



LAHORE STOCK EXCHANGE
(GUARANTEE) LIMITED
GENERAL REGULATIONS

LAHORE STOCK EXCHANGE (GUARANTEE) LIMITED
GENERAL RULES AND REGULATIONS

1. RESIGNATION:

- a) A member may resign from the Exchange by giving one month's notice in writing to the Secretary of the Exchange of his intention so to resign. The Secretary, on receipt of such notice, shall forthwith, post it on the Notice Board for a period not less than 15 days for any objections that may be raised and received by the Secretary in writing. On the expiration of these 15 days the Secretary shall place the resignation with any objections received, before the Board who may accept the resignation at their entire discretion. The Board shall not be bound to give any reasons for their refusal to accept any resignation.

- b) On the acceptance of the resignation of a member by the Board, such member shall cease to be a member of the Exchange. His name shall be removed from the Register of the Members of the Exchange and his card shall become the property of the Exchange.

2. EXPULSION & SUSPENSION OF MEMBERS:

The Board may by a resolution expel any member of the Exchange:-

- a) Who has in the opinion of the Board made a false declaration in his application for admission to the membership, or

- b) Who has been convicted of a criminal offence which in the opinion of the said Board renders him unfit to be a member of the Exchange.

Provided that such resolution shall be passed by a majority of three-fourth of the Members present at a meeting of the Board at which not less than one-half of all the Members of the Board shall have been present.

3. a) The Board may by resolution expel any member of the Exchange who becomes a Member of, or subscriber to or becomes shareholder or debenture holder in any institution, association, company, or corporation, or is directly or indirectly interested in such an institution established and functioning within the territorial limits of Lahore Stock Exchange where dealings in stocks, shares and like securities are carried on.

- b) **Explanation:** For the purpose of this rule five or more members of the Exchange or their employees making any bid or offer or entering into any contract or transaction in stocks, shares and like securities before or after business hours or during holidays

or at any place other than the floor of the Exchange shall be deemed to be members of an association other than the Exchange.

4. VIOLATIONS / NON-COMPLIANCES OF REGULATIONS OF THE EXCHANGE BY MEMBERS

(a) Hearing, imposition of fines and appeal

(i) Hearing of violation/non-compliance by a member of provisions of any Regulations of the Exchange, including these Regulations and imposition of fines up to the maximum aggregate amount of Rs. 500,000/- as prescribed thereunder, shall be conducted by any officer authorized for this purpose by the Managing Director to Exchange ['Authorized Officer']. Provided that power of the Managing Director to hear matter of violation /non-compliance under any Regulations of the Exchange and imposed fine thereunder, upto the extent specified above, may be delegated to any officer of the Exchange not below the level of Deputy General Manager.

(ii) Hearing of violation/non-compliance by a member of provisions of any Regulations of the Exchange, including these Regulations and impositions of fines beyond the maximum aggregate amount of Rs.500,000/- as prescribed thereunder, shall be conducted by the Management Committee of the Exchange, constituted for this purpose, by the Board, from time to time. Provided that the Management Committee comprising of officers of the Exchange not below the level of Deputy General Manager, shall have a quorum of four members and its decisions shall be passed by majority vote and in case of equally divided decision the Chairman of the Management Committee shall have casting vote.

(iii) In case the Authorized Officer finds during any stage of hearing that the aggregate amount of fine for apparent violation/non-compliance is likely to exceed the maximum aggregate amount of Rs. 500,000/-, then he will cease further proceedings and immediately refer the case to the Management Committee constituted under Sub-clause 4(a)(ii) above.

(iv) Cases of violation/non-compliance by a member shall be disposed off within 30 days of the date of first hearing by the Authorized Officer or the Management Committee, as the case may be. However, if any case is not disposed off within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension shall, under intimation to the Commission, be communicated in writing to the Management Committee in case of delay by Authorized Officer and to the Board Committee in case of delay by the Management Committee.

(v) An appeal against the decision of the Authorized Officer shall be heard and decided by the Management Committee of the Exchange, provided the Authorized Officer against whose decision, appeal has been filed, shall not participate in hearing such appeal. The decision of the Management Committee in such appeal will be final and binding on the concerned member.

(vi) An appeal against the decision of the Management Committee formed under Sub-clause 4(a)(ii) above, shall be heard and decided by the Board Committee of the Exchange, constituted for this purpose, by the Board, from time to time. The Board Committee shall consist of four members of the Board, two being member directors, one being a non-member director and one being the Managing Director of the Exchange and its decision shall be passed by majority vote and in case of equally divided decision the Chairman of the Board Committee shall have casting vote. Provided that the Chairman of the Board Committee shall always be a non-member director.

The decision of the Board Committee shall be final and binding on the concerned member.

(vii) An appeal filed pursuant to Sub-Clause (a)(v) or (a)(vi) above, shall be disposed off within 45 days of filing of such appeal. However, if such appeal is not disposed off within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension shall, under intimation to the Commission, be communicated in writing to the Board Committee in case of appeal filed with the Management Committee and the Board in case of appeal filed with the Board Committee. Provided that no appeal against decision of Authorized Officer or the Management Committee, as the case may be, filed beyond 14 days of receipt of such decision by the Member shall be entertained by the Exchange.

