
- (b) give reasonable notice to the Parties of the date, time and place for the hearing.

**14.8 Hearing and determination of Appeals**

14.8.1 An Appeal shall be conducted in accordance with Regulation 14.10.

14.8.2 The Appeal shall not be conducted as a re-hearing of the Proceeding appealed from, but the Commission may review, and depart from, any findings of the Disciplinary Tribunal.

14.8.3 The Commission may:

- (a) affirm;
- (b) vary in any respect, including as to any penalty imposed or direction given; or
- (c) set aside and substitute with another determination,

the determination of the Disciplinary Tribunal to which the Appeal relates.

14.8.4 If the Commission determines that a contravention by a CDS Element has occurred and varies or sets aside the determination of the Disciplinary Tribunal:

- (a) the details recorded in the Disciplinary Register shall relate to the determination of the Appeal Tribunal; and
- (b) the CDC shall take enforcement action in accordance with the

determination of the Appeal Tribunal.

- 14.8.5 If an Appeal is allowed in full, the reasonable costs of the appellant Party shall be borne by the other Party. In any other case, the Commission may, in its discretion, direct a Party to pay the reasonable costs, or a specified part or proportion of the costs, of the other Party to the Appeal.

#### **14.9 Disciplining of Stock Brokers**

- 14.9.1 If a Disciplinary Tribunal or the Commission, as the case may require, imposes a penalty on, or gives directions to, an Account Holder who is a Stock Broker involving:

- (a) termination of;
- (b) suspension from; or
- (c) conditions or Restrictions on, admission to the CDS, the CDC shall, before taking any action to give effect to that penalty:
- (d) give notice of the penalty or directions to the relevant Stock Exchange; and
- (e) afford the Stock Exchange a reasonable time in which to take action to reduce or avoid any risk of impairment to the efficient operation of the Stock Exchange that may result from the enforcement of the penalty or compliance with the directions.

#### **14.10 Hearings before the Disciplinary Tribunal and the Commission**

- 14.10.1 Regulations 14.10.2 to 14.10.14 apply in relation to hearings of Proceedings and Appeals, as the case may require.

- 14.10.2 The President of a Disciplinary Tribunal or the Commission, as the case may require, may cancel a hearing date for which notice has previously been given and appoint a substitute hearing date provided reasonable notice of the substitute hearing date is given to the Parties.

- 14.10.3 A Disciplinary Tribunal or the Commission, as the case may require, may adjourn and re-convene a hearing as it thinks fit.

- 14.10.4 Subject to Regulations 14.10.5 and 14.10.6, hearings before a Disciplinary Tribunal or the Commission, as the case may require, shall take place in private.

- 14.10.5 At a hearing, a Disciplinary Tribunal or the Commission, as the case may require:

- (a) shall permit each Party to a hearing to:
  - (i) appear in person, together with 1 representative; or

- (ii) be represented by 2 representatives;
  - (b) shall permit each Party to the hearing and each representative of that Party to make submissions at the hearing; and
  - (c) may permit more than 2 representatives of each Party to be present.
- 14.10.6 A Party may be represented at a hearing by:
- (a) an officer or employee of the Party;
  - (b) an advocate licenced to practice in Pakistan;
  - (c) any other professional adviser whose knowledge or qualifications are, in the opinion of the Disciplinary Tribunal or the Commission, as the case may require, relevant to the hearing; or
  - (d) any other person approved by the Disciplinary Tribunal or the Commission.
- 14.10.7 If a Party does not wish to appear at a hearing before a Disciplinary Tribunal or the Commission, as the case may require, that Party may, not less than 10 Business Days before the day of the hearing (or such lesser time as is reasonable having regard to the prior notice of the hearing which was given to that Party), lodge with the President of the Disciplinary Tribunal or the Commission a written submission in relation to the Proceeding or Appeal, as the case requires.
- 14.10.8 Hearings before a Disciplinary Tribunal or the Commission, as the case may require, shall be conducted:
- (a) with as little formality and technicality, and with as much expedition, as a proper consideration of the matters before the Disciplinary Tribunal or the Commission permits; and
  - (b) subject to the provisions of this Chapter, as the Disciplinary Tribunal or the Commission thinks fit.
- 14.10.9 The Disciplinary Tribunal or the Commission, as the case may require, may cause a transcript of proceedings at a hearing to be taken. If a transcript is taken, the Disciplinary Tribunal or the Commission must make the transcript available to the Parties.
- 14.10.10 In a hearing, the Disciplinary Tribunal or the Commission, as the case may require, shall:
- (a) determine matters before it without bias;
  - (b) give each Party a fair hearing; and
  - (c) otherwise observe the rules of natural justice.

