

Press Release

SECP-KSE Meeting Held in Karachi

Islamabad, August 9, 2006: A meeting of the Securities and Exchange Commission of Pakistan (SECP) with the management of Karachi Stock Exchange (KSE) under the chairmanship of Mr. Razi-ur-Rahman, Chairman SECP was held in Karachi on August 8, 2006.

The SECP Chairman congratulated KSE management over the successful launch of unique identification number (UIN) at pre-trade level. The matter had been outstanding for the last two years however; its implementation with effect from August 1, 2006 is expected to greatly improve the surveillance and monitoring capacity of the Commission and stock exchanges. UIN will lead to a fair and efficient market by creating a traceable link between the orders executed through different brokers.

All outstanding issues were discussed at length as were a number of other issues impacting the development of the market. These inter-alia included detailed deliberations on uncapping of Investor Protection Fund, Disaster Recovery Site/Business Continuity Plan for KSE, development of Data Warehouse, introduction of market halt system based on free float index, segregation of client's cash assets, introduction of exchange traded derivative products such as options, index futures etc., introduction of CFS Mk II, standardized futures contract on cash settlement basis and demutualization and integration of stock exchanges.

The Chairman emphasized the need for the stock exchanges to play a proactive role as the front line regulators. Market monitoring and surveillance needed to be strengthened with installation of monitoring the surveillance software to ensure market integrity and investor confidence.

The SECP has taken the initiative for preparing/proposing a revised risk management structure for the purpose of improving and enhancing risk management of the Stock Exchanges in line with international best practices. This encompasses the implementation of VaR based margining regime with netting at client level. The KSE management expressed their consensus to the said measures with some clarifications/observations on VaR.