(b) Suspension and Expulsion on non-payment of fine / penalty

The Board shall by a resolution suspend any Member of the Exchange, who has not exercised his right to appeal against the decision of the Authorized Officer or the Management Committee in accordance with sub-clause (a)(vii) above and within fourteen days of receipt of notice in writing from the Exchange; or upon exercising his right to appeal and within fourteen days of receipt of notice in writing from the Exchange consequent to decision of the appeal, fails to pay any fine or penalty imposed upon him in accordance with any Regulations for the time being in force. The Board may expel any such member who within a further period of thirty days fails to pay any such fine or penalty.

5. FRAUDULENT CONDUCT

The Board may by a resolution:-

a) Expel or suspend a member of the Exchange who is guilty of fraudulent conduct or who is proved to be transacting his own or his constituent's business in fictitious names.

b) The said Board may by a resolution expel, suspend and or fine, a member of the Exchange who:

- i- May refuse or fail to comply with any resolution or decision of the said Board;
- ii- May contravene any rule of the Exchange or any decision of the said Board;
- iii- May be guilty in the opinion of the Board, of dishonorable or disgraceful conduct or willfully obstructs of the business of the Exchange.

c) Validity of Resolution to Expel:

A resolution for expulsion under this rule shall not be valid or deemed to come into force unless it is passed by a majority of three-fourths of the Members present at a meeting of the said Board specially summoned for the purpose at which not less than one half of all the members of the said Board shall have been present and is confirmed at a subsequent meeting of the said Board specially summoned.

6. RECONSIDERATION OF RESOLUTION OF EXPULSION:

The Board may on its own motion reconsider and may revoke or modify a Resolution. Such resolution shall not be deemed valid or come into force unless it is passed by a majority of three-fourths of the Members present at a meeting of the said Board specially summoned for the purpose at which not less than one half of all the members of the said Board shall have been present and is confirmed by a majority of the members of the said Board at subsequent meeting specially summoned.

7. NOTICE OF EXPULSION ETC. NO ACTION MAINTAINABLE:

The Board may in their absolute discretion and in such manner as they think fit notify or cause to be notified to the Members of the Exchange or the public any resolution expelling or suspending a Member of the Exchange. No action or other proceedings shall under any circumstances be maintainable by the member expelled or suspended against the Exchange or the said Board or any member thereof or any officer or servant of the Exchange for the publication or circulation of such notification.

8. CREDITORS OF EXPELLED OR SUSPENDED MEMBERS:

The expulsion or suspension of a member shall not affect the right of his creditors.

9. SUSPENSION:

a) A suspended member will not during the term of his suspension exercise or enjoy any of the rights or privileges of membership.

b) **REINSTATEMENT**

An application of a suspended member for reinstatement shall be considered by a Board in accordance with the regulations for the time being in force.

c) BUSINESS FOR OR WITH PERSON EXPELLED:

A member shall not, without the special permission of the Board, carry on business for or with a person who has been suspended or expelled from the Exchange.

10. EXPULSION ENTAILS FORFEITURE OF CARD, LIABILITIES TO SUBSIST:

When a member of the Exchange ceases to be a member or is expelled, his card or right of Membership and all his rights and privileges as member of the Exchange including any right to the use of or any claim upon or any interest in any property or funds of the Exchange shall be forfeited to and become the property of the Exchange, but any liability of any such Member to the Exchange or to any member of the Exchange shall continue and remain unaffected by his expulsion.

11. DISPOSAL OF FORFEITED CARD AND PROCEEDS THEREOF:

A Card or right of membership which under any Regulation for the time being in force is forfeited to or vests in the Exchange, shall belong absolutely to the Exchange free of all rights, claims or interest of such member and the Board shall be entitled to deal with or dispose of the Card as the said Board may think fit. If the said Board sell such card, the sale proceeds thereof shall in the first place be applied to satisfying of the liabilities of the Member, whose card is sold, to other members in respect of any contract made subject to the Regulations of the Exchange and the balance thereof shall be paid into the funds of the Exchange provided always that the Exchange may in their absolute discretion by Resolution passed at a general meeting of the Members direct such a balance to be disposed of or applied in such other manner as they may think fit.

Provided in case where the admitted claims of investors against a Member are more than the amount of balance sale proceeds available for satisfying such claims, all the claims will be satisfied on pro-rata basis. The claims still remaining unsatisfied after pro-rata sharing will then be paid from Investors' Protection Fund (IPF) by utilizing up to aggregate amount of Rs. 6 million in the following order of priority:

(a) Up to Rs. 100,000/- equally among all claimants by utilizing 50% of maximum allowable contribution i.e. Rs. 3 million.

(b) Remaining amount by utilizing balance 50% of maximum allowable contribution i.e. Rs. 3 million plus any unutilized portion of IPF as stated at (a) above. In case,

such amount of IPF is insufficient to satisfy all such claims in full, then pro-rata distribution will be made.

