

# Bloomberg

## Pakistan Regulator May Limit Trading on Karachi Index (Update1)

By Naween A. Mangi



April 30 (Bloomberg) -- Pakistan's stock market regulator may consider trading limits on the benchmark index and replace curbs on individual stocks to lure investors.

"This plan is on the table because it would allow easier entry and exit," [Salman Shaikh](#), chairman of the Islamabad-based [Securities & Exchange Commission of Pakistan](#), said yesterday in an interview in Karachi.

The plan may change the current restriction, where shares worth more than 20 rupees (25 cents) can't rise or fall more than 5 percent in a day and those trading below 20 rupees are limited to gains or declines of as much as 1 rupee.

Pakistan is seeking to boost investments after the benchmark [Karachi Stock Exchange 100 Index](#) fell 22 percent since the end of trading curbs on Dec. 15, making it the worst performer among 85 key stock measures tracked by Bloomberg. The exchange had restricted shares from falling below their Aug. 27 level in a bid to stem a decline in stocks.

The new plan to impose the trading limit on the index rather than shares "is in line with international practices and it is prudent," said Shehzad Chamdia, a stock broker in Karachi. "It will help provide an exit mechanism in case of drastic declines."

Pakistan's stock index, which fell to a four-week low yesterday, declined a further 1.6 percent to 7,151.78 at 10:11 a.m. local time after 25 people were killed in political violence in Karachi.

Angry Investors

Investors stoned the exchange in July after a first attempt to impose limits failed to halt the share slump that threatened to undo a six-year rally. Overseas investors dumped \$587 million of Pakistani stocks in the past 12 months, more than 13 times as much as in the same period a year ago, according to the [National Clearing Co.](#)

The law to convert the [Karachi Stock Exchange](#) into a company may be approved by the parliament in June, Shaikh said, paving the way for a share sale. The so-called demutualization process was approved by a panel of lawmakers last month, he said.

“Demutualization will improve governance, reduce conflict of interest by segregating ownership from trading rights and enhance confidence,” Shaikh said.

Demutualization is a process where a company owned mutually by members is converted into one owned by shareholders.

The Karachi, Lahore and Islamabad stock exchanges will be demutualized within 119 days after the parliament passes the Stock Exchanges Corporatization, Demutualization and Integration Act, 2009, Shaikh said. After that, the Lahore and Islamabad exchanges will be “encouraged” to merge into one bourse, he said.

<http://www.bloomberg.com/apps/news?pid=20601110&sid=aHsFG7MeqrpM>