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KSE/N-5698

November 15, 2012

NOTICE FOR ALL MEMBERS/TREC HOLDERS

Subject: BRIEF ON MATTERS DISCUSSED AND AGREED AT SECP-KSE MEETING HELD ON NOVEMBER 13, 2012 AT KSE

Reproduced hereunder the communication received today from SECP on the captioned subject for information of members/TREC holders of the Exchange.

Briefing by the Chairman, SECP

The Chairman SECP in his opening remarks pointed out that even though the market performance had improved, turnover is not at the satisfactory level and measures were required to boost the same and bring in liquidity. Investor confidence needs to be restored through effective investor protection initiatives. The SECP is working on investor education and awareness programs in collaboration with the Mutual Funds Association of Pakistan, insurance sector and the stock exchanges, while the Institute of Capital Markets is performing standard-setting and benchmarking for market intermediaries. He emphasized that extending outreach of the brokers was the need of the hour and KSE should explore options like mobile and online trading by making use of technological developments like special-purpose software. Also nationwide access/sales points to be set up, as being done in the neighboring jurisdictions like India. Introduction of sub-broker regime will also help achieve the said objective.

Talking about governance, he stressed that KSE as the frontline regulator to ensure that good governance practices are in place at the KSE level and necessary checks are in place to ensure that malpractices by market intermediaries and participants are detected and penalized. He further emphasized that KSE should make efforts for capacity building in the post-demutualization scenario and improve its marketability to attract reputable strategic investors who brings in the required knowledge and knowhow. Clear segregation of commercial and regulatory functions and distinction between the roles of the Board and the Management should be ensured.

The Chairman announced the formation of special committees for to review and suggest measures for the development of debt, derivative and equity markets. These Committees will comprise representatives of relevant stakeholders including the SECP, stock exchanges, selected market participants and professionals. He mentioned that the SECP was coordinating with the relevant quarters for necessary tax reforms to encourage corporatization and new listings.

Discussion Points

- Work is in progress on developing an SME Exchange/Board to facilitate listing of small cap companies for raising capital in line with international best practices.
- The risk management regime and the default management procedures to cater for the demutualized environment, which envisage substitution of the membership cards with the base minimum capital requirement for the brokers, need to be approved by the KSE Board on immediate basis.
- The Rule Book encompassing the entire regulatory framework of the KSE for the demutualized setup needs to be finalized and submitted to the SECP by KSE urgently.
- Bank guarantee(s) to be issued by KSE/CHPF in favor of NCCPL for all its brokers who avail the max Rs.10 million per broker collateral limit. Essentially, bank guarantee(s) shall be equivalent to the entire amount utilized/marked as