11-A VERIFICATION OF INVESTORS' CLAIMS, INSPECTION OF BOOKS & RECORDS AND CONDUCTING OF INQUIRY

The Exchange may verify the genuineness of investors' claims against a member and may inspect books and records of any member and/or conduct enquiry into its dealings and business affairs and for this purpose may also appoint an auditor selected from the panel of auditors prescribed by the Exchange under Regulations Governing System Audit of the Brokers of the Exchanges, 2004.

12. AUTHORIZED CLERKS NON-MEMBERS AS AUTHORIZED CLERK:

(a) The Board shall from time to time fix the number of Authorized Clerks, a member may be allowed to employ. The Authorized Clerks shall be allowed to be appointed up to 30th June each year and thereafter fresh applications will have to be made by the Members for the continuation of such Authorized Clerk.

(b)) Members as Authorized Clerk:

Members of the Exchange may be employed as Authorized Clerks in excess of the number permitted by this rule. A Member so employed shall not himself be entitled to employ Authorized Clerks.

(c) The approval of appointment of agents will be done by the office of the Exchange on having given due notice to the members of the Exchange.

(d) The annual fee for the appointment of the Accredited Agents shall be as under:

- | | |
|--|----------------|
| (i) For 1 st to 2 nd Agents | Rs.180.00 each |
| (ii) For 3 rd to 8 th Agents | Rs. 360 each |

13. UNAUTHORIZED CLERKS EXCLUDED FROM MARKET:

(a) An authorized clerk is entitled to admission to the Market and the clerk who is not authorized is not so entitled.

(b) An application by a member to employ an authorized clerk who previously had been acting as clerk to another member must be accompanied by a clearance certificate from the formal employer.

(c) The Governing Board of Directors of the Exchange, may in its sole and absolute discretion, dispense with the condition of production of a No Objection Certificate as

required by Rule 13 (b) and may permit any person to work as an Authorized Clerk of any Member of the Exchange.

14. POWERS OF AUTHORIZED CLERKS:

(a) An authorized clerk or a member acting as Authorized Clerk can transact business only on behalf of his employer. He shall not make bargains in his own name or in any name other than that of his employer or sign contracts in his own name or in any other name save on behalf of his employer.

(b) The Board shall expel immediately an Authorized Clerk or a Member acting as an Authorized Clerk who contravenes this rule.

(c) MEMBER LIABLE FOR BARGAINS OF AUTHORIZED CLERKS:

A member shall be liable for all bargains made with other members on the market by any authorized clerk employed by him and he shall fulfill such bargains according to the Regulations of the Exchange in the manner as if such bargains had been made personally by himself.

15. REGISTER OF AUTHORIZED CLERKS:

The Secretary of the Exchange shall keep a register of Authorized Clerks and shall enter in such register the name of the clerk and the member who employs him and the dates of the beginning and termination of his employment or the withdrawal of his authorization.

16. NOTICE OF AUTHORIZATION, TERMINATION AND WITHDRAWAL:

A member employing an authorized clerk or terminating employment or withdrawing the authorization of such clerks shall give a notice in writing to the Secretary of the Exchange of the name of the clerk, and the date of the beginning or termination of his employment or the withdrawal of his authorization and the Secretary shall forthwith post the notice of such employment, termination or withdrawal upon the Notice Board of the Exchange.

17. LIABILITY OF THE EMPLOYEE TO CONTINUE UNTIL NOTICE:

The responsibility of a member for the bargains of his authorized clerk shall continue until one day after the notice of the termination of his employment or the withdrawal of his authorization shall have been received by the Secretary.

A member may, on giving notice in writing to the Secretary of the Exchange and on payment of a fee prescribed by the Board, nominate a substitute clerk/agent to act temporarily in the absence of an Authorized Clerk for a period not exceeding 30 days.

APPOINTMENT OF ACCREDITED AGENTS

Members are hereby informed that it has been decided by the Governing Board of Directors of the Exchange that it is not desirable to extend the responsibility of a member for the bargaining of his authorized clerk until one day after the notice of termination of employment or the withdrawal of his authorization is received by the Secretary, and the responsibility of a member should continue until one day after the notice of termination of his employment.

(1) In view of the fact that a Member giving No Objection Certificate remained liable for the transactions entered into by his Agents, while he was in his employment, the practice of issuing a notice calling for objections within seven days should be discontinued. Only in case of new Agents, the objections be invited and the usual procedure be followed.

(2) In case the Agent of one member has left his service and joined the other Member and if a clearance certificate was issued by his former employer then the Secretary, if he was satisfied that the application was bonafide, and was made on the prescribed form, may allow such an agent to function on the Exchange from one day after the notice of termination of his employment, or withdrawal of his authorization was received by the Secretary.

(3) The appointment made by the Secretary will be provisional and will be subject to consideration by the Advisory and Arbitration Committee of the Exchange and further confirmation by the Board of directors of the Exchange. If the Board approved the appointment, the Agent shall continue, if the Board does not approve the appointment, the Agent shall immediately cease to work.

(4) The member making the appointment, whether appointment was provisional or permanent, shall be responsible for the bargains of his Agent.

