



## PRESS RELEASE

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The Governing Board of Directors of the Karachi Stock Exchange in its meeting held today reviewed the Report of the Task Force constituted by the Securities & Exchange Commission of Pakistan on stock market situation – March 2005. The Board deliberated all the relevant aspects of the Report especially in the context of various observations/ comments in relation to the KSE, its Board of Directors and management. The comments of the Board are as under:-

The Board observed that some of the observations of Task Force are based on hearsay and face value of depositions of actual players in the market. While the Board fully appreciates that enough time was not available to the Task Force but unfortunately the Report does not suggest any concrete steps to redress its primary objective i.e. to investigate allegations of market manipulations, insider trading and other market abuses and suggest regulatory and operational reforms for enhancing investors protection who have lost billions out of naivety and greed.

The Board observed that while the Task Force talks of appointment of an "independent" non-member Chairman of KSE Board, international practice shows that in Australia, latest demutualised Exchange, Chairman of the Board is one of the members of the Exchange. Also in many countries, even in demutualised Exchanges, members are holding positions of Directors of the Board. Similarly, the provision of appointment, renewal and removal of Managing Director of Stock Exchanges is with the approval of SECP and therefore the independence of Managing Director is compromised. The Managing Director is likely, and history bears testimony, to have greater leaning towards the real boss — SECP. This needs to be reviewed to create a balance by following the law of the land and international practices. The task of appointment, renewal and removal of Managing Director should always be with the Board.

The Board is also of the opinion that its authority was compromised by the regulators on a number of occasions by involving non-Directors on all important policy matters relating to the equity market.

Moreover, the composition of SECP Policy Board indicates that no stakeholder is represented on it. Besides the working of Policy Board is non-transparent as no agenda or its proceedings are made public. Similarly, the SECP, like in other countries, should be made answerable to a Committee of the Parliament. Its accounts, duly audited be made public.

### POLICY AND SYSTEMIC FLAWS

Unfortunately, the Report is completely silent on the issue of locking the rates early in the morning with large sale orders although SECP and the management had access to all the information and data in this regard.

*Continued on Page - 2*

### **Public Relations Department**

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