

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NEWSLETTER

SUMMER | 2015



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Stock
Exchanges

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JAMA PUNJI

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NEWSLETTER 2015

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Pakistan Stock Exchange to be formed Ishaq Dar for making Pakistan's capital market one of the best in the world



THE FEDERAL MINISTER FOR FINANCE, REVENUE, ECONOMIC AFFAIRS, PRIVATIZATION AND STATISTICS, SENATOR MUHAMMAD ISHAQ DAR SAID THAT THE GOVERNMENT, IN COLLABORATION WITH THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP) AND STATE BANK OF PAKISTAN (SBP), IS WORKING DAY AND NIGHT TO MAKE PAKISTAN'S FINANCIAL AND CAPITAL MARKET ONE OF THE BEST IN THE WORLD.

He was speaking at the ceremony for signing of Memorandum of Understanding (MoU) on integration between Karachi Stock Exchange (KSE), Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE). The ceremony was held at the SECP head office on August 27.

He reiterated the government's commitment to the creation of a strong,

vibrant and competitive financial and capital market that can prove as a basic building block for a strong economy. He expressed his resolve to improve the outlook of Pakistan's capital market to attract investment and improve the standard of living of the common man.

The Chairman, Demutualization Committee ISE Mr Mukhtar Ahmed Jaffery, Chairman Demutualization Committee LSE Mr Yasser Mahmood and Chairman Demutualization Committee KSE Haji Usman Ghani signed the memorandum to integrate the three stock exchanges to create the Pakistan Stock Exchange (PSE).

The President of the NBP and ZTBL, Deputy Governor, SBP, Managing Director of KSE, LSE, ISE and CDC, NCCP, Chairman CCP, NIT and PMEX, President Mutual Funds Association of Pakistan, members of the SECP Policy Board, members of the demutualization committees, prominent business leaders from capital market, insurance, non-banking financial sector and CEOs of leading banks attended the event.

Terming the scheme of integration among stock exchanges a landmark achievement, Senator Ishaq Dar said that formation of Pakistan Stock Exchange is win-win for all and it will go a long way towards sustainable development of our capital markets, in the best interest of all stakeholders and Pakistan.

Finance Minister said that it is day of satisfaction for him that the task of demutualization and integration of stock exchanges that could not be achieved in last 15 years, it has been achieved in just five months. "Being finance minister, selecting a person as Chairman of the SECP was not an easy task and today I am proud that that I chose an honest and hardworking person", said Ishaq Dar, adding that Mr Zafar Hijazi is one of best member of his team and he has great confidence in him and his professionally sound team of Commissioners, which the minister selected himself very carefully.

He said that the full benefits of this exercise require completing the process of divestment of shares. He assured full support of the government to achieve divestment of PSE shares.

Among other areas, Ishaq Dar said, the government is committed to promoting standards of excellence for the corporate sector and capital market.

While appreciating the robust reforms agenda followed by the SECP, the Finance Minister ask SECP to implement a strong enforcement and compliance regime and show zero tolerance for any market manipulation, inside trading, misconduct and abuse.

The efforts of the government and the regulators are bearing fruit and Pakistan has started doing really well,



headed. PSE is going to play a major role in attracting foreign investment, Ishaq Dar anticipated. He said that his financial team will work hard to raise the Pakistan's foreign reserves to the mark of \$21 billion by end of current calendar year.

Ishaq Dar also appreciated the SECP's efforts for getting Pakistan's Index reclassified in upcoming Annual Market Classification Review of MSCI. He pushed the SECP for reclassification of Pakistan's capital market as MSCI emerging market. He also acknowledged the SECP for achieving 62% compliance with standards of the International Organization of Securities Commission (IOSCO) assessments.

Speaking at the occasion, the SECP Chairman, Mr Zafar Hijazi said that the formation of Pakistan Stock Exchange is a major milestone in the history of Pakistan's capital market that will lead to achieve the government's vision of a fair, efficient and transparent market. He said that Pakistan's capital market have enough potential to become a regional capital hub and the SECP aiming to build Pakistan as one of the best capital market in the Asian region.

Chairman Hijazi said that the PSE would be in better position to invite reputed stock exchanges from all

over the world to become its strategic partner; however, he added, the national interest will be kept supreme while making decisions in this regard. He shared that, among many others, there is an option to sell majority of the shares of Pakistan Stock Exchange to local financial institutional investors and the investment from international stock exchange will be kept limited to provision of required technological support.

He said that the SECP will make sure that all the competition aspects are carefully addressed. The SECP chairman said the having a single stock exchange in a country is not an astonishing phenomenon, many countries including Malaysia, Hong Kong, Singapore have one stock exchange. There were twenty-three stock exchanges in India which have been reduced to only seven after series of integrations and mergers in recent years, Hijazi explained.

He informed the participants that the SECP and the State Bank have been collaborating closely to provide a business and investment friendly environment in country and achieve the goal of a robust and vibrant capital market.

Mr. Hijazi said that the SECP is working hard to get Pakistan's index

included in the MSCI emerging market by April next year. He also sought support from the finance minister and Governor SBP in achieving his ambitious targets. He also said that SECP will make every effort to further raise the compliance ratio of IOSCO standards.

He also announced that all the brokers registered in the ISE and LSE will now be entitled to trade at the platform of PSE.

He thanked all the capital markets stakeholders for their support in achieving the integration and completing the demutualization process of stock exchanges.

The ISE Chairman, Moin Fudda, in his speech suggested to Finance Minister to announce fiscal measures to encourage new listings at the PSE. He said that there should be reduction in tax for listed companies. Moreover, he said, the dividend holders should also have some tax relief and merger scheme for the PSE should also be tax efficient.

The other speakers include Arif Habib of KSE and Feroz ul din Qasim also spoke to the audience. They appreciated SECP efforts to make the stock markets demutualization dream true.

Finance Minister Inaugurates SECP's Web Portal 'Jama Punji'

Federal Minister for Finance, Senator Mohammad Ishaq Dar on June 8 inaugurated SECP's investor education web portal 'Jama Punji'. The web portal is envisioned to play a key role in the SECP's overall investor education programme.

Finance Minister welcomed SECP's initiative and hoped that the launch of this education web portal would have a positive impact on investment trends of the people. The portal would educate and train the common people on how to choose the right investment option, he said. The portal launched by SECP, he said was user friendly. He added that the SECP web portal would act as a single point learning resource for the existing and potential users of financial products offered in the capital market i.e. mutual funds, pension fund and insurance

industry and company registration.

Mr. Zafar ul Haq Hijazi, Chairman SECP on this occasion said that in accordance with its mandate, the SECP under its Investor Education Program was imparting knowledge through digital means – web portal- SMS and social media – and physical interaction via seminars and workshops.

It may be added that the SECP's web portal's exclusive features include risk profiler, scam meter, investment checklists, quizzes, games, calculator, stock trading simulator and information about various financial products. It also provides investors facility to verify a company registration, dispute resolution mechanism and links to complaint registration.

The fully integrated web portal is linked with social media and SMS service. The SECP will communicate with registered users for investor alerts,

awareness messages regarding the financial market, rights and obligations of the investors; guiding them to investor education web portal; investor profiling etc.