If and when any member sends a notice to the Office of the Exchange of cancellation of agent ship, the agent ship will be cancelled only after the notice has been on the Notice Board for 48 hours and the Office of the Exchange has notified the member concerned.

UNDERTAKING FROM THE ACCREDITED AGENTS:

The Members wishing to appoint or renew Accredited Agents on the exchange must furnish an Undertaking on non- judicial stamp paper of Rs.5/- signed by their Agents as follows:-

1) I shall maintain strict discipline at all times in the Trading Hall and the premises of the Exchange.

2) I shall do business on the Exchange in the name of and on behalf of his appointing member only. I shall not do any business on behalf of other members of the Exchange directly as their constituent or on account of his constituents:

3) I shall at all times abide by the Rules and Regulations of the Exchange and will not act or indulge in any activities which might prejudice the fair name or the interest of the Exchange or his appointing member or other member.”

18. ADMISSION DURING GOOD BEHAVIOURS:

(a) Authorized clerks shall be admitted to the market only during good behavior and the Board or any other committee appointed by the Board may by a resolution, in their absolute discretion refuse admission to the market of the Authorized Clerk of any member and may at any time, suspend or terminate the right of admission of such clerk/agent without assigning any reason whatsoever.

(b) Clerks of defaulter members who have been suspended or expelled shall be excluded from the market.

19. BADGES:

A member and his authorized clerk when in the market must wear a badge. No clerk/agent without such badge shall be admitted into the Market to transact business.

Appropriate badges in three different designs should be issued to the members, their agents as well as Runners.

While entering the Trading Hall the Members need not wear these Badges, which will be more in the form of Identity Cards, which should be carried with them on their person. As far as the Agents and Runners were concerned, it should be insisted that they wear these Badges while entering the Trading Hall as well as at all times during which they are inside the trading Hall.

20. PENALTY FOR IMPROPER USE OF BADGE:

(a) The Board shall expel or suspend any authorized clerk who transfers his badge to any person.

(b) When a clerk is expelled or suspended for any reason his employer shall not be permitted to substitute a clerk in his place for a period not exceeding three months.

21. LOSS OF BADGE:

A member shall notify the loss of badge to the Secretary of the Exchange who will issue another in its place on application by such member and on payment of Rs. 6/- or such other sum as the Board may determine from time to time.

22. RETURN OF BADGE:

A member who terminates or withdraws the authorization of a clerk/agent shall return the badge to the Secretary of the Exchange on the date of such termination or withdrawal.

23. MEMBERS CEASING TO DO BUSINESS

A member who has ceased doing business. in his own name shall not be entitled to employ any authorized clerk and shall return the badge of any such clerk which may have been issued to him.

24. EXPELLED MEMBERS

No member shall, without the special permission of the Board, take into or continue in his employment in any capacity in the business of securities carried on by him, a former Member who has been suspended or expelled.

(a) No member of the Exchange is allowed to give to the Press for publication any report on Stocks and Shares. Members of the Exchange may issue reports on stocks and shares only to their clients, Joint Stock companies and Banks, but are debarred from general circulation of the same.

25. REPORT OF VIOLATION OF REGULATIONS:

Every member of the Exchange shall immediately report to the Board any violation by any Member of any rule of the Exchange which may come under his notice. Any report so made to the said Board or to the Secretary of the Exchange shall be deemed privileged and confidential.

26. SUB-COMMITTEES

The Board shall every year in January elect from among the Members of the Exchange the following sub-Committees:

1. Arbitration Committee
2. Defaulters' Committee

The Board from time to time may increase or reduce the number of Members of either sub-Committee and may amalgamate or merge any of the above Sub-Committee with any other Committee or Sub-Committee.

27. CHAIRMAN AND HONORARY SECRETARY:

A Sub-Committee shall immediately after its appointment elect from its own body its Chairman. It may also elect from its own body an Honorary Secretary.

28. REMOVAL OF MEMBER:

a) The Board may for reason to be-recorded remove Member of a Sub-Committee from such Sub-Committee.

b) **RETIRING MEMBERS:** All Retiring members of Sub-Committee shall be eligible for re-election.

c) **TO CONTINUE OFFICE:** All retiring Members of a Sub-Committee shall continue in office until their successors are validly elected.

d) **CASUAL VACANCY:** A casual vacancy in a Sub-Committee shall be filled by the appointment of a member of the Exchange by the Board and a member so appointed shall retain office till the next election and shall be eligible for re-election.

e) **LEAVE AND TEMPORARY APPOINTMENT:** A member of Sub-Committee who is likely to be absent from Lahore for a period exceeding three months shall give intimation to the Secretary of the Sub-Committee and such intimation shall be placed before the Sub-Committee in its next meeting. The Sub-Committee may there upon either declare the seat of such member vacated, when such vacancy shall be filled by the Board in the manner provided in these Regulations or the Sub-Committee may appoint a member of the Exchange to act on the Sub-Committee in place of the absent member. The member so appointed shall vacate office on the return to Lahore of the absent member. A member absenting himself from Lahore for a period exceeding three months without giving intimation shall be deemed to have vacated his seat.

