



# LSE INVESTOR PROTECTION FUNDS REGULATIONS

(Amended clause 2(b), 3, 4, 5 and 6, as per approval of SECP dated 25-11-09  
and sent for gazette notification on 1-12-09)

Lahore Stock Exchange (G) Limited

LSE INVESTOR PROTECTION FUNDS REGULATIONS

**Preamble:**

WHEREAS the Management of Lahore Stock Exchange considers that the Investors' confidence in the fair dealings at the Exchange is the key to rapid Development of the market;

AND WHEREAS to ensure effective risk management in the secondary market trading and to protect investor's interest in the case of default by a Member of the Exchange, there is need to have necessary regulations;

Now Therefore, The Lahore stock exchange (Guarantee) Limited in the exercise of the power conferred by the sub-section (1) of Section 34 of the Securities & Exchange Ordinance, 1969 makes with the prior approval of the Federal Government, the following regulation, namely:

**1. Short Title of Commencement:**

- i. These regulations may be called " The LSE Investor Protection Fund Regulation"
- ii. These regulations shall take effect upon their publication in official Gazette of Pakistan.

**2. Definition:**

In these regulation, unless the subject or context otherwise requires:

- (a) " Commission" means the Securities and Exchange Commission of Pakistan;
- (b) "Board" means the Board of Directors of Exchange;
- (c) "Exchange" means the Lahore Stock Exchange (Guarantee) Limited;
- (d) "Funds" means the LSE Investors' Protection Funds;
- (e) "Investor" Means a Person, not being a Member, his agent or representative, who has purchased or sold any of the securities listed at the Exchange;
- (f) "Member" means a Member of the Exchange.

### **3. Establishment of Fund:**

- (a) There shall be an initial contribution of Rs. 2.5 million by the Exchange.
- (b) Allocation of a percentage of Trading Fee (Laga) as may be determined by the Board from time to time paid by the members of the Exchange.
- (c) The Fund shall be made available in the situation of default as well as in case of expulsion of a member due to failure or refusal to abide by or carry out the award of arbitrator(s) or for non-settlement of investors' claims as directed by the Board.

Provided that on the direction of the Authority, the Fund shall cease to exist upon the creation of the National Fund for the Protection of the investors through appropriate legislation.

### **4. Eligibility of Claims:**

All claims of investors arising out of transactions entered into as per Regulations of the Exchange and approved by the Board/Committee constituted by the Board would be eligible to be considered under these regulations.

### **5. Procedure for Settlement of Claims:**

In the event of default or expulsion of a Member, in case where the admitted claims of investors against a Member are more than the amount available for its satisfaction as per the relevant Regulations, all the claims will be paid on pro-rata basis. The claims still remaining unsatisfied after pro-rata sharing will then be paid from the Fund 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 Fund as stated at (a) above. In case, such amount of Fund is insufficient to satisfy all such claims in full, then pro-rata distribution will be made.

### **6. Management of the Fund:**

The Management of the Fund shall vest in the Trustees as provided in the LSE Investors' Protection Fund Trust Deed.