



Standard Operating Procedures
for handling Suspension/Revocation of
CDS Eligible Securities
(External)

January 16, 2017

1. Introduction and Objective

- 1.1. Chapter 5 of the Central Depository Company of Pakistan Limited Regulations (“**the Regulations**”) *inter alia* deals in suspension and revocation of CDS Eligibilities of Securities. The following procedures are developed for efficient and effective handling of such events by the CDC.
- 1.2. These procedures shall only be applicable where securities are listed on Pakistan Stock Exchange including redeemable securities if revoked due to any non-compliance and cases falling under clause 5 below. For unlisted securities the procedures are applicable to the extent as explained in Note 1 at the end of the procedures.

2. Notice of Intention of Suspension/Revocation of CDS Eligibility of Securities

- 2.1. Where notice of intention of suspension or revocation of CDS eligibility of any securities of the Issuer is being issued, the said notice shall state the rationale of intention of suspension or revocation and specify the date by which Issuer shall comply with the notice to avoid the suspension/revocation.
- 2.2. In case if the Issuer complies with the notice of intention within the time period stated therein, CDC shall issue notice of removal of intention.

3. Notice of Suspension of CDS Eligibility of Security

Suspension due to non-compliance

- 3.1. If the Issuer fails to comply with the notice of intention within the specified time period, CDC may issue notice of suspension of CDS Eligibility of security to the concerned Issuer.
- 3.2. The said notice of suspension shall state the effective date of suspension and impact thereof in the CDS (**non-acceptance of new deposit request transactions**) and also mention consequence of prolonged suspension.

Suspension due to suspension of trading

- 3.3. In case of suspension of CDS Eligibility of a security due to suspension of trading in such security at the Pakistan Stock Exchange on which such security is listed due to any reason attributable to non-compliance, CDC shall issue a notice of suspension to the concerned Issuer and during the suspension period, only following transactions would be allowed:

- (a) Transfer of Securities pertaining to settlement of pending market-based Securities transactions through the Clearing Company;
 - (b) Valid Pledge Call Transactions;
 - (c) Valid Pledge Release Transactions;
 - (d) Valid Deposit Request Cancellation Transactions;
 - (e) Valid Deposit Rejection Transactions;
 - (f) Valid Withdrawal Request Cancellation Transactions;
 - (g) Valid Withdrawal Rejection Transactions;
 - (h) Valid Rights Subscription Request Transactions;
 - (i) Valid Cancellation Request Cancellation Transactions;
 - (j) Crediting of Book-entry Securities made pursuant to Chapters 8AA, 8C, 8D, sub-clauses (e) to (h) of clause (i) of Regulation 8F.1 and Regulation 12.4.6;
 - (k) Gift transactions between the Family Members;
 - (l) Transfer of securities pursuant to Order of Court /Competent Authority;
 - (m) Portfolio transfers; and
 - (n) Transfer of securities by reason of transmission to executor, beneficiary or nominee on death of Account Holder.
- 3.4. The notice shall contain a note requiring all CDS Participants to inform their **relevant sub-account holders** (holding securities of the Issuer).
- 3.5. However, any other transaction or activity may also be allowed by CDC taking into consideration the specific nature of the non-compliance on a case-to-case basis, if deemed appropriate
- 3.6. In case of suspension of trading in any security at the Pakistan Stock Exchange, where the security is listed due to any requirement:

- Prescribed in any charter, statute, memorandum or articles of association or in any resolution of the issuer, such cases include;
 - a) Spilt of securities
 - b) Consolidation of Securities
 - c) Conversion of securities into another (type or class) securities

- Imposed under any order of any court or competent authority, such cases include;
 - a) Merger of Companies
 - b) Demerger of Companies
 - c) Reduction of Share Capital

CDC shall, Start of Book Closure period, freeze all movement in that security including Pledge Call and pledge release and no transactions will be allowed, except of pending deposit and withdrawal transaction.

Note:

Kindly note that no action will be initiated by CDC in case of suspension of trading in a listed debt security at the Pakistan Stock Exchange due to periodic interim profit payments to the security holders of that security.

4. Notice of Removal of Suspension of CDS Eligibility of Security

- 4.1. If the Issuer complies with the notice of suspension, CDC shall issue notice of removal of suspension to the concerned Issuer.

5. Notice of Revocation of CDS Eligibility of Security

- 5.1. Where the Issuer fails to comply with the notice of intention of revocation within the specified time, or, where the security is already under suspension and such suspension period enters the 45th Business Day from the effective date of suspension, then, unless it is decided to extend the suspension period, CDC shall send notice to the concerned Issuer reminding the Issuer to comply with the notice of suspension on or before the 60th Business Day of suspension to avoid revocation of its securities.
- 5.2. Simultaneously, CDC shall also send letter to the Pakistan Stock Exchange, National Clearing Company of Pakistan Ltd. and SECP stating that if the Issuer fails to comply with CDC's notice, the CDS Eligibility of its concerned security will be revoked by CDC after the 60th Business Day

of suspension, where after, the securities would no longer be available in the CDS for settlement or any other purposes.

- 5.3. Where period of suspension is extended, CDC shall issue the notice of extension of suspension.
- 5.4. If the Issuer remains non-compliant till the date of revocation i.e. the 60th Business Day of suspension or the date as extended by CDC. CDC may finally issue notice of revocation to the concerned Issuer. The notice shall contain a note requiring all CDS Participants to inform their **relevant** sub-account holders (holding securities of the Issuer) the contents of such notice through fax, email, post or courier service.
- 5.5. The notice issued by CDC under 5.5 above, shall require the Issuer to prepare certificates (in the name of CDC) and deliver within 30 Business Days from the date of receipt of List of Shareholders, the physical share certificates along with the transfer deeds to the CDC. Issuer is also required to provide to CDC physical certificates and transfer deeds of those shareholders whose pending withdrawal request have been approved/ processed by them.

Please fill the following details in Transfer Deeds based on the details appearing in Beneficial Owners Report.

- a) Name of Issuer
 - b) Transferor name
 - c) Transferee name
 - d) CNIC No. of Transferee
 - e) Number of share
 - f) Distinctive Number
- 5.6. Where the Issuer fails to provide the physical share certificates on time, such cases may be referred by CDC to the Securities and Exchange Commission of Pakistan and the Pakistan Stock Exchange for action.
 - 5.7. If an Issuer complies with the notice of suspension before the 60th Business Day of suspension, CDC shall issue notice to the concerned Issuer revoking its earlier notice.

Note:

1. Wherever practicably applicable, the requirements of these Procedures are also applicable on unlisted securities suspended / revoked due to non-compliance or on the order of any competent authority.