The Sub-Committee may from time to time determine its own quorum, provided that such quorum shall not be less than one-third of the total number of the members of such Sub-Committee.

29. ADVISORY & ARBITRATION COMMITTEE:

The Arbitration Committee (“Committee”) shall consist of a minimum number of ten and maximum number of fifteen members. The membership of the Committee shall include Members and Management staff of the Exchange. The LSE official dealing with complaints/disputes shall be the Secretary of the Committee.

30. DISPUTE TO BE REFERRED TO ARBITRATION:

Whenever any dispute arises between Members inter se, or between any of the Members and their constituent/client, or between any of the Members and their authorized agents and between authorized agents(s) and their constituent / clients in connection with the trade or transaction and is not otherwise settled amicably, it shall be referred to arbitration and shall be dealt with according to the procedure laid down in these Regulations.

31. APPLICATION FOR ARBITRATION:

Where a dispute cannot be settled amicably, it must be referred to arbitration. Any party to the dispute may initiate arbitration, in accordance with these Regulations by making an application in writing to the Committee. The applicant shall be required to furnish the following:

- (i). Claim Form duly filled and signed by investor or Member, as the case maybe, along with all supporting documents and annexures as mentioned in the Form.
- (ii). In case applicant is not a member of the Exchange, he shall give an undertaking to abide by all the Regulations of the Exchange in force for arbitration, as well as the award of the Sole Arbitrator/Panel of the Arbitrators appointed under the said Regulations.
- (iii). Payment of the following must be made through cheque in favor of the Exchange.

- one thousand rupees as institution fee, and
- one hundred rupees as cost of the stamp paper for drawing the award.

Provided that the Exchange may in its discretion, waive the arbitration/institution fees payable by constituent/client of a member on case to case basis.

32. CONSITUTION OF PANEL OF EXPERTS:

A panel of ten non-Member arbitrators shall be constituted, comprising of advocates, chartered accountants or other persons having knowledge or experience in the field of law, trade, commerce, industry, arbitration, securities market or the fields ancillary to the stock market, i.e., Central Depository System, National Clearing and Settlement System etc.

33. CONSITUTION OF PANEL OF ARBITRATORS:

A panel of arbitrators shall consist of three arbitrators, out of which two shall be appointed by drawing lots, one from the Committee and the other from the Panel of Experts. The third arbitrator shall be the Managing Director of the Exchange or his

appointed nominee. Provided, however, the panel of Arbitrators constituted shall necessarily comprise of two non-members.

34. ARBITRATION PROCEDURE

a) Scrutiny of application:

An application received for arbitration shall be scrutinized by a member of the Committee, nominated for the purpose by the Committee to check whether it is complete in all respects and acceptable for arbitration.

b) Rejection or Dismissal of Application:

Any application may be rejected or dismissed if:

- i) The applicant refuses, neglects or fails to comply with the provisions of any Regulations, or
- ii) The applicant refuses, neglects, or fails to carry out any direction issued by the Management, Committee or the Board, or
- iii) The applicant is not otherwise in order or in accordance with the Regulations of the Exchange or lacking the adequate documentary evidence, or
- iv) The subject in the dispute has arisen from a non-stock exchange transaction or the transaction is otherwise illegal.

c) Claims up to five hundred thousand rupees:

Claims / disputes of up to five hundred thousand rupees shall be referred for arbitration to the Managing Director of the Exchange (“Sole Arbitrator”), who may either enter upon the reference himself or appoint a nominee on his behalf who shall not be below the level of Deputy Chief Manager.

d) Claims of over five hundred thousand rupees:

Claims of over five hundred thousand rupees shall be forwarded to the Committee for its action. Such claims/disputes shall be referred to the Panel of Arbitrators appointed under Regulation 33 for arbitration proceedings.

e) Lots to be drawn:

Lots shall be drawn from amongst the names of the members of the Committee and the Panel of Experts, whose names have not been drawn in the lots previously. If, however, the names of all these members have been drawn in the lots once, then the names of all members shall be included for drawing subsequent lots.

f) Presence of parties at the time of drawing:

The parties to the dispute shall be given a notice of a minimum three working days to remain present personally or through an authorized representative at the time of drawing lots. Provided, that the drawing of lots shall take place at the given time and date even if the party or parties are not present despite of the notice and that the party or parties shall have no objection to drawing of such lots.

g) Member bound to act as arbitrator:

The member of the Committee whose name has been drawn in the lot shall be bound to act as an arbitrator till the announcement of award notwithstanding the lapse of term of the Committee of which he/she was a member.

h) Fresh arbitrator:

In case if one or more arbitrators refuse, neglect or fail to consider the dispute or give an award, fresh arbitrator from the Committee or the Panel of Experts, as the case may be, shall be appointed by the Committee. However, the arbitrator(s) who refuse, neglect or fail to consider the dispute or give an award shall communicate reasons thereof to the Committee, in writing, within fifteen days of referral of the dispute to him/her/them.

i) Notice:

The Secretary of the Committee shall give both parties to the dispute not less than three working days notice of the time and the place appointed for Arbitration.

j) Both parties present:

