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Chairman- SECP visits KSE; Meets the Members and the new Board

(Karachi, February 8, 2011): The Chairman, Securities and Exchange Commission of Pakistan (SECP), Mr. Mohammad Ali, since assuming the office of the Chairman, paid his first visit to the Karachi Stock Exchange (KSE) on February 07, 2011, during which he met the member fraternity and the newly constituted Board of Directors of the Exchange.

At the first meeting of the new Board of Directors of the Exchange, the KSE Board, in terms of the relevant regulatory framework elected Mr. Muneer Kamal, Vice Chairman KASB Bank Limited, as the Chairman of the Board for a period of one year. The SECP Chairman in his address to the new Board appreciated the valuable services rendered by the outgoing Board and expressed the belief that the new Board would deliver in the best interest of the capital markets.

The Chairman SECP, in his speech emphasized that the SECP functions as a facilitator of the developmental process of the capital markets and, therefore, should not be viewed as a regulatory body only. Enumerating the primary challenges for the new Board and the Exchange, Mr. Ali stressed that the three crucial areas of capital market development; restoration of investors' confidence; and conforming to international best practices required immediate attention. He pointed out the role of the Stock Exchanges in the economic expansion of the Pakistani capital market and elaborated that the capital market development would not only involve development of the Exchange but of the overall market, and would entail making dedicated efforts for the development of the Debt market, the Commodity market and the Mutual Funds industry, which had been much neglected in the past as compared to the Equity market, and which carried immense potential for the capital market institutions and the local and international investors. He was of the view that the Mutual Fund Industry needed to be properly developed to target greater masses to attract their savings and the Commodity market which had globally outperformed the Equity market also needed to be strengthened.



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Regarding market development, the SECP Chairman highlighted that it also implied efforts for new product development like that of bringing in new Derivative instruments to create the desired depth in the market and to provide investors with investment alternatives for portfolio management. He opined that incentivizing quality listings of large capital base companies to improve profitability and image of the Exchange and to remedy the non-compliant and shell companies by improving the standards for listing remained as another priority for the Exchange and the Board.

Referring to the new mechanisms of Margin Financing, Margin Trading and the Securities Lending and Borrowing and Pledging, he communicated that in order to address the liquidity and financing needs of the market, the SECP in consultation with the relevant stakeholders had finalized the Draft Rules for the same which were expected to be approved by the Ministry of Law soon and hoped that the products will be launched within the current month. He informed that the said Rules, along with addressing the liquidity and financing needs of the market, will also provide for utilization of idle securities in the form of the Securities' Lending and Borrowing mechanism and will fill the gap of a key secondary market component that had been missing altogether from the Pakistani capital market in the past. He, however, also emphasized upon the need to continuously review the said mechanisms for improvements and to ensure that they do not, at any point in time, compromise on the risk management, market stability and investor protection standards at the stock exchanges.

Touching upon the strategic planning and governance responsibilities of the new Board, the SECP Chairman opined that the Board as the supreme decision-making body of the Exchange was expected to formulate a clear vision for the Exchange and dedicate itself to the broader policy aspects. He stressed upon the Board for the need to devise a roadmap which should include a short-term one-year strategic plan and a three-year mid-term developmental plan for sustainable development and growth of the Exchange and the capital market. He expressed the desire that the member and non-member directors on the KSE Board would jointly make efforts for achieving the targets and that the Board would function in a seamless, coherent manner. The Chairman, SECP suggested that KSE being the major proponent of the Code of Corporate Governance for the listed companies should endeavor to adopt itself the international best practices on corporate governance



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and stressed that major committees of the KSE Board should preferably be headed by independent directors as per best practice. He also stressed upon independence of the Management of the Exchange from the Board and expected that the Board would take immediate steps for expediting appointment of a suitably qualified permanent Managing Director for the purposes of heading the management team through completion of a transparent process.

Further identifying the specific challenges for the Board, Mr. Ali stated that concerted efforts were required for the timely completion of the demutualization process; strengthening of market surveillance mechanisms to curb undesired market practices; enforcing adequate controls for ensuring good governance and transparency in the operations/reporting procedures of the listed companies; and devising ways and means for investor protection and education.

He assured the SECP's fullest cooperation to the Exchange in its efforts towards market development including taking up the matter of providing tax incentives to companies with the Federal Government for attracting more listings.

Mr. Haroon Askari Acting Managing Director, while expressing his gratitude to the Chairman-SECP, acknowledged that KSE is determined to address most of the issues highlighted by him. He emphasized the fact that all employees of the Exchange are dedicated to work for the glory and welfare of the Exchange, as one team.

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