- 14.10.11 The Disciplinary Tribunal or the Commission, as the case may require, may obtain such legal or other professional advice as it requires, and may have its advisers present at a hearing.
- 14.10.12 Each member of a Disciplinary Tribunal shall exercise one vote and determinations of the Tribunal shall be by majority. The President of the Disciplinary Tribunal shall not have a casting vote.
- 14.10.13 If a Disciplinary Tribunal or the Commission, as the case may require, imposes a fine or directs that a payment be made (including payment of any costs), the Disciplinary Tribunal or the Commission may specify a date by which payment must be made.
- 14.10.14 The Disciplinary Tribunal or the Commission, as the case may require, shall, within 15 Business Days after the conclusion of a hearing, give its determination and written reasons to each Party and, where an Account Holder who is a Stock Broker is a Party, to the relevant Stock Exchange.
- 14.10.15 Subject to Regulation 14.8.5, each Party to a Proceeding or Appeal shall bear its own costs in relation to the Proceeding or Appeal.

#### **14.11 Indemnification of members of Disciplinary Tribunal**

- 14.11.1 To the fullest extent permitted by law, the CDC shall indemnify:
- (a) each member of the Disciplinary Tribunal; and
  - (b) each officer of the CDC acting in connection with a Proceeding or Appeal,
- against any liability arising in connection with a Proceeding or Appeal.

#### **14.12 Enforcement action - Issuer's failure to pay or failure to comply with a direction**

- 14.12.1 Subject to any right of appeal, if an Issuer of Eligible Securities fails to pay any:
- (a) fee or charge in accordance with the Fees and Deposits Schedule; or
  - (b) amount payable under a direction given by the CDC, a Disciplinary Tribunal or the Commission, as the case may require,
- within 20 Business Days after the amount becomes payable:
- (c) the Issuer shall pay liquidated damages at the rate of 20% per annum from the day that fee, charge or amount becomes payable; and
  - (d) the CDC may give notice to any Stock Exchange on which the



Issuer's Securities are listed and the Issuer of its intention to suspend CDS Eligibility of the Issuer's Securities.

14.12.2 If an Issuer of Eligible Securities fails to comply with any other direction of the CDC, a Disciplinary Tribunal or the Commission, as the case may require, under this Chapter, the CDC may give notice to any Stock Exchange on which the Issuer's Securities are listed and the Issuer of its intention to suspend CDS Eligibility of the Issuer's Securities.

14.12.3 If:

- (a) the CDC gives notice to a Stock Exchange and an Issuer under Regulations 14.12.1(d) or 14.12.2; and
- (b) 10 Business Days after the notice is given, the Issuer has not:
  - (i) paid the fee, charge or amount; or
  - (ii) complied with the direction,as the case requires,

the CDC may suspend CDS Eligibility of the Issuer's Securities.

14.12.4 If:

- (a) the CDC gives notice to a Stock Exchange and an Issuer under Regulations 14.12.1(d) or 14.12.2; and
- (b) within 10 Business Days after the notice is given, the Issuer:
  - (i) pays the fee, charge or amount; or
  - (ii) complies with the direction,as the case requires,

the CDC shall give notice to the Stock Exchange and the Issuer that it does not intend to suspend CDS Eligibility of the Issuer's Securities.

14.12.5 If:

- (a) the CDC suspends CDS Eligibility of an Issuer's Securities under Regulation 14.12.3; and
- (b) 60 Business Days after the suspension, the Issuer has not:
  - (i) paid the fee, charge or amount and mark-up; or
  - (ii) complied with the direction,

as the case requires,

the CDC may, by notice to the Issuer and the Stock Exchange, revoke CDS Eligibility of the Issuer's Securities and such revocation shall take effect from End of Day on the last day of the suspension.

- 14.12.6 If the CDC revokes CDS Eligibility of an Issuer's Securities under Regulation 14.12.5, the Issuer may Appeal against the revocation by giving an Appeal Notice to the CDC that:
- (a) identifies the decision against which Appeal is made;
  - (b) sets out the grounds of the Appeal; and
  - (c) is given no later than 10 Business Days after the revocation takes effect.
- 14.12.7 If the CDC receives an Appeal Notice under Regulation 14.12.6, the CDC shall promptly give a copy of the Appeal Notice to the Commission.
- 14.12.8 If the Commission receives a copy of an Appeal Notice from the CDC under Regulation 14.12.7, the Commission shall, as soon as practicable:
- (a) appoint a date and time for the hearing of the Appeal (which shall be no later than 10 Business Days after the date the CDC receives the Appeal Notice);
  - (b) nominate a place for the hearing of the Appeal; and
  - (c) give reasonable notice to the Parties of the date, time and place for the hearing.
- 14.12.9 An Appeal against revocation of CDS Eligibility of an Issuer's Securities under Regulation 14.12.5 shall be conducted in accordance with Regulation 14.10 with such modifications in the circumstances.
- 14.12.10 The Commission may:
- (a) affirm the decision to revoke CDS Eligibility of an Issue's Securities; or
  - (b) direct CDC to remove the revocation.
- 14.12.11 The determination of the Commission in relation to an Appeal against a revocation of CDS Eligibility under this Regulation 14.12 and any determination as to costs payable by the Issuer or the CDC shall be final and binding upon the Issuer and the CDC.