If both parties to the dispute are present at the appointed date, time and place, the sole Arbitrator/the Panel of Arbitrators shall proceed to hear the reference and to give the award.

k) Ex-parte decision on the summary disposal:

If the party against whom complaint is made is not present at the appointed time and place, the Sole Arbitrator/ Panel of Arbitrators may hear and decide the dispute ex-parte, and if the party making the complaint is not present the Sole Arbitrator/ Penal of Arbitrators may dismiss the reference summarily.

l) Remedies at law:

The Sole Arbitrator/ Panel of Arbitrators may decline to hear the dispute or may dismiss any case and refer the parties to avail their remedies through a Court of Law by recording reasons for the decline or dismissal.

m) Equal opportunity to both parties:

The parties will be dealt with on an equal footing. Each of the parties will be given the opportunity at a session of the Sole Arbitrator/ Panel of Arbitrators to present and explain their point of view verbally or in writing:

i) The defendant will be given an opportunity to respond to the point of representation of the claimant;

ii) The Sole Arbitrator/ Panel of Arbitrators will not hear any party in the absence of opposing party, unless the later party has been given every reasonable opportunity to attend;

iii) Arbitrators will not discuss cases with the parties to the proceedings or their counsel beyond the normal procedure;

iv) Parties may appear at a session in person or through a representative ad litem, to present and explain their respective claim or to defend verbally or, with the permission of the Sole Arbitrator/ Panel of Arbitrators, in writing.

n) Decision by majority in cases referred to Panel of Arbitrators:

All claims/disputes referred to the Panel of Arbitrators shall be decided by majority and such decision shall be deemed to be the award in the arbitration.

o) Time for disposal of application:

An application received under Regulation 31 and found acceptable after scrutiny under clause (a) shall be disposed off with in ninety days of its receipt including the award of the Sole Arbitrator/ Panel of Arbitrators. However, if the application is not disposed of within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay shall be communicated in writing to both the parties to the dispute and the Securities and Exchange Commission of Pakistan (the "Commission"). The time extension granted by the Committee shall be indicated in the communication, which shall not exceed thirty working days from the expiry date of the prescribed ninety days.

35. LATE CLAIMS BARRED:

The Sole Arbitrator/ Panel of Arbitrators shall not take cognizance of any claim or dispute which is not referred to them within three months from the date when it arose.

36. APPEAL TO THE APPELLATE BENCH:

a) A party to a dispute that is dissatisfied with any award of the Sole Arbitrator or Panel of Arbitrators may appeal to the Appellate Bench against such an award, within fifteen working days of receipt of the award. The Committee may constitute one or more Appellate Benches for hearing appeals.

b) The Appellate Bench shall consist of three Arbitrators out of which two shall be appointed by drawing lots, one each from the Committee and the Panel of Experts. The Third Arbitrator shall be the Managing Director or his appointed nominee. The arbitrator from the Committee once appointed shall act as an arbitrator till the decision in the appeal notwithstanding the lapse of term of the Committee. Provided, however, that the Appellate Bench so constituted shall necessarily comprise two non-members and none of the arbitrators who have heard the reference or passed the award shall be a member of the Appellate Bench hearing an appeal against that award.

c) A party appealing to the Appellate Bench shall state in writing the objections to the award of the Sole Arbitrator/ Panel of Arbitrators and shall pay a fee of one thousand rupees being institution fee and a fee of one thousand rupees for each hearing, through cheque in favor of the Exchange in its designated bank account. Further, if the Appellant is a member of the Exchange, he shall deposit the full amount of award and deliver the securities or the value thereof at the ruling market price of the securities with the Exchange. If the Appellant fails in his appeal, he shall satisfy the award within seven days of its announcement. In case of his failure to do so, the Exchange shall have the authority to pay the amount of the award and securities to the Respondent on the Appellant's behalf. However, the Appellant shall still be liable to pay the balance securities / amount, if any, payable under the award in appeal. The Appellate Bench shall not entertain an appeal, if the required fee / award money or securities, if any, is not deposited with the Exchange.

d) The award of the Appellate Bench shall be announced within forty five days of the receipt of the appeal. However, In case the Appellate Bench is unable to announce the award/decision within the forty five days period due to unavoidable circumstances or reasons beyond control, the Appellate Bench will seek further time from the Committee, by indicating specific reasons for its inability to announce the award and the Committee may extend the time but not more than thirty days. However, such extension of time should be forthwith intimated to the Commission.

e) The award of the Appellate Bench shall be final and shall be deemed binding on the parties to the dispute and upon their constituents.

37. MEMBERS INVOLVED NOT TO HEAR THE CASE / APPEAL:

A member of the Committee shall not be appointed as a member of the Panel of Arbitrators or Appellate Bench, as the case may be, in a dispute in which he is a party and / or has association with either party, whatsoever.

