

Karachi, Lahore and Islamabad stock exchanges re-registered as public companies limited by shares

ISLAMABAD, August 27: The Registrar of Companies, Securities and Exchange Commission of Pakistan on Monday , issued certificates of re-registration to the stock exchanges under the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, as an evidence of their change in status from companies limited by guarantees to public companies limited by shares.

The stock exchanges will now operate as for-profit, demutualized entities thereby ensuring a clear segregation of ownership rights from trading rights. Brokers/Trading Rights Entitlement (TRE) Certificate Holders, who previously predominantly controlled the affairs of the stock exchanges, will as a result of this demutualization now not be able to hold majority on the board of directors and be entitled to a maximum 40% voting shares of the stock exchange.

The SECP while approving the plans for segregation of commercial and regulatory functions of the exchanges has ensured that the demutualised entities exhibit enhanced governance and transparency and greater balance between interests of various stakeholders while supporting independent management.

This conversion of the stock exchanges reflects a significant transformation of the Pakistan Capital Market and marks the successful completion of corporatization process under the Act which was promulgated on May 7, 2012.

Upon receipt of the certificates of re-registration, the existing directors on the Boards of the stock exchanges shall cease to hold office and be replaced by the first directors, i.e., 6 directors nominated by the SECP and 4 broker directors nominated by each respective stock exchange. Within 30 days of the date of demutualization each stock exchange shall elect four TRE certificate holders to replace the broker directors. The Chairman of the Board the exchanges shall be from among directors who do not represent the TRE Certificate Holders.

As envisaged in the Act, the next phase of the exercise will entail the sale of shares of the stock exchanges to the strategic investors, general public and financial institutions. Participation of strategic investors shall result in making the country's capital market more accessible for the international community while ensuring strategic alliances, influx of state of the art technologies and making the stock exchanges more competitive investment destinations.

Demutualization is a well-established global trend and almost all stock exchanges worldwide operate in a demutualized set-up. This momentous accomplishment will bring the Pakistani capital market on a par with other international jurisdictions like India, Malaysia, Singapore, the US, the UK, Australia, Hong Kong, Turkey etc.