## CHAPTER 15: RESTRICTIONS ON OR SUSPENSION OR TERMINATION OF ADMISSION TO THE CDS

### 15.1 Notice of non-compliance

15.1.1 An Account Holder shall give notice of non-compliance to the CDC immediately upon the happening of any of the following Events of Non-Compliance:

- (a) in the case of an Account Holder who is a Stock Broker:
  - (i) that Stock Broker ceases to be a member of the Stock Exchange of which it was originally a member;
  - (ii) that Stock Broker ceases to be entitled to carry on business as a member of the Stock Exchange of which it is a member;
  - (iii) that Stock Broker is suspended from all or any of the privileges of membership of the Stock Exchange of which it is a member; or
  - (iv) that Stock Broker is prohibited from transacting any business with or through any other Stock Broker of the Stock Exchange of which it is a member on such terms and conditions as the Stock Exchange imposes; and
- (b) in case of any Account Holder:
  - (i) the Account Holder ceases to comply with any Admission Requirement;
  - (ii) the Account Holder ceases to comply with any of the capacity requirements of Chapter 4 as modified *mutatis mutandis* to apply to Account Holders;
  - (iii) the Account Holder takes a step that results in a contravention of any of these Regulations by the Account Holder; or
  - (iv) the Clearing Company restricts, suspends or terminates the Account Holder, who is a Clearing Member.

### 15.2 Restriction, suspension or termination of admission to the CDS

15.2.1 If the Board is satisfied that there has been an Event of Non-Compliance by an Account Holder, the Board may:

- (a) impose Restrictions on;
- (b) suspend for a period determined in accordance with Regulations

15.2.2 and 15.2.3; or

- (c) terminate,

the admission to the CDS of that Account Holder.

15.2.2 Unless Regulation 15.2.3 applies, a period of suspension under Regulation 15.2.1(b) shall not be more than 30 Business Days.

15.2.3 If, before the expiration of a period of suspension, or an extension of that period under this Regulation 15.2.3:

- (a) the non-compliant Account Holder makes a written request to the CDC for an extension (or further extension) of the period of suspension; or
- (b) the Board reasonably believes that an extension (or further extension) of the period of suspension is necessary or desirable,

the Board may extend or further extend the period of suspension for no more than 30 Business Days on each occasion.

### **15.3 Notice of Restriction, suspension or termination of admission to the CDS**

15.3.1 If the Board:

- (a) imposes Restrictions on the admission to the CDS of a non-compliant Account Holder under Regulation 15.2.1(a);
- (b) suspends the admission to the CDS of a non-compliant Account Holder under Regulation 15.2.1(b); or
- (c) terminates the admission to the CDS of a non-compliant Account Holder under Regulation 15.2.1(c),

the CDC shall promptly give notice of the Restrictions, suspension or termination, as the case requires, to:

- (d) the non-compliant Account Holder; and
- (e) if the non-compliant Account Holder is a Stock Broker, the Stock Exchange of which the Account Holder is a member.

15.3.2 If a notice is given under Regulation 15.3.1, the CDC may also, to the extent that it thinks reasonably necessary, give notice of the Restrictions, suspension or termination, as the case requires, to other Account Holders or to Eligible Pledgees or to Issuers.