38. ADJOURNED MEETINGS:

a) There shall be no objection to an award of the Sole Arbitrator/ Panel of Arbitrators or the Appellate Bench that the meeting at which a dispute was enquired into or an appeal was heard was adjourned or that the enquiry was not completed or that the appeal was not finally heard at one meeting. Provided the reason for adjournment, non-completion and non-hearing of appeal are recorded.

b) There shall be no objection to an award of the Panel of Arbitrators or the Appellate Bench regarding any change(s) in the composition of the Panel of Arbitrators or the Appellate Bench during the enquiry or appeal. Provided, however, that on re-composition of the Panel of Arbitrators or the Appellate Bench, fresh hearing of the reference / appeal shall take place.

c) Three members of the Panel of Arbitrators or the Appellate Bench shall be necessary to constitute a quorum for the purpose of the enquiry or appeal.

d) In case the member of the Panel of Arbitrators or the Appellate Bench fails to reach a unanimous decision, the decision of the majority will prevail.

39. SUMMARY DISMISSAL AND EX-PARTE DECISION:

If any party to a dispute who has appealed against any award to the Appellate Bench is not present at the time fixed for hearing the appeal or any adjournment thereof, the Appellate Bench, may dismiss the appeal summarily. However, in case the appellant is present but the respondent is absent, the Appellate Bench may proceed with the appeal ex-parte.

40. SETTING ASIDE EX-PARTE AWARD / DECISION:

The Committee may, on sufficient cause being shown by a party within seven days of receipt of the ex-parte award, set aside the award made by the Sole Arbitrator/ Panel of Arbitrators or the Appellate Bench and direct the reference or the appeal to be heard.

41. EXTENSION OF TIME:

The committee may for special reasons extend the time for which a reference for Arbitration or an appeal against any award of the Sole Arbitrator, or the Panel of Arbitrators may be made whether or not the time for making the same has expired.

42. EXPULSION OF MEMBER:

A member failing or refusing to submit to or abide by or carry out any award of the Sole Arbitrator/ Panel of Arbitrators or the Appellate Bench or of the Committee or the Board shall be expelled from the Exchange by a resolution of the Governing Board. Provided that a maximum period of ninety days shall be given to the member for making the default good and removal of cause(s) of expulsion.

43. PLACEMENT OF NAME OF DELINQUENT CLIENT/CONSTITUENT OF A MEMBER ON DATABASE DEVELOPED AND MAINTAINED BY THE EXCHANGE:

The name and other relevant particulars of a client/constituent of a Member against whom:

- (a) An award of the Sole Arbitrator/Panel of Arbitrators has been passed and the maximum time to file an appeal against the award has elapsed; or
- (b) In case such client/constituent of a Member files an appeal, in accordance with these Regulations and the Appellate Bench has also decided against such client/constituent of a Member; and
- (c) In both cases the client/constituent of a Member fails or refuses to abide by or carry out such award/decision;

his name shall be placed on the Exchange's database accessible by members of the Exchange by following a procedure. Placement of name of such client/constituent of a member shall be without prejudice to the right of the concerned member to apply to the court of competent jurisdiction for making the award a rule of the court and enforce the same through a decree of the court.

(44-72 deleted)

73. LIABILITIES OF PAST MEMBERS

A member who shall for any reasons have ceased to be member of the Exchange shall nevertheless remain liable for and shall pay to the Exchange all monies which at the time of his ceasing to be a member shall have been due by him to the Exchange.

FAILURE TO PAY DUES:

a) If a member fails to pay his annual subscription or any other money which may be due by him to the Exchange within a period of two months after the same have been become due the Secretary of the Exchange may by notice in writing request payment of the same. The notice shall appoint the day and place for payment.

SUSPENSION:

b) If the requisitions of such notice be not complied with, the Board may by a notice on the notice board of the Exchange, suspend such member until he shall have paid his dues and such member remains suspended and debarred from exercising any of the rights and privilege of a member until by a further notice upon the notice board of the Exchange the suspension shall have been revoked.

FURTHER NOTICE:

c) If such member shall not within two months of his suspension pay his dues, the said Board shall direct a further notice to be served upon him requesting him to pay his dues within one month of the service at the time and place therein prescribed.

EXPULSION:

d) If the requisition in such further notice are not complied with the said Board may by a Resolution passed by a majority of three-fourths of the members of the said Board present at the meeting direct the name of such member to be removed from the list of members of the Exchange and thereupon such member shall cease to be a member and shall be deemed to have been expelled and his card to have become the property of the Exchange. Notice of such Resolution shall be posted forthwith on the Notice Board of the Exchange.

RE-ADMISSION:

e) The said Board may on an application of a member whose name has been removed under the provisions of these Regulations within one year of his removal and on cause being shown to the satisfaction of the said Board rescind its Resolution by a like majority, provided all dues of such member to the Exchange up-to date are fully paid up.

74. REGULATIONS FOR THE MAINTENANCE OF A STANDARDIZED ACCOUNT OPENING FORM

The Members of the Exchange shall adopt the Standardized Account Opening Form, attached as Form-I to these Regulations, for their new Account Holders with immediate effect and for the existing operating accounts, the same shall be brought into conformity with Standardized Account Opening Form effective from March 31, 2004.