For the physical interaction, a comprehensive youth outreach programme is being put in place in collaboration with universities and schools to conduct regular awareness sessions on the campus. For this, Memorandum of Understanding (MoUs) with leading universities and schools across the country would be executed to conduct seminars for students and train the Trainers program. On similar pattern, arrangements are being made with professional bodies through MoUs.





Zafar Hijazi rings the gong to list South Asia's first REIT at KSE

South Asia's first Real Estate Investment Trust (REIT) has been listed on June 26 at the Karachi Stock Exchange (KSE) and Lahore Stock Exchange (LSE) which had already been oversubscribed with the book runner receiving bids for Rs 7.14 billion against the offer of Rs 4.17 billion in initial public offer held on June 08-09.

Arif Habib Dolmen REIT Management Limited is a joint venture between the Arif Habib Group and the Dolmen Group. SECP Chairman M Zafar-ul-Haq Hijazi as a chief guest initiated the listing of REIT at the event rang the Gong at Karachi Stock Exchange (KSE).

On the occasion, the SECP chairman SECP said: "Dolmen City REIT is the first REIT in South Asia and its listing calls for the accreditation of a new sector 'Real Estate Investment Trust' in KSE's sector classification which is an achievement for everyone involved.

He said the addition of this new sector allows investors a fresh avenue of safe investment which is also accessible to smaller investors. He congratulated Arif Habib Dolmen REIT Management Limited and the Karachi Stock Exchange on this momentous occasion. He also added that the SECP would continue to play an effective role for the development of Pakistan's

capital markets and encourage innovative products which will broaden investment opportunities. The SECP will also enforce strict regulations to safeguard the public interest.

Dolmen City REIT is a closed-ended, Listed Shariah compliant Rental REIT which offers investors to become unit holders of two component of the Dolmen City project, Dolmen Mall Clifton and The Harbor Front. Book building portion of the IPO took place on the 8th and 9th of June and was heavily oversubscribed with the book runner receiving bids for Rs 7.14 billion against the offer of Rs 4.17 billion. The general public participated in the IPO on the 12th of June. The properties will generate rental income that will be distributed by the REIT scheme among unit holders in the shape of dividends. Any possible appreciation in the value of the property will be an added benefit.

Also present at the ceremony were Nauman K Dar, President & CEO, Habib Bank Limited, Syed Ahmed Iqbal Ashraf, President, National Bank of Pakistan, Irfan Siddiqui, President & CEO, Meezan Bank Limited, Hasan A Bilgrami, President & CEO, Bank Islami Pakistan Limited and executives of numerous banks.

Lahore Stock Exchange: The Lahore Stock Exchange (LSE) has also approved formal listing and quotation of Dolmen City REIT units,

after formalities required under the listing regulations of the exchange were completed. The LSE notified that trading in the units of Dolmen City REIT will start on the ready board of the exchange from Friday (today) and all transactions taking place shall be settled on T+2 settlement basis from the above mentioned date.

The first settlement date will be June 30, 2015. The market lot of the REIT will be 500 units of Rs 10 each. After the listing of company at the ready board quotation, the number of companies listed at LSE would reach 433. The units of REIT have already been declared eligible security by the Central Depository Company (CDC) and all the transactions will be settled through the NCCPL, which has already assigned company code/security symbol as "DCR".

The opening price of units of REIT will be Rs 11/unit as determined through book building process.



SECP Report Spells Out Reasons Behind 2008 Market Crash

The imposition of floor on Karachi Stock Exchange (KSE), lack of co-ordination between regulators, arbitrary use of force majeure powers, abrupt and ad hoc policy shifts and autocracy at the Securities and Exchange Commission of Pakistan (SECP) led to the 2008 stock market crisis, revealed Shamim Ahmad Khan committee report.

Sharing key findings/recommendations of the stock market-2008 crash report at a press conference on August 10, the SECP Chairman, Zafar Hijazi admitted that the main fault lay with the Commission for not making the right decision at that time. "The only but severe fault that triggered the 2008 stock market crisis was placing of floor on the KSE and the worst part is that it continued for 110 days," he added. However, the SECP officials have not held any of the stock brokers responsible for the 2008 stock market crash.

Chairman SECP said the main reason behind conducting the study over the 2008 stock market crisis was to study the factors leading to it, and determine the factors leading to the imposition of floor on the market. "We do not want to waste energies on a blame-game and we are not trying to see which broker made how much money in the process. The best thing is to learn and move on so that things like

this do not happen in future," he said.

The report has said that the SECP failed to act like a colligate body, he said that now we must admit that it is correct as the chairman SECP of that time who was also the commissioner SMD either acted nervously or succumbed to pressure.

When asked whether stock brokers influenced the SECP, he said that there was no concrete evidence to prove it. As there was floor on trading activities investors were forced to sell their stocks to brokers at off-market rates. SECP officials said that the KSE was divided over the decision to place floor on the market and the MD KSE along with the member nominated by the Commission opposed this decision to impose floor on the market.

Zafar Hijazi stated that the lessons have been learnt from the stock market crash of 2008. It was a wrong decision to impose floor on the stock exchange in 2008. Small investors suffered huge losses due to imposition of floor. At that time when there was no concept of imposing floor on the stock exchange globally, floor was imposed for 110 days in Pakistan. Out of three proposals, it was decided to impose floor on the market. SECP nominated directors and KSE MD opposed imposition of the floor at that time, whereas brokers' directors were in favour of imposing floor. The then SECP Chairman did not play his due role in taking decision of

imposing floor on the stock exchange. The question arises that who were the actual beneficiaries of imposing floor, SECP Chairman questioned.

To a question, SECP Chairman said that as per terms of reference, the committee was not required to fix responsibility on anyone involved in stock market crash of 2008. Referring to the KSE Board meeting minutes in past, an SECP official of SMD informed media that it was recorded in the KSE's board minutes that the then Finance Minister was not in favour of removing floor for some time. The flooring decision continued for a long period due to various factors, including the discussions with the IMF and the finance ministry feared that lifting of the floor might lead to a further crash of the market.



The SECP had constituted the committee in 2012 to analyse the crisis, but it became inactive due to Shamim Ahmad Khan's resignation. However, the SECP Chairman, Zafar Hijazi, reactivated the committee and approved revised terms of references (ToRs) in January 2015.

As per revised TORs, the committee was mandated to study



the factors leading to the 2008 crisis, rationale for imposing of the floor by the exchanges under their risk management system (RMS) regulations and review the impact of imposition of the floor on the market. The committee was also asked to give policy recommendations based on the experience of the 2008 crisis.

The committee submitted its report to the SECP on June 5, which the SECP presented to the Policy Board in its meeting held on Monday. The report analyses the causes, events, impact and outcome of the 2008 market crisis primarily with a 'lessons learned' objective. The Board decided to deliberate on it in its next meeting. The committee criticised the SECP for not functioning as a collegiate body during the 2008 crisis and emphasised the need for the same. It also recommended development of a strategic capital market development plan by the SECP and a procedure for improved co-ordination between the SECP and the State Bank.

It recommended to the SECP to devise transparent policy clearly spelling out circumstances in which the regulator can intervene in the market under the emergency powers now conferred upon it under the 2015 Securities Act.