15.3.3 A notice given under Regulation 15.3.1 shall specify:

- (a) the reason for the Restrictions, suspension or termination; and

- (b) the date on which the Restrictions, suspension or termination will become effective.
- 15.3.4 A notice of Restrictions shall, in addition to the requirements of Regulation 15.3.3, specify:
  - (a) the nature and extent of the Restrictions to apply to the admission to the CDS of the non-compliant Account Holder; and
  - (b) the period for which the Restrictions will apply.
- 15.3.5 A notice of suspension shall, in addition to the requirements of Regulation 15.3.3, specify the period for which the suspension shall remain effective.
- 15.3.6 A notice of termination shall, in addition to the requirements of Regulation 15.3.3, specify:
  - (a) the date by which any Book-entry Securities entered in any Deposit Pending Position in Holdings under the control of the non-compliant Account Holder must cease to remain in Deposit Pending Positions; and
  - (b) the date, not being less than 20 Business Days from the date of the notice, by which any Book-entry Securities entered into any Holdings under the control of the non-compliant Account Holder must be:
    - (i) removed from the CDS; or
    - (ii) removed from the control of that Account Holder.
- 15.3.7 The CDC may give a notice of termination or a notice of Restrictions during a period of suspension of admission to the CDS of a non-compliant Account Holder.
- 15.3.8 A notice given under Regulation 15.3.1 may specify that the Restrictions, suspension or termination, as the case requires, will take effect immediately upon receipt of the notice.
- 15.4 Effects of Restriction on admission to the CDS**
- 15.4.1 If the Board imposes a Restriction on the admission to the CDS of a non-compliant Account Holder, the CDC shall reject any Valid Transaction Transmitted by the Account Holder in contravention of the Restriction.
- 15.5 Effects of suspension of admission to the CDS**
- 15.5.1 If the Board suspends the admission to the CDS of a non-compliant Account Holder, subject to Regulation 15.5.3, the CDC shall, during the suspension period:

- (a) reject any Valid Inter Account Transaction or any Valid Intra Account Transaction Transmitted by or to the Account Holder;
- (b) reject any Valid Deposit Request Transaction Transmitted by the Account Holder;
- (c) reject any Valid Withdrawal Request Transaction Transmitted by the Account Holder;
- (d) DELETED;
- (e) DELETED;
- (f) DELETED;
- (g) reject any Valid Pledge Security Transaction Transmitted by the Account Holder;
- (h) reject any Valid Transaction Transmitted by the Account Holder who is a Participant to CDC notifying any change or changes in the Registration Details of any Sub-Account or Sub-Accounts forming part of the Account Family of such Participant;
- (i) reject any Valid Pledge Call Transaction Transmitted by an Eligible Pledgee under Regulation 11.3.1 specifying as the Target Holding, a Holding which is under the control of the Account Holder;
- (j) reject any Valid Balance Order Delivery Transaction Transmitted under Regulation 9.3A.3 to CDC by the Clearing Company, specifying as the Target Holding, a Holding which is under the control of the Account Holder; and
- (k) reject crediting of any Book-entry Securities under Chapters 8A, 8AA, 8B, 8E and 8F into any Holding controlled by the Account Holder.

15.5.2 DELETED.

15.5.3 If:

- (a) a Participant is suspended from admission to the CDS; and
- (b) a Sub-Account Holder, having a Sub-Account controlled by the Participant, by notice to CDC in terms of and in accordance with the Procedures requires that the Book-entry Securities entered in the Holding Balance of his Sub-Account be moved to the Holding Balance of his Sub-Account controlled by another Participant or to his Investor Account with CDC, as the case may be,

CDC may, upon giving seven (7) Business Days notice to the suspended Participant of CDC's intention to do so, comply with the notice received

from the Sub-Account Holder.

**15.6 Removal of suspension or Restriction**

15.6.1 If the CDC gives notice of termination to a non-compliant Account Holder under Regulation 15.3.7, the suspension is removed with effect from the effective date of termination specified in that notice.

15.6.2 If the Board is satisfied that the circumstances that gave rise to the imposition of a Restriction or a suspension no longer exist, the CDC shall remove the Restriction or the suspension as the case requires.

15.6.3 If the Board or the Commission, as the case requires, removes a Restriction or a suspension under Regulation 15.6.2 or 15.8.3, the CDC shall promptly give notice of the removal to:

- (a) the non-compliant Account Holder; and
- (b) if the non-compliant Account Holder is a Stock Broker, the Stock Exchange of which the Account Holder is a member.

15.6.4 If a notice is given under Regulation 15.6.3, the CDC:

- (a) shall also give notice of the removal to each CDS Element who was given notice of the Restriction or suspension; and
- (b) may give notice of the removal to other CDS Elements.

**15.7 Effects of termination of admission to the CDS**

15.7.1 Subject to Regulation 15.7.2, if the Board terminates the admission to the CDS of a non-compliant Account Holder, the CDC shall terminate the access of that Account Holder to the CDS.

15.7.2 The CDC may make such arrangements with the non-compliant Account Holder

or with the liquidator, receiver, administrator or trustee of that Account Holder, as the case requires, as may be necessary or desirable to enable the Book-entry Securities entered in any Holdings controlled by the Account Holder to be:

- (a) withdrawn from the CDS; or
- (b) removed from the control of the Account Holder.