75. SEGREGATION OF CLIENTS' ASSETS BY THE BROKERS

The Brokers shall ensure that the assets belonging to their clients are kept separated from the assets of the broker. For this purpose Brokers shall maintain a separate bank account which will include all the funds deposits of their clients along with record/breakdown of client position. Further, margins deposited by the clients of a broker in the form of securities, shall be maintained in the respective sub-accounts of such clients at CDC. The clients' funds and margin securities shall not be used by the broker for any purpose other than as authorized by the client in writing. The Broker

shall be obliged to furnish documentary evidence in support of implementation of the above regulation as and when required by the Exchange.

76. CONFIRMATION OF CLIENTS' ORDERS BY MEMBERS/BROKERS

Whenever an order of any client has been executed by a Broker, confirmation of such execution shall be transmitted to the said client by the Broker within 24 hours of the execution of such transaction through any previously agreed mode of communication as specified in the Standardized Account Opening Form. The confirmation order shall precisely include the following specific information:

- a) Date on which order is executed;
- b) Name and number of securities;
- c) Nature of transaction (SPOT, Ready, Future and also whether bought or sold);
- d) Price;
- e) Commission rate;
- f) Whether the order is executed for the member's own account or from the market. {Rule 4(4) of Securities & Exchange Rules, 1971}.

FINES

Once it is established that the Broker is in violation of the above order confirmation requirements, the Managing Director shall impose a fine amounting to not less than Rs.10,000/- per default but not exceeding Rs. 25,000/- per default.

77. TRADING BY EMPLOYEES OF BROKERAGE HOUSES

- (a) The Members shall register their all employees into the UIN database with all registration details including their respective designations and update/modify the registration details whenever any change occurs.
- (b) The Members shall submit a list, in hard and soft form, of all employees containing their names, designations, departments and CNICs to the Exchange, updated on a quarterly basis or whenever any change occurs. The Exchange shall maintain a database and provide access to its Members with a view to ensure that any existing or potential client is not a registered employee of any other Member.
- (c) The Members shall ensure that while trading, the concerned employee strictly observes Code of Conduct prescribed by the Exchange, which is annexed in Form II to these Regulations.
- (d) The Exchange will monitor compliance of this Regulation including Code of Conduct. Any breach/violation by the Member or its employees will attract penalties on the concerned Member as may be prescribed by the Exchange from time to time.

- (e) A Member shall not allow trading on behalf of another Member's employee. Members shall use the facility mentioned in Regulation 77(b) above for this purpose.

Provided that nothing contained in this Regulation shall be applicable on employees of Members not registered as Brokers with the Securities & Exchange Commission of Pakistan under the Brokers and Agents Registration Rules, 2001 at the relevant time, who may trade in the securities through the brokerage houses under intimation to the concerned non-broker members and the Exchange.

Penalty:

The Exchange in its sole discretion may impose a penalty of up to Rs. 100,000/- on the Member for any single breach/violation of this Regulation including the Code of Conduct by the Members or their employees.

78. DISSEMINATION OF INFORMATION TO OTHER MARKET ENTITIES

The Exchange shall disseminate as soon as possible the information relating to actions taken by the Exchange in relation to switching off of complete trading terminals, suspension, expulsion, declaration of default or any similar penal action against a Member under its Regulations or any further information relating thereto to the Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited for taking required actions, if any, as per agreed procedure. The Exchange shall also disseminate simultaneously all such information to all other Stock Exchanges, the National Commodity Exchange Limited and the Commission for taking required actions, if any, at their end. All such information shall also be made available to general public through LSE website.

CODE OF CONDUCT FOR TRADING BY EMPLOYEES OF BROKERAGE HOUSES

1. Employees of Brokerage Houses willing to trade must obtain prior written authorization for such activity, on his trading account opening form, from the Member or the authorized officer of the Brokerage House.
2. Employee must submit to the Member or authorized officer of the Brokerage House, a written undertaking of his understanding and willingness to strictly abide by all the relevant rules, regulations, codes and procedures as prescribed by the Exchange, Clearing Company, Depository Company and the Commission at all times while trading on his own account.
3. The provision of Regulations Governing Proprietary Trading, 2004 or any other Regulation which may be made from time to time in this regard would be applicable with regard to such trades.
4. All trades on behalf of the concerned employees shall be executed against their own respective UINs and shall be subject to these Regulations and Regulations Governing Risk Management of the Exchange.
5. Employees must ensure that investment advice given to clients by them will not result in a conflict of interest with their individual trading activities.
6. The employees should not indulge in buying or selling securities of a company for their own account or any account over which they exercise control if they possess non-public information or inside information of that company or information pertaining to any potential trade/deal which may affect the share price of that company. Further, they will not pass any such information to others.
7. The employees should not buy or sell these securities for their own account in which they are aware of clients' proposed trades, trades by the Brokerage House or forthcoming research report regarding such securities.
8. Members shall monitor their employees' trades regularly and the Internal Audit Department will ensure compliance of these Regulations and any violation shall be communicated to Audit Committee/Chief Executive Officer and shall be submitted to the Exchange and/or the Commission as and when demanded.
9. Adherence by Members as well as their employees, in letter and spirit, to the Code of Conduct is mandatory.