



Press Release

Regulations Made for Election of Non-member Director as Chairmen of Karachi, Lahore Stock Exchanges

Islamabad – December 28, 2005: The Securities and Exchange Commission of Pakistan (SECP), in exercise of its powers under section 34(5) of the Securities and Exchange Ordinance, 1969, has made regulations for the election of a non-member director as the Chairman of the Karachi and Lahore Stock Exchanges. The regulations so made by the SECP are deemed to have been made by the exchanges and take effect accordingly.

On 9th December 2005 the SECP issued a directive (under section 34(4) of the Securities and Exchange Ordinance, 1969) to all three exchanges requiring them to make the necessary amendments in their regulations or articles of association for this purpose, however only the Islamabad Stock Exchange adopted these amendments. The SECP had provided another opportunity to the Karachi and Lahore Stock Exchanges to make the appropriate amendments by issuing a further directive under s. 34(4) on 16th December 2005 and asking them to comply within ten days thereof. After the lapse of the stipulated ten day period, the SECP was constrained to issue the aforesaid directive whereby the regulations made by the SECP are deemed to have been made by the exchanges.

The election of a non-member director as the Chairman of the Board of the Exchanges is aimed at limiting the possibility of conflict of interest in the Board of the Exchanges and is an important reform measure for the protection of investors. The conflict of interest created by a member Chairman has significantly delayed the implementation of important reform measures recommended by the Commission in the public interest for the protection of investors, strengthening risk management, enhancing transparency and good governance. An independent non-member Chairman is likely to provide the desirable leadership to the Board of the exchange in matters relating to the effective execution of all the Board's responsibilities vis a vis the protection of investors.

The necessity of an independent non member Chairman has also been recommended in a number of expert studies of the Capital markets e.g. the Report of the Expert Committee on Demutualization and Integration (comprising national and international experts) and the Report of the Task Force established by the Commission to Review the Stock Market Situation of March 2005. The measure has already been adopted internationally: numerous Stock Exchanges around the world have adopted the international best practice of requiring the chairman of the Board of the Exchange to be an independent non-member director to safeguard the interest of investors.