15.7.3 In case the non-compliant Account Holder whose admission to the CDS is terminated by the Board is a Participant maintaining Sub-Accounts under his control, in making arrangements under Regulation 15.7.2, the CDC and the non-compliant Participant shall, so far as possible, take into account the wishes of the Sub-Account Holders whose Sub-Accounts are under the control of the Participant.

15.7.4 In case any Book-entry Securities are in Pledged Position in any

Holdings controlled by the non-compliant Account Holder whose admission to the CDS is terminated by the Board, the CDC shall, in making arrangements under Regulation 15.7.2, take into account, so far as possible, the wishes of the Eligible Pledgees in whose favour the Book-entry Securities are maintained in the Pledged Positions.

15.7.5 If, by the date specified in the notice of termination given under Regulation 15.3.1, a non-compliant Account Holder has not:

- (a) withdrawn from the CDS; or
- (b) removed from his control,

the Book-entry Securities entered in any Holdings controlled by the Account Holder, the CDC may, without further notice to the non-compliant Account Holder, withdraw from the CDS the Book-entry Securities entered in the Holdings under the control of the Account Holder in the name of the Account Holder.

15.7.6 In exercising its powers under Regulation 15.7.5, the CDC shall, so far as possible, take into account the wishes of:

- (a) in case the non-compliant Account Holder is a Participant, the Sub-Account Holders whose Sub-Accounts are under the control of the non-compliant Participant; and
- (b) any Eligible Pledgees in whose favour the Book-entry Securities entered in the Holdings under the control of the non-compliant Account Holder are maintained in Pledged Positions.

## **15.8 Appeal against Restriction, suspension or termination of admission to the CDS**

15.8.1 A non-compliant Account Holder may Appeal against a decision of the Board under Regulation 15.2.1 by giving an Appeal Notice to the CDC that:

- (a) identifies the decision against which Appeal is made;
- (b) sets out the grounds of Appeal; and
- (c) is given no later than 10 Business Days after receipt by the non-compliant Account Holder of a notice under Regulation 15.3.

15.8.2 If an Appeal Notice is given under Regulation 15.8.1, the Commission shall conduct the Appeal accordance with Chapter 14.

15.8.3 The Commission may:

- (a) affirm;
- (aa) pass any interim or a stay order against the decision of the Board;



- (b) vary in any respect; or
- (c) set aside and substitute with another decision,  
the decision of the Board.

15.8.4 DELETED

## **15.9 Enforcement action - Account Holder's failure to pay**

15.9.1 Subject to any right of Appeal, if an Account Holder fails to pay any:

- (a) fee or charge in accordance with the Fees and Deposits Schedule;
- (b) fine imposed; or
- (c) amount payable under a direction,

within 20 Business Days after the amount becomes payable:

- (d) the Account Holder shall pay liquidated damages at the rate of 20% per annum from the day that fee, charge, fine or amount becomes payable;
- (e) the CDC may, on giving 10 Business Days' notice of its intention to do so, suspend the admission to the CDS of the Account Holder until the fee, charge, amount or fine and liquidated damages is paid; and
- (f) if the Account Holder is a Stock Broker, the CDC shall give 10 Business Days' notice to the Stock Exchange of which the Account Holder is a member of any intention to suspend the admission to the CDS of the Stock Broker.

15.9.2 If a fee, charge, fine or amount and liquidated damages remains unpaid 60 Business Days after suspension of the admission to the CDS of the Account Holder under Regulation 15.9.1, the CDC may, upon giving notice to:

- (a) the Account Holder; and
- (b) if the Account Holder is a Stock Broker, the Stock Exchange of which the Stock Broker is a member,

terminate the admission to the CDS of the Account Holder.

## **15.10 Termination of admission to the CDS by an Account Holder**

15.10.1 An Account Holder may terminate its admission to the CDS by giving

- notice to the CDC.
- 15.10.2 If an Account Holder gives notice under Regulation 15.10.1, CDC shall by giving notice to the Account Holder allow termination of admission of the Account Holder to the CDS subject to payment of fees and charges and completion of formalities by the Account Holder as set forth in the Procedures within 40 Business Days from the date of CDC's notice.
- 15.10.3 If the Account Holder fails to complete the formalities of the Procedures referred to in Regulation 15.10.2, the Account Holder shall pay Rs. 100 per day to the CDC from the first day after the expiry of the notice period mentioned in CDC's notice issued under Regulation 15.10.2 until such time such formalities are completed by the Account Holder in every respect.