

SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

NOTIFICATION

Subject: **CONSTITUTION OF AN EXPERT COMMITTEE FOR FORMULATING A COMPREHENSIVE PLAN FOR DEMUTUALISATION AND INTEGRATION OF STOCK EXCHANGES IN PAKISTAN**

The Securities and Exchange Commission of Pakistan (SECP) has decided to constitute an Expert Committee comprising of national and international securities market experts with the objective of formulating a comprehensive plan for demutualisation and integration of stock exchanges. The Expert Committee comprises of the following professionals:

Mr. Shamim Ahmad Khan, Former Chairman, SECP
Mr. Justice (Retd.) Aamer Raza A. Khan, Retd. Judge, Lahore High Court
Mr. Ebrahim Sidat, Country Managing Partner/CEO, Ford Rhodes Sidat Hyder & Co.
Mr. Rashid Zahir, CEO, Saudi Pak Industrial and Agricultural Investment Company (Pvt.) Limited
Mr. Alan Cameron, Former Chairman, Australian Securities and Investments Commission (ASIC)
Dr. Philip N. Pillai, Non-Executive Director, Monetary Authority of Singapore
Mr. Ashley Alder, Member and Executive Director, Securities and Futures Commission, Hong Kong

Mr. Shamim Ahmad Khan would be Chairman of the Committee.

The terms of reference of the Expert Committee are:

1. **Demutualisation.** To review and examine the present structure of stock exchanges in Pakistan and in that context examine the legal, regulatory and financial issues involved in demutualisation of stock exchanges. Review and examination of stock exchanges would include:
 - (a) Form and ownership structure.
 - (b) Management and administrative structure, including ceiling of shareholding and corporate governance norms regarding share ownership. Examination of the need to have public directors appointed on the Board or other mechanism to protect and promote public interest.
 - (c) Regulatory framework, including SRO status, membership criteria and trading rights.

- (d) Effective ways to deal with issues relating to legitimate interest of all stakeholders.
 - (e) Financial implications, such as identification of ways to deal with issues relating to rights of the employees of the existing stock exchanges, rights of the members of the existing stock exchanges particularly compensation against their seat value and their trading rights.
2. **Integration/Transformation.** To advise on the consolidation/merger and/or transformation of the stock exchanges in Pakistan and to examine the legal, regulatory and financial issues in respect thereof.
- (a) To examine the desirability and feasibility of consolidation/merger of stock exchanges in Pakistan keeping in view the aspects of competition/monopoly.
 - (b) To examine the desirability and feasibility of transforming the stock exchanges in Pakistan into specialized exchanges.
 - (c) To examine the legal and financial implications of consolidation/merger and/or transformation including identification of ways to address issues relating to rights of the employees of the existing stock exchanges, rights of the members of the existing stock exchanges particularly compensation against their seat value and their trading rights.
3. **Recommendations/Implementation.** To provide specific recommendations regarding demutualisation, integration and/or transformation of the stock exchanges in Pakistan and formulate a plan of action for implementation of the same.
- (a) To recommend appropriate model(s) of demutualised exchange(s) and mode of consolidation/transformation after taking into account international standards and best practices in this regard and the peculiarities of the capital market in Pakistan.
 - (b) To recommend measures to deal with possible conflicts of interest that may arise when a for-profit entity also performs regulatory functions especially if the exchange is self listed.
 - (c) To recommend measures to ensure availability of adequate funding for regulatory function (including arrangements to manage default) in case of a for-profit making exchange.
 - (d) To recommend a plan of action for implementation of its recommendations.
4. **Other Issues/Matters**
- To consider and advise on any ancillary or incidental issues or any other matter(s) referred to it by SECP.

5. **Independence / Consultation**

The Expert Committee will function independently and shall undertake consultations with all the stakeholders with a view to taking into account the legitimate interests of all concerned.

6. **Timing and Reports**

The Expert Committee shall submit its report and recommendations to SECP within 120 days of its first meeting or 15 June 2004, whichever is earlier. An interim report is to be submitted within 60 days of its first meeting.

7. **Secretariat**

The SECP will establish a secretariat for the Expert Committee and provide the necessary resources therefor. It will nominate an independent professional to act as the Secretary of the Expert Committee.

(Shahid Ghaffar)
Commissioner (SM)
17.02.2004

Distribution:

1. Mr. Shamim Ahmad Khan, Former Chairman, SECP
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9. Managing Director, Lahore Stock Exchange
10. Managing Director, Islamabad Stock Exchange