

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NIC BUILDING, BLUE AREA, ISLAMABAD
(Securities Market Division)

***GUIDELINES FOR APPOINTMENT ON THE BOARD OF DIRECTORS OF
THE STOCK EXCHANGES***

The composition of the Board of Directors (the “Board”) of the stock exchanges has been reconstituted, in pursuance of the Securities and Exchange Commission of Pakistan’s (SEC) directives dated August 13, and August 30, 2002 whereby the Board shall now consist of 5 elected directors and four non-member directors to be appointed by the SEC. Consequently it is felt expedient to issue the following guidelines for the appointment of the four non-member directors on the Boards of the exchanges.

A. *CRITERIA FOR INVITING NAME(S) AND APPROVAL OF A PANEL BY THE COMMISSION*

- i) The Securities Market Division (SMD) of the SEC may request various professional bodies to recommend a minimum of fifteen candidates for consideration of their name for inclusion in the panel of professionals from where nomination on the Boards of the exchanges would be made. These bodies include, but are not limited to, the Management Association of Pakistan, the Institute of Chartered Accountants of Pakistan (ICAP), the Institute of Cost and Management Accountants of Pakistan (ICMAP), Pakistan Banks Association, Investment Banks Association of Pakistan, Modaraba Association of Pakistan, Leasing Association of Pakistan, Mutual Funds Association of Pakistan and Pakistan Chapter of Investment Professionals.

- ii) The SMD may, itself recommend the names of reputable professionals to the respective associations and with their consultation may draw a list of candidates who could be considered for inclusion in the panel.
- iii) The SMD Division may follow either procedure given in (i) & (ii) above, or both, to select candidates for inclusion in the panel. **However, the Commission shall have the absolute power to place a suitable person on the panel of persons to be considered for appointment as non-members directors on the Board of the Exchanges.**
- iv) The existing non-member directors who are presently serving on the Boards of respective stock exchanges shall stand included in the panel.
- v) The SMD will, review the names of professionals received by it and finalize a panel of **minimum** sixty persons from the nominations received including those who are presently serving in the Board of the exchanges.
- vi) The panel so constituted by the SMD shall be forwarded to the Commission for approval. The Commission may, for reasons recorded in writing, refer back name(s) to the SMD for review and submission of other name(s) to the Commission for approval.

B. ELIGIBILITY CRITERIA FOR NOMINATION ON THE PANEL

A person shall be eligible for inclusion in the panel if he/she:

- i. is a graduate from a recognized university or equivalent;
- ii. has a professional qualification/University degree or diploma in business, finance and management or a closely related discipline; and

- iii. has at least 5 years of experience in matters relating to stock exchanges, accounting, banking, investment advisory, management, economics, fund management and IT etc;

No person shall be eligible for inclusion in the panel if he/she:

- i. has been associated with any illegal banking business, deposit taking or financial dealings;
- ii. has been convicted of fraud or breach of trust or of an offence involving moral turpitude or removed from service for misconduct;
- iii. has been adjudged as insolvent or suspended payment of debts or has compounded with his creditors;
- iv. has betrayed lack of fiduciary behaviour and a declaration to this effect has been made by the Court under section 217 of the Companies Ordinance, 1984 at any time during the preceding five years; and
- v. has been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution.

C. PROCEDURE FOR SELECTION OF DIRECTORS FROM THE PANEL

The SMD shall select a list of four persons from the panel approved by the Commission, after reviewing their eligibility as per the criteria outlined above for each stock exchange, and forward the same to the Chairman SEC for his approval along with the list of panel. If the Chairman SEC does not approve of any of the proposed names from the list submitted by the SMD, he shall, for reasons to be recorded in writing, refer the matter back to the SMD for review and submission of another suitable name for approval thereof.