

**Annexure C to DMMD Circular No.07 of 2021**

**Obligations of Primary Dealers (PDs), Preliminary Primary Dealers (PPDs) and Special Purpose Primary Dealers (SPDs)**

	Obligations of Dealers	PDs	PPDs	SPDs
1	<b>Active Participation in Auctions</b>	Each PD, PPD and SPD must actively participate in all auctions of marketable Government securities.		
2	<b>Segregation of Own and Customers' Securities</b>	PDs, PPDs and SPDs shall segregate the Government securities of its customers from its own securities. In case of listed brokerage house, they shall maintain a firewall between their brokerage and PD business.		
3	<b>Minimum Participation Requirement</b>	<p>Each PD shall ensure participation in auctions by placing bids amounting to at least 5% of the pre-auction target on each auction basis, subject to the following:</p> <ul style="list-style-type: none"> <li>a. The requirement shall be applicable for all securities - MTBs, Fixed rate PIBs and Floating Rate PIBs.</li> <li>b. For MTBs and 3 and 5 years Fixed rate PIBs, the requirement shall be applicable on each tenor based targets.</li> <li>c. For Floating Rate PIBs (all tenors), the requirement shall be applicable on overall/combined auction target of the same.</li> <li>d. For 10, 15, 20 and 30 year tenors of Fixed Rate PIBs, the requirement shall be applicable on overall/combined auction target of these tenors.</li> </ul> <p>The performance of PDs on this obligation would be evaluated by SBP on a quarterly basis and any shortfall from the target shall require explanation by the PD; and may have an impact on renewal of the PD status.</p>	NIL	NIL
4	<b>Compliance of Minimum Underwriting Target</b>	Each PD shall ensure compliance of minimum underwriting target of 3.5% to be applied on the Pre-auction target or the issued amount, whichever is lower, for respective tenors of PIBs on a quarterly basis and compliance to this shall not be restricted on each auction basis.	Each PPD shall ensure compliance of minimum underwriting target of 1.0% to be applied on the Pre-auction target or the issued amount, whichever is lower, for	Nil

**Annexure C to DMMD Circular No.07 of 2021**

**Obligations of Primary Dealers (PDs), Preliminary Primary Dealers (PPDs) and Special Purpose Primary Dealers (SPDs)**

	Obligations of Dealers	PDs	PPDs	SPDs
			respective tenors of PIBs on a quarterly basis and compliance to this shall not be restricted on each auction basis.	
5	<b>Fee for Non-Compliance of Underwriting Commitment</b>	If a PD fails to underwrite at least 3.5%, and a PPD fails to underwrite at least 1%, of the pre-auction target or the issued amount, whichever is lower, for respective tenors of PIBs on an annual basis, it shall be liable to pay fee of 25 paise per Rs. 100 of face value for the quantum of delinquency, determined and applied on an annual basis.		Nil
6	<b>Quoting Two-Way Prices of Government Securities (Market Making Obligation)</b>	It shall be compulsory to quote two-way prices to other PDs/PPDs/SPDs, Non-PDs, and institutional investors etc. (as per the instructions on Bid-Ask Spreads and marketable lot-sizes contained in Rules 7 to 9 below).  Further, PDs and PPDs who act as market makers on PSX trading platform shall quote prices of Government Securities on PSX as well. While quoting on the PSX platform to the PSX clients, the maximum Bid-Ask spread requirement shall not be applicable for quoting smaller lot-sizes.  The instructions on quoting two-way prices for MTBs and PIBs shall also be required on Electronic Bond Trading System (EBND).		NIL
7	<b>Maximum Bid-Ask Spread for On-the-run Issues</b>	For PDs/PPDs to quote two-way prices, in case of PIBs, the maximum bid/ask spread will be 10bps for on the run issues up to 10 years tenor bonds.  In case of MTBs, the maximum bid/ask spread for on the run issues will be 15bps.  On-the-run issues are defined as the last two issues in the market.		NIL
8	<b>Marketable Lot-size for on-the-run issues of MTBs and PIBs:</b>	PDs shall ensure two-ways prices in secondary market within the maximum bid/ask spreads (as defined in Rule 7 above) for marketable lot-sizes for on-the-run issues of MTBs and PIBs.  On-the-run issues are defined as the last two issues in the market.  The marketable lot-size for MTBs and PIBs are provided below.  MTBs:	PPDs shall ensure two-ways prices in secondary market within the maximum bid/ask spreads (as defined in Rule 7 above) for marketable lot-sizes for on-the-run issues of MTBs and PIBs.  On-the-run issues are defined as the last two issues in the market.	NIL

**Annexure C to DMMD Circular No.07 of 2021**

**Obligations of Primary Dealers (PDs), Preliminary Primary Dealers (PPDs) and Special Purpose Primary Dealers (SPDs)**

	Obligations of Dealers	PDs	PPDs	SPDs
		<p>The marketable lot-size for on-the-run issues of MTBs for all PDs except brokers: PKR 100.0mln – 1000.0mln (multiples of PKR 100.0mln)</p> <p>The marketable lot-size for on-the-run issues of MTBs for Broker PDs: PKR 50.0mln – 300.0mln (multiples of PKR 25.0mln)</p> <p>PIBs: The marketable lot-size for on-the-run issues of PIBs (up to 10-year tenor bonds) for all PDs except brokers: PKR 50.0mln - PKR 500.0mln (multiples of PKR 50.0mln)</p> <p>The marketable lot-size for on-the-run issues of PIBs (up to 10-year tenor bonds) for Broker PDs: PKR 50.0mln - PKR 200.0mln (multiples of PKR 25.0mln)</p>	<p>The marketable lot-size for MTBs and PIBs are provided below.</p> <p>MTBs: The marketable lot-size for on-the-run issues of MTBs for PPDs: PKR 50.0mln – 300.0mln (multiples of PKR 25.0mln).</p> <p>PIBs: The marketable lot-size for on-the-run issues of PIBs (up to 10-year tenor bonds) for PPDs: PKR 50.0mln - PKR 200.0mln (multiples of PKR 25.0mln)</p>	
9	<b>Quoting two-way Prices for older issues of MTBs and PIBs i.e. other than on-the-run issues</b>	The quoting obligations in terms of spread and lot sizes (as mentioned in Rules 6 – 8 above) shall also be applicable on older issues of MTBs and PIBs, provided that the outstanding issue size of the issue is more than PKR 100 billion.		NIL
10	<b>Displaying Prices of Government Securities</b>	PDs and PPDs shall be responsible for displaying the prices of Government securities on Refinitiv/Bloomberg, websites, branches and PSX (if the PD/PPD is a market maker on PSX). Quoting obligations must be strictly adhered to and all PDs must ensure that their Bloomberg dealing terminals are open and active during the dealing timings (as stipulated by SBP from time to time) on all working days. SBP will strictly monitor the PDs activity and quoting obligations.		NIL

\*\*\*\*\*