The committee expressed its concern over the arbitrary use of force majeure powers and abrupt and ad hoc policy shifts, including changes to risk management by the stock exchanges.

It also provides a set of recommendations, which could help prevent recurrence of such crisis. It has suggested reforms across the SECP, stock exchanges, Central Depository Company (CDC) and National Clearing Company of Pakistan (NCCPL). While presenting the committee's report, Chairman Hijazi briefed the Policy Board that since recommendation of the committee pertains to 2008, about 90 percent of these have already been implemented. The remaining are part of the SECP's reform agenda and in the implementation stage.

He informed the board that the committee's feedback regarding the

SECP's working has been addressed as SECP is functioning as a fully collegiate body and all important matters are deliberated on at the Commission level. For improved co-ordination, he said, the SECP entered into an MoU with the State Bank in March 2009 and a dialogue is being maintained through meetings between co-ordination committee and task force.

Moreover, with the promulgation of the new act, the stock exchanges' powers in terms of force majeure have been vested with the SECP. The SECP is devising broad policy parameters through which it can intervene under the emergency powers. In order to address the need for developing a long-term strategy and plan for development of stock market, the SECP has drafted a capital market development plan, which will be rolled out once the consultation process with the stakeholders is completed.

SECP NEWS BULLETIN

Abbottabad to have capital market business hub

At the recommendation of the Securities and Exchange Commission of Pakistan (SECP), it has been decided to establish a capital market business hub in Abbottabad. It is being done to expand the outreach of the capital market.

The SECP Chairman, Zafar Hijazi, had formed a committee to chalk out a plan for enhancing the outreach of mutual funds, stockbrokers, leasing companies, investment banks, modarabas and insurance sector to the smaller cities to encourage investors to easily access capital markets and non-bank financial services.

Mr Hanif Jakhura, CEO of the Central Depository Company (CDC),

had been appointed the committee's convener. The committee worked out various initiatives, out of which one was the establishment of capital market business hubs (CMBHs). These hubs will be set up in the cities, which are not first tier but have small industries and also attracting foreign remittances, such as Mirpur, Abbottabad, Sialkot, Dhadiyal etc. The first such hub will be established in Abbottabad. The city is well known throughout Pakistan for its beauty and located in the Hazara region of the Khyber Pakhtunkhwa

(KPK) on Mansehra Road.

Eleven entities, including five asset management companies (AMCs), two brokerage firms and a bank along with CDC and stock exchanges will open their branches in Abbottabad's hub. This will enable investors to benefit from the services of the aforementioned entities in a single place. The honorable Finance Minister, Senator Muhammad Ishaq Dar, is expected to inaugurate it soon.

The SECP is continuously focusing to promote fair, transparent and efficient capital markets in line with international best practices.

Board set up for Shariah-compliant market

The Securities and Exchange Commission of Pakistan has approved the appointment of the Shariah Advisory Board of the SECP pursuant to section 9 of the 1997 Securities and Exchange Commission of Pakistan Act.

The Board comprises three Shariah scholars and one technical member. Justice (R) Khalil ur Rehman, Mufti Muneeb ur Rehman, and Prof Dr Tahir Mansoori are the Shariah members, while Mr Bilal Rasul, Head of Islamic Finance Department, SECP, is the technical member and Secretary of the Board. Justice (R) Khalil ur Rehman has been named Chairman of the Board. The Board will provide guidance to the Commission, and will be entrusted to provide Shariah opinion on the laws, rules, regulations agreements and documents, put forth to it for the purpose.

The guidance and advice of the Board will enhance the credibility of Islamic financial institutions and products of Islamic capital market. The SECP reaffirms its commitment to the growth and development of Islamic capital market by achieving the maqasid-al-Shariah (objectives of Shariah). The board shall also advise on the products, instruments, Shariah auditing and reporting standards, and business operations of the Islamic financial institutions, which include Islamic mutual funds, Islamic pension funds, takaful operators, and other financial institutions, to ensure their compatibility with Shariah. It is expected that the new Board will be instrumental in harmonizing the Shariah-related business, operations and structure of the instruments of the Islamic capital market, in keeping with the international norms and practices.



Brokers to maintain mandatory websites for investor awareness

The Securities and Exchange Commission of Pakistan (SECP) has advised stock exchanges to ensure that all brokerage companies registered with the Commission maintain functional websites with minimum contents/information latest by December 31, 2015.

The broker's website shall include information about the company's basic business and financial details, shareholding pattern, compliance with code of corporate governance, contact details, investor's complaints/grievances, feedback portal etc. The web link of SECP investor education program "Jamapunji" has also been made mandatory to be placed at the prominent place on home page of websites of brokerage companies.

The SECP wants to ensure investors' protection and website with up-to-date information at any given point of time will

provide investors with provide accurate and easy access to information by the brokerage companies.

Earlier, there is neither any regulatory obligation for the brokerage industry to maintain the websites nor any minimum content requirement for websites. The SECP has advised all the three stock exchanges to carry out necessary amendments to its regulatory framework and submit the same to the SECP for approval.

The SECP had previously specified that every public listed and public unlisted company shall maintain a functional website with effect from August 30, 2014. Further, it has also proposed the mandatory requirement for every asset management and insurance company to maintain its functional website.

CCP and SECP ink MOU on sharing of information

The Securities and Exchange Commission of Pakistan (SECP) and Competition Commission of Pakistan (CCP) signed a Memorandum of Understanding (MoU) for sharing of information, at CCP in Islamabad on Wednesday. The MoU was signed by Vadiyya Khalil, Chairperson CCP and Zafar Hijazi, Chairman SECP.

The signing ceremony was attended by SECP Commissioner Tahir Mahmood,

and CCP in discharge of their respective statutory functions. A formal information sharing arrangement will allow both the agencies to request and receive information in a timely manner, thereby making the process efficient. All information exchanged under the MoU will be kept confidential unless disclosure is required by law. The MOU cements the enhanced working relationship developed between the two agencies.



Executive Director SECP Musarat Jabeen, and Members of CCP Dr. Joseph Wilson, Dr. Shahzad Ansar, Mueen Batlay, and Ikram Ul Haque Qureshi.

The purpose of the MoU is to establish a framework for sharing information which would help SECP

looking forward to working with CCP in various areas of mutual interest.

Chairperson CCP Vadiyya Khalil in her remarks said that the MoU would not only enhance both Commissions' enforcement capabilities, but will also aid in their research and advocacy initiatives.

Corporatization grew by 9 % during fiscal year 2014-15

The SECP, during the fiscal year 2014-15, registered 5,001 new companies. As compared with corresponding period of last fiscal year (2013-14), a growth of 9 percent has been witnessed. This has raised the total number of registered companies to 67,623.

The trend witnessed in formation of companies was that approximately 90 percent companies have been registered as private limited companies, 6 percent were registered as single-member companies, 4 percent were registered as public unlisted, non-profit associations, under section 43, trade organizations and foreign companies.

The services sector took a lead with the incorporation of 635 companies, followed by trading with 578, information technology with 480, tourism with 401, construction with 333, corporate agricultural farming with 198, education with 167, fuel and energy with 149, food and beverages with 144, communications and power generation with 142, textile with 121, pharmaceutical with 116, real estate development with 115, broadcasting and telecasting with 107, engineering with 106 companies.

Foreign investment has been reported in 243 new companies. These companies have foreign investors from Afghanistan, Australia, Austria, Belarus, Belgium, Bulgaria, Cameroon, Canada, China, Denmark, Egypt, France, Germany, Italy, Jamaica, Japan, Jordan, Lebanon, Libya, Macedonia, Mauritius, Morocco, the Netherlands, New Zealand, Nigeria, North Korea, Norway, Oman, Palestine, Panama, Saudi Arabia, Singapore, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Tanzania, Turkey, Turkmenistan, UAE, UK and the US.

Moreover, 42 foreign



SECP wants to expand the market base

The Chairman Securities and Exchange Commission of Pakistan (SECP) Mr. Muhammad Zafar Ul Haq Hijazi has emphasized the need to make Pakistan's capital market more vibrant, transparent and effective to cater to the long term funding needs of the industry.

However, the priority should be to safeguard the investors' interest. He said this during a visit of the Karachi Stock Exchange. Chairman KSE, Mr. Muneer Kamal and MD Mr. Nadeem Naqvi welcomed the Chairman SECP and his team to the Karachi Stock Exchange.

Mr. Tahir Mahmood, Commissioner (CLD & LL&GCD) SECP, Mr. Akif Saeed, Commissioner (SCD & IS&TD) SECP, Mr. Imran Iqbal Panjwani, Executive Director (SMD & PRDD) SECP and Ms. Musarat Jabeen, Director / Head of Chairman Secretariat, SECP also accompanied the Chairman.

Mr. Hijazi said that it was important for the frontline regulators to carry out their responsibility with diligence and ensure that prescribed regulations were being followed by market participants.

He said both the Apex Regulator (SECP) and the frontline Regulators (exchanges) have common objective objectives and emphasized for close interaction between them. It was imperative to build the confidence of investors in the Capital Market so that the size and vibrancy of the market can be expanded many folds from its narrow base at present, he added.

He asked the Board and management of KSE to move forward with positivity and confidence to take the Capital Market to the next level. He said that transparency and systemization of decision making process at SECP and the exchanges was his first priority along with strengthening the capacity of frontline regulators.

While expressing his desire for building a consensus based decision making process, he assured KSE Directors that the SECP's approach will be to

consult with all stake-holders in policy and regulatory matters.

The Chairman SECP applauded the role of senior market participants in bringing KSE to the prominence and advised that the valuable experience should now be focused on the future. "They should look beyond the past and think of what KSE and Pakistan Capital Market should look like ten years from now. Mr. Hijazi suggested to form a Chairmen's Committee, consists of Chairmen's of all the three stock exchanges to deliberate upon and drive the implementation of a broader vision for Pakistan's Capital Market going forward.

Mr. Muneer Kamal, Chairman KSE, welcomed the SECP Chairman's remarks, stating that it was quite encouraging to hear Mr. Hijazi's positive comments and his broader vision for the Capital Market.

Mr. Muneer Kamal highlighted the Karachi Stock Exchange's dialogue with MSCI with a view to moving Pakistan from MSCI's Frontier Market Index to the Emerging Market Index and stated that SECP's focus on elevating the regulatory side will be of great help in this regard. The Chairman KSE also highlighted the importance of post-demutualization era and current efforts by the exchanges to seek strategic investors of good standing, as major opportunities that exist for Capital Market growth in Pakistan need to be actualized.

Mr. Shabbar Zaidi, Chairman of the Regulatory Affairs Committee (RAC), speaking on the occasion highlighted the work of RAC and suggested that a formal monthly meeting between the SECP and RAC should be instituted so that both the Apex and frontline regulators are on the same page and there is a systematic process of dialogue and communication between the two. Chairman SECP agreed to the suggestion and asked his team members to initiate this process. Mr. Hijazi stated that several legacy issues would be resolved soon. Mr. Nadeem Naqvi, MD KSE and Mr. Shafqat Ali presented

companies from Australia, Bahrain, China, France, Germany, Hong Kong, Japan, South Korea, the Netherlands, Singapore, Switzerland, Turkey, UAE, UK and the USA registered in Pakistan during last fiscal. These companies are mainly engaged in the field of engineering, pharmaceutical, services, power generation, construction, education, trading, chemical, fuel and energy, food and beverages, textile, transport and cable and electric goods.

In the last fiscal year, returns for an increase in the authorized capital of 1,392 companies were filed, with the total authorized capital increment of Rs.434 billion. In addition, 1,415 companies filed returns for increase in the paid-up capital with the total increment amounting to Rs. 132 billion.

In June, the SECP registered 474 new companies. Eighty-nine percent of the companies were registered as private limited companies, and returns for an increase in the authorized capital of 192 companies were accepted, with the total authorized capital increment of Rs36 billion. In addition, 189 companies filed returns for increase in the paid-up capital with the total increment of Rs10 billion.

New securities' law promulgated

The Securities Act, 2015, has been promulgated after receiving the Presidential assent and publication in the Official Gazette. It has been framed by the Securities and Exchange Commission of Pakistan after detailed consultations with key stakeholders and incorporating feedback from the Senate's Standing Committee on Finance and Revenue. It has been drafted to achieve effective regulation of the securities market and enhanced protection of investors and the public in general.

The new law will replace the 1969 Securities and Exchange Ordinance. This comprehensive and modern law is aimed at

the workings of the commercial and regulatory functions of KSE, respectively, to the Chairman SECP and his team.

SECP lauded for achieving compliance with IOSCO standards



Minister for Finance Ishaq Dar, on August 1, commended Securities and Exchange Commission of Pakistan (SECP) on its landmark achievement of compliance with the International Organization of Securities Commissions (IOSCO) Principles for securities regulation.

Zafar Hijazi, Chairman SECP, presented the report published by the IOSCO to the Finance Minister.

The report recognized that SECP has made a significant progress in adopting the internationally set principles for capital markets.

The Finance Minister congratulated SECP on achieving this important milestone and said that this international recognition is reflective of the Government's resolve of institution building, good governance and transparency.

This would supplement the Government on-going measures which have led to enhance business confidence on Pakistan's economy.

Dar expressed that recognition by IOSCO of Pakistan's compliance with

global standards underpins Pakistan's move to establish good governance standards and bring transparency in the capital markets.

Compliance with the IOSCO Principles is important to safeguard the integrity and credibility of financial system and develop Pakistan's capital markets as a preferred investment choice for both local and foreign investors.

Hijazi said that Pakistan's regulatory framework has undergone significant improvements in the structure and practice of regulation because of this IOSCO Review.

He also expressed his resolve to continue efforts to address areas identified for further improvement. Enhanced compliance with international standards will help Pakistan in graduating to MSCI Emerging Markets Index.

The Finance Minister at the conclusion of the meeting asked the SECP to disseminate information about achievements of SECP to all the stakeholders through seminars.

removing the deficiencies of the earlier law and covering developments in the securities market over time. It will improve integrity, credibility and efficiency of the market by establishing and enforcing principles, which ensure fairness and promote investor confidence.

The law incorporates global benchmarks such as IOSCO Principles of securities' regulation and investor protection, and provides for implementation of advanced reforms for preventing market abuses and manipulation practices. It also provides for extensive disclosure requirements and safekeeping of investors' assets and tends to establish control measures for elimination of conflict of interest for securities market intermediaries.

A number of new rules and regulations will be framed under the new law for effective, efficient and streamlined regulation of the securities market, including regulations covering provisions for investors' protection and conduct and categorization of securities market intermediaries.

With the promulgation of this comprehensive and updated law, it is expected that the securities market operations will become more streamlined and efficient and the goals of investor protection and market development will be achieved.

PSCs' compliance with corporate governance rules improves

Owing to the facilitation and enforcement actions of the SECP, the public sector companies' compliance with the 2013 Public Sector Companies (Corporate Governance) Rules has improved to 37% by June 30, 2015, up from 14% during the last year.

The SECP had issued the 2013 Public Sector Companies (Corporate Governance) Rules with the approval of Federal Government. Under the rules, all

new book building regulations are as under:

- The total offer size should not be less than 25 million shares.
- Maximum bid size by a single bidder is 10% of the book building portion.
- The associated companies and associated undertakings of the Issuer or the offerer shall not in aggregate make bids for shares in excess of 5% of the book-building portion.
- Person eligible to perform the functions of book runner are required to be registered as a book runner with the SECP.
- Prospectus is required to be published and circulated just once, i.e. before commencement of the book building.
- Mechanism for pre-registration of the potential bidders with the institution providing the book building system.
- Provision for payment of margin money through online transfer.
- Restriction on making consolidated bid, i.e. a bid which is fully or partially beneficially owned by persons other than the one named therein.
- An eligible investor shall not make a bid with price variation of more than 20% of the prevailing indicative strike price.
- The bidding shall remain open for at least two days;
- Related employees, i.e.

- employees who are directly involved in the issue or the offer for sale, of the issuer, the offerer, the book runner and sub-book runner shall not participate in the bidding for share;
- Restriction on release of the subscription money received against the bids accepted till credit and dispatch of all shares allocated under the retail portion of the issue and issuance of NOC by the relevant securities exchange in case the company is already listed or formal trading of the company in case of new listing.
- Withdrawal and downward revision of bids after 4:00 p.m. on last day of the bidding period shall not be allowed.
- Failure or refusal to comply with, or contravention of any of the provisions of the regulations shall be punishable with a fine not exceeding ten million rupees.

The existing book-building regulations, which are part of the listing regulations of the stock exchanges are not effectively enforceable due to non-applicability of these regulations to the book runners and non-availability of any penalty clause therein. To bring about efficiency and transparency in the book-building process, it was imperative to replace the regulatory framework for book-building with the one directly administered by the SECP.

Regulators need to be uncompromisingly honest and bold

The SECP's officers have been advised to follow a strict code of behavior and remain uncompromisingly honest, bold, firm, discerning and incorruptible, if they really want their organization to be a true and effective regulator of the capital market. You should never compromise on matters of integrity.

Mr. Khalid Mirza, former Chairman of the SECP, gave this advice at a special session. The SECP regularly arranges such sessions where experienced personalities

of the corporate sector address its employees.

Earlier, the SECP's former chairmen, Mr. Shamim Ahmed Khan and Dr. Tariq Hassan had addressed such sessions. Mr. Zafar Hijazi, the SECP Chairman,



the PSCs are required to submit a statement of compliance along with their annual reports. The statement has been prescribed to set out the status of compliance with different provisions of the rules including, inter alia, ensuring a balanced composition of BODs through induction of independent non-executive directors, separation of the offices of the chairman and chief executive, formulation of significant policies of the PSCs, performance evaluation, formation of specialized board committees, enhanced transparency and disclosure requirements, etc.

SECP issues research analyst regulations

The Securities and Exchange Commission of Pakistan (SECP) has issued Research Analyst Regulations, 2015, under the newly promulgated Securities Act, 2015. These regulations have been framed to regulate the area of investment recommendation/research analysis, address potential conflict of interest and to ensure impartiality of the reports/recommendations made by research analysts. They have been framed after extensive stakeholder consultation and obtaining public opinion.

In line with the principles set out by the International Organization of Securities Commissions (IOSCO), these regulations are expected to address the conflict of interest issues faced by research analysts, improve governance standards and minimize market malpractices, with special emphasis on the sell-side research analysts. The regulations require establishing comprehensive policies and procedures by research analysts/research entities so as to effectively address the above issues.

In order to avoid potential conflict of interest, adequate provisions have been provided in relation to compensation of research analysts and conduct

announced that the SECP would keep inviting eminent personalities to benefit from their wisdom.

Mr. Mirza said that self-seeking persons are misfit in a regulatory body such as the SECP. He said that he remained regulator of the market for many years, but never bought a single share as that might have reflected badly on his position as a regulator.

He praised Mr. Zafar Hijazi, saying "he was a tough enforcement commissioner" when he was the chairman. He knew what was what and what needed to be done and in what manner. I think pretty soon you will see a change in the tone of the SECP, in the way it acts and in the way it responds to situations.

SECP not to tolerate misuse of investors' assets

The SECP Chairman, Mr Zafar Hijazi, has emphasized the need for maintaining investor confidence and adopting a zero-tolerance policy against any instances of misuse of investor's assets. He was chairing the second meeting of the Consultative Group constituted by the SECP held here on August 7. He reiterated his resolve to do everything possible, including seeking the NAB's help, to arrest all those responsible for the scams.

The Consultative Group agreed that strict legal actions should be taken against the brokerage houses that were involved in the misappropriation of client assets and that the culprits should be severely punished to create deterrence against any malpractices. The SECP and NAB are now closely collaborating with each other to investigate such cases and proceed against the culprits with full force of law, Mr. Hijazi said.

The Consultative Group also reviewed progress on the reforms and development measures agreed in the first meeting. It was observed with appreciation that significant progress had been made in all major areas in the form

of various new regulations and initiatives by the SECP. These include introduction of revised regulatory framework for book building, launch of investor awareness portal, introduction of more stringent criteria for selection of auditors for brokers, reforms in negotiated deal market, approval of revised modalities in the margin financing product, etc. The SECP Chairman also said that pursuant to the promulgation of the 2015 Securities Act, a revised comprehensive broker regime would be implemented after public consultation. This will institute major reforms, including the introduction of different classes of brokers with respect to trading and custodial rights, criteria for sponsors, directors and senior management of brokers etc.

It was agreed that the process of reforms and structural development in the capital markets would continue with the unwavering resolve to take stringent enforcement action in any case of misappropriation of investor assets. Mr. Hijazi assured the participants that the SECP will leave no stone unturned to call the culprits to account.

SECP joins NAB's "Say No to Corruption" campaign

The SECP has joined forces with NAB, assuring it to take all possible measures in the organization to support its 'Say No to Corruption' campaign.

The SECP organized an awareness

of business. For standardization and quality assurance purposes, broad guidance is provided in respect of contents of research reports. Similarly, appropriate disclosure requirements have been prescribed enabling users of research reports to make unbiased and informed decisions. The regulations also provide for minimum qualifications and experience requirements for research analysts, their general responsibilities and required records to be maintained besides providing provisions for compliance and enforcement mechanism and liability for action in case of default.

With these regulations in place, the area of research and recommendations in securities market is going to be properly regulated. The regulations provide an enabling environment for further growth of this area and will help to streamline relevant market practices.

SECP notifies Bancassurance Regulations

The Securities and Exchange Commission of Pakistan (SECP), with the approval of the SEC Policy Board, has notified the 2015 Bancassurance Regulations.

With the implementation of the regulations, it is envisaged that the long-term interests of three primary stakeholders of life insurance business, i.e. policyholders, insurer, and agent (banks in this case) shall be more aligned. Various new regulatory measures like rationalization of bank's remuneration structure, restriction on recycling of life insurance policies, commission claw-back provision, minimum cash values, minimum financial underwriting parameters and mandatory after sale call-back requirements have been introduced.

Under the bancassurance business there are quite a few problems of mis-selling



shall be printed on all certificates issued by the Commission and displayed at all the SECP's offices and Company Registration Offices (CROs).

On August 12, Ms. Aliya Rashid, Director General, Awareness and Prevention (A&P), NAB, gave a talk to the SECP's employees on how they could play a role to fight and stop corruption. She informed them about the measures that the NAB had taken to prevent corruption.

She said that prevention of corruption requires a concerted effort by all state institutions. All institutions have to work in unison to reduce the possibilities of corruption. She analyzed the main causes of the scourge of corruption and said it was undermining the social and moral fabric of the nation. If the nation is able to overcome the menace of corruption, the country would make much faster progress in all fields, she observed.

The anti-corruption education of people can contribute to laying the foundations of long-term changes. Therefore, a balanced combination of enforcement, awareness and prevention



The Securities and Exchange Commission of Pakistan (SECP) Policy Board has approved a wide ranging code of conduct for its employees and put it into effect immediately.

This Code of Conduct (Code) is a statement of the values and principles that will guide SECP employees in performing their responsibilities.

This code of conduct is to ensure that all SECP employees have to remain

strategies are more likely to defeat well-entrenched corrupt practices," she said.

Pakistan will lead the world in spreading hate message against corruption, she said, adding that the NAB's effective and far-reaching awareness campaign is designed to target all segments of society in highlighting the ills of corruption.

She particularly emphasized on women to play their role in curbing corruption. They should adopt simplicity and not nab their husbands to acquire luxury goods which might be beyond their means, she advised.

Aliya Rashid said that the SECP is an apex regulator of capital market and its officers have an important role in maintaining transparency in corporate sector and stock market trading. She advised them to be vigilant and do not succumb to any pressure while performing their duties. Moreover, the SECP and NAB have agreed to create a joint task force comprising senior officers who will work on corruption cases referred to the NAB by SECP.

SECP implements strict code of conduct for employees

committed to the highest standards of honesty and integrity. This code is aimed to create an environment that is free from any improper influence and apparent or potential conflict of interest.

The code states that all the employees will not use confidential information that they obtained during their employment with the SECP in any business or disclose it to any person or entity. The employees will not participate

as measured by low renewal persistency. The level of minimum financial protection component of the insurance products was also low. Besides this there was no minimum persistency benchmark for the bancassurance business which was necessary to shift the focus of the bank to servicing the existing policyholders.

The gap between the first year commission rate and second year commission rate was also very high, which is responsible for the short-term view of this business by the bank. The efforts of the bank and the insurance companies to properly educate a potential policyholder were also not up to the desired level.

The regulations have addressed all these aspects, including bringing improvement to overall sales process for bancassurance business by bringing various regulatory tools such as introduction of insurance need analysis document, mandatory after sales call and requiring that illustration to be given at point of sale as a stand-alone document to intending policyholders. A minimum financial protection element has also been introduced to stress insurance element of the products sold through this channel.

Efforts have been focused on addressing issues such as mis-selling, renewal persistency and bank's remuneration structure to ensure protection of policyholders' interests as well as to provide sustainable growth to this sector. The SECP issued the regulations in September 2013 to obtain public comments after a concept paper on the proposed bancassurance regulatory framework was shared with all the stakeholders, including the State Bank, in March 2013 to take their input.

SECP revokes licences of NGOs

The Securities and Exchange Commission of Pakistan (SECP) has revoked the licences of another 100 NGOs, which were not complying

in making such decisions to serve their own interests.

Also all the former Members, former Commissioners, former Executive Directors, Directors will not communicate with, or appear before the Commission on any application, proceeding, hearing or other SECP matter for up to twelve months after leaving SECP.

Employees shall not trade, or encourage anyone else to trade, a security of an issuer when they have any non-public information related to the issuer that would reasonably be expected to have a significant effect on the market price or value of the security.

Employees will be under obligation to reject any effort by representatives of the executive or legislative branches of the government to affect their independent determination of any matter

being considered by the SECP.

Employees and the Commissioners shall not solicit any gift or other item of monetary benefit from any person or entity, doing business with, or being regulated by the Commission.

Employees and commissioners shall not participate in any event/function organized by a regulated entity or supplier of the Commission and should not invite a regulated entity or supplier of the Commission in his/her private functions.

Employees will not engage in any political activities or use the name of the SECP to directly or indirectly benefit themselves, their spouses or children. The SECP has intimated to all the employees that any violation of the provisions of this code will invite strict disciplinary action.

SECP-SBP Coordination Committee Meets

The twenty-third meeting of the SECP - SBP Coordination Committee was held on August 12, 2015, at the SECP head office. Mr. Ashraf Mahmood Wathra, Governor SBP, along with Mr. Saeed Ahmad, Dy. Governor SBP, and other senior officials represented the central bank. Mr. Zafar Hijazi, Chairman headed the team from SECP side along with all Commissioners and senior officials.

The chairman SECP reiterated that effective enforcement of relevant rules and regulations as well as institutional strengthening would be major area of focus for the SECP as it embarks upon a new era of sustainable development for the capital market and the corporate sector in Pakistan. The Governor SBP stated that regulatory objectives of the two regulators would be better served through ongoing consultative process between the SECP and SBP. He

also stressed the importance of regular contact between officials of the two institutions at all levels.

The report "A study of the Pakistan Stock Market crises of 2008" submitted by the Committee constituted by the SECP "to study the 2008 Stock Market crisis" also recommended the development of procedures for improved coordination between the SECP and the SBP. It is for this reason that the SECP-SBP Coordination Committee meetings are held once a quarter and include high level officials from both institutions.

These formal meetings supplement the on-going regular coordination between the two regulators on all matters of mutual interest. These meetings allow the two regulators to share their viewpoints and collaborate with each other for the overall stability and smooth functioning of the financial sector.



with the corporate laws. A few months ago, the licences of 108 NGOs had been cancelled for the same reason.

As many as 423 NGOs, which had completed five years of their existence, were required by circular to apply for renewal of their licences and the deadline for applications was February 16. Out of these NGOs, 108 were found to be in default in filing of annual returns and accounts. They also failed to apply for renewal of their licences within the specified time. Therefore, the licences of these NGOs were revoked.

Now, in the second phase, the licences of 100 NGOs, which were partially compliant in filing their annual returns but have failed to apply for the renewal of licences, despite notices, have been revoked. The list of revoked NGOs shall be placed at the SECP's website. It may be added that the SECP had issued circular numbers 2 and 4 of 2015, directing all NGOs licensed under section 42 of the 1984 Companies Ordinance, which had completed five years of their existence to apply for renewal of license. In response to the circulars, 193 NGOs applied to the SECP for the renewal of their licences.

SECP salutes Pakistan armed forces

A very warm and passionate assembly of SECP employees, especially convened by the SECP Chairman, Zafar Hijazi, paid glowing tributes to the officers and jawans of the Pakistan armed forces for their huge sacrifices during the course of one year since the launch of Zarb-i-Azb in June 2014.

The speakers on the occasion said that the nation was particularly grateful to the brave soldiers for achieving the target of eliminating terrorism in a short span of time and largely restoring peaceful conditions.

Chairman Hijazi said that we



SECP Policy Board reviews progress

A meeting of the SECP Policy Board held at its head office to consider various policy matters and issues brought to its consideration. Federal Secretary, Finance & Revenue and Chairman, SECP Policy Board, Dr Waqar Masud chaired the meeting.

The major issue presented for the information and approval of the Policy Board was the Mr Shamim Ahmad Khan's Committee's report that was constituted to study the 2008 stock market crises.

The board was briefed on the evaluations and recommendations of the committee to avoid such crisis in future. Chairman SECP, Zafar Hijazi briefed the board on the capital market reforms that the SECP had undertaken to strengthen the regulatory regime.

The board was also briefed on the status of demutualization and integration of stock exchange, enforcement actions against unlisted companies.

The board approved constitution of Small Dispute Resolution Committees under Section 117 of the insurance Ordinance, 2000 and increase in the minimum paid up capital requirements for the insurers.

An update on evaluation International Organization of Securities Commissions (IOSCO) of the SECP was also given to the board. The board was informed that the IOSCO has published the Assessment Committee's review of the SECP's implementation of its Objectives and Principles. The IOSCO's report states that Pakistan has succeeded in complying with about 62% of Principles due to extremely dedicated efforts by the Commission. This would help Pakistan to achieve the status of emerging markets.

The policy board was also given an update on implementation status of decisions taken by the Policy Board in its previous meetings.

SECP organized refresher course for employees

The Commission in its 7th meeting decided to implement SECP Manuals ("Manuals") with effect from March 01, 2015. Accordingly T&OD organized a training session on SECP Manuals conducted in Islamabad & Karachi in the years 2012-13 which, approximately 230 officers from different departments had attended.

These training sessions were conducted by Mr. Aqeel Ahmed Zeeshan JD- CSD and Mr. Muhammad Jahangir

DD-SCD.

In 2015, the HOD- Surveillance, Supervision and Enforcement Department (SSED) – Securities Market Division, requested to revive the training on Manuals, and the honorable Commissioner SSD approved his request.

Accordingly, T&OD arranged a refresher course for the employees of the Commission in Islamabad on April 23 and 24, 2015.



all have gathered to demonstrate solidarity with our armed forces. He said that one year ago terrorism had become an existential threat to us and many people feared that the military operation could become a quagmire. But today we have overcome those fears as terrorists are on the run and the elements that were challenging the writ of the state have been defeated. The armed forces fully deserve the nation's gratitude for this achievement.

A very moving national song, prepared by the ISPR, was also played, which powerfully depicted the actions of the troops fighting the terrorists and saving children taken hostage. The song stirred the emotions of the audience and touched them deeply.

The event concluded with the audience praying for the successful culmination of the operation, for the integrity, solidarity and peace and prosperity of the country as well for invoking Allah's blessings for the valiant martyrs.

SECP reinforces financial reporting system, conducts training sessions

In order to safeguard investors' interests and effectively monitor financial health of the trading right entitlement certificate (TREC) holders, the Securities and Exchange Commission of Pakistan (SECP) has reinforced the online Financial Reporting System (FRS) for all TREC holders of stock exchanges.

The FRS requires the TREC holders to submit their quarterly financial returns through the SECP's website within 30 days of the close of each quarter. Majority of the brokerage houses were providing their financial reports on an annual basis. However, the SECP believes that since the TREC holders act as custodians of the clients' assets, therefore their reporting requirements have been

SECP updates Finance Minister on demutualization of stock exchanges



On August 15, a senior SECP team, led by its Chairman, Zafar Hijazi briefed the Federal Minister for Finance, Senator Mohammad Ishaq Dar, on the progress regarding the demutualization of the stock exchanges.

The Minister was informed about the background of the demutualization of the Exchanges and requirements stipulated in the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 in relation to divestment of 60% shares of the stock exchanges lying in the blocked account to the Strategic Investor(s) (SIs), general public and local financial institutions.

As required under the Act, the SECP had issued directions to the Stock Exchanges for completion of the divestment process at earliest. The stock exchanges had been in contact with various international exchanges for divestment of stake to SI and/or technical collaboration.

The Minister was further briefed on the international trend on integration of

stock exchanges and how it helps reduce fragmentation. It was communicated that through integration, markets benefit from operational synergies, cost cutting, economies of scale and streamlined regulation. The Finance Minister asked the SECP to have the demutualization process completed without any further delay in consultations with the stakeholders. The Act empowers the SECP to conclude the divestment process if the exchanges are unable to abide by the timeline.

He mentioned that with growing economic activity and business friendly policies of the government the capital market of the country possesses the potential of emerging as a regional investment hub. While appreciating the performance of the SECP and reforms implemented, he reiterated that providing a fair and transparent market that complies with international best standards is the key to development and the government stands with the SECP in its efforts to ensure the same.

‘State-owned Enterprises in Pakistan’ study launched

The SECP participated in a seminar organized by Policy Research Institute on Market Economy (PRIME) to launch a new study “State-owned Enterprises in Pakistan: The Need for Corporate Governance and Private Investment” authored by Mr. Muhammad Naveed Iftikhar, a Governance Specialist.

The study, which is available for reference at <http://www.primeinstitute.org/state-owned-enterprises-in-pakistan.html>, recommends that SOEs need to adopt and comply with Corporate Governance (CG) practices developed in the form of Public Sector Companies (Corporate Governance) Rules, 2013, issued by the SECP, together with basic laws enshrined in the Companies Ordinance 1984.

Mr. Muhammad Siddique, Executive

enhanced.

This initiative is in line with the commitment of the SECP to strengthen oversight of the TREC holders. It is expected that this reporting requirement will allow the SECP to monitor capital adequacy, segregation of client's assets and other regulatory compliance at higher frequency. In addition, it will enable the SECP to strengthen oversight of brokers and to generate timely signals regarding deteriorating financial health of TREC holders.

The deadline of submitting the financial returns for the quarter ending on June 30, 2015, is July 30, 2015. In order to facilitate the TREC holders in understanding the requirements of FRS, the SECP has conducted interactive training sessions at the stock exchanges in Islamabad, Lahore and Karachi on July 1, 2, and 6 respectively.

SECP taking measures to prevent corporate disputes

In an effort to prevent corporate disputes, the SECP has decided to introduce share transfer return to be filed by the company with the registrar within 15 days from the date of such transfer. At present, the company is required to file return on an annual basis. This will help in timely detection of any disputes in share transfer and its resolution.

This is one of the decisions that the SECP has made in light of the recommendations of the committee, that the SECP Chairman had formed on June 12, 2015, to ascertain the causes of corporate disputes and make its recommendations to minimize such disputes. His concern over growing incidence of such disputes between the shareholders and the management or within the management of a private limited company had prompted him to form this committee.

In case of transfer of shares



Director (C&CD), and Mr. Waseem Ahmad Khan, Joint Registrar (C&CD), represented SECP in the event. As a panellist/speaker, Mr. Waseem highlighted the role of SECP in the enforcement of the Rules. He explained that SECP has adopted a three-pronged strategy comprising facilitation, awareness creation and enforcement action to ensure compliance by the public sector companies with the provisions of the Rules. On being asked as to how the corporate governance of SOEs may further be improved, he proposed that the government should come up with an ownership policy to ensure an effective exercise of the ownership function, which

is also an unfinished agenda item on the terms of reference entrusted to the Task Force formed by the Federal Government in 2010 that finalized the Rules.

The seminar was organized by PRIME Institute with support from Friedrich Naumann Foundation for Freedom. It was attended by around 50 delegates from the government, corporate, international development including USAID, DFID, World Bank, IFC, ADB, AUSAID etc. and media related organizations.

Sustainable relationship between SECP and NAB stressed

The NAB Chairman, Qamar Zaman Chaudhry, has stressed the need for a sustainable relationship between the NAB and the SECP to eliminate the menace of corruption.

He was addressing the SECP employees at its head office on August 6. He reiterated the NAB's firm commitment to work in coordination with the SECP whenever required as this is essential for eradication of corruption and related ills in the country.

The NAB chief said that corruption is anathema to good governance as it leads to a multitude of vices, including extremism. It also increases the sense of insecurity and despondency. Corruption has a negative impact on development of economy, he added. It also hampers the effort to alleviate poverty.

He stated that keeping in view the scale of the problem, it is essential that the SECP and NAB work together and withstand all kinds of pressures to ensure eradication of corruption.

He appreciated the dedication and hard work of the SECP Chairman, Commissioners and its employees, which have led to a better and positive image of the organization in recent months. He also complimented the SECP on having earned the International Organization for Securities Commission (IOSCO's) appreciation by meeting international regulatory standards. He said that the SECP would continue to strengthen its regulatory framework further and play its role in ridding the society of the curse of corruption.

He said NAB takes a holistic and integrated approach to eradicating corruption and its efforts have been widely appreciated. So far, it has recovered over Rs262 billion. All mega scandals such as OGRA, Steel Mills, rental power have been sent to accountability courts as references by NAB.

During his visit to the SECP head office, he was given a detailed presentation on the SECP's working and

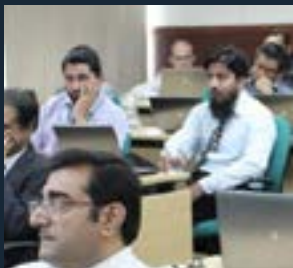
to non-member, the transferor shall be obliged to make first offer to the existing shareholders. The company, in case of further allotment of shares, shall be obligated to send offer of new shares to the existing members at least 15 days before the last date of the acceptance of offer. In case of disproportionate allotment the registrar shall enquire the factual position from the concerned members before the registering the return for allotment.

Furthermore, the signature of the outgoing director, in addition to CEO/secretary, have to be affixed on the return notifying resignation of the director. Alternatively, Form 29 should be supported by the resignation letter of the outgoing director along with copy of the CNIC. In case it is not possible to obtain signatures, the returns are required to be supported by the resignation letter from the outgoing director.

its achievements.

While welcoming the NAB chief, SECP Chairman SECP, Zafar Hijazi, said that being the apex regulator of the corporate sector and capital markets, the SECP also has a role in the battle against white color crime. He said that SECP's capacity to deal with financial crimes has been considerably increased during last few months but the SECP has some limitations. That's why sometimes the SECP needs the NAB's support and help.

Mr. Hijazi thanked the NAB chief for visiting the SECP and for his assurance of support in dealing with corrupt elements in the corporate sector and capital markets.



SECP IN-HOUSE TRAININGS



4-Day Training Session on Karachi Automated Trading System (KATS)



In the minutes of the 17th Commission meetings of the SECP held on 14th April, 2015. The Commissioner (SMD) apprised that Market Surveillance is a very important function of the Commission particularly for building investor confidence.

An in-house surveillance system developed by the IS&T is in use for this propose. SMD has proposed a number of changes and enhancement in the Market Surveillance System (MSS). In this regard Mr. Abdullah Jan Farooqui the former GM, Information Technology of the Karachi Stock Exchange (KSE), and an expert in IT system related to exchanges would be engaged to provide his expert insight in making improvements and developments in MSS.

Accordingly, T&OD has organized three sessions (two in Islamabad and one in Karachi in the month of May and June 2015) of a 4 day training session on the working and operations of the stock exchanges, Karachi Automated Trading System (KATS) and all related operational aspects for personnel of SMD, SCD, Insurance, CSD, IEIRD, and IS&T.

Lecture Session On Sukuk

T&OD organized in collaboration with the Islamic Finance Department, a lecture session on Sukuk for the SECP employees on April 22, 2015 in Islamabad.

Accordingly T&OD coordinated and the IFD and Islamic Banking Department of SBP agreed to conduct workshops on capacity building of SECP officers, besides conducting awareness programs for the general public, in Islamic Finance.

The Director, IBD, SBP, Mr. Yavar Moini, who is a specialist in 'Sukuk', conducted the session.



Islamabad. The course covered all updated IAS & IFRSs. The dates of this program were 7th & 8th April 2015 for the first phase and 6th & 7th May 2015 for its second phase.

Training on IFRS and IAS

The CPD Committee - Lahore organized a program on "Revision of All International Accounting & Financial Reporting Standards (IAS & IFRS)" at ICAP House Lahore in June/July 2012 attended by five SECP officers which received very positive feedback.

Based on this feedback, the same training was offered in January 2013 to 35 SECP employees at the SECP headquarters which, was yet again greatly appreciated by the participants.

This course was aimed at developing an advanced understanding of up-to-date knowledge of IAS & IFRS with special emphasis on practical application; this being an ongoing requirement for an institution like SECP.

In 2015, considering the importance and usefulness of the program which, was identified during the Training Need Assessment (TNA) interviews, the favorable feedback received regarding the above mentioned training, the HR&T department organized the same training for officers of the various departments of the SECP in





At the closing ceremony of the 7th SECP Inter – Departmental tape ball cricket tournament 2015, the Chairman SECP, had expressed the need for SECP to coordinate with other regulating bodies such as State Bank of Pakistan (SBP), Competition Commission of Pakistan (CCP) and other such regulating bodies cricket matches.

It was expressed that such events would help develop better ties within the Pakistan's regulator community and at the same time give the opportunity for employees to indulge in healthy sporting activities.

Accordingly T&OD coordinated with the CCP and arranged a T20 friendly match between CCP and SECP.



The SECP cricket team selected for this tournament comprised of the best performing players of the 7th SECP Inter – Departmental Cricket Tournament 2015 and all players wore their departmental cricket kit which was used in the 7th SECP Cricket Tournament 2015 as representation of their respective departments in the SECP Cricket Team. SECP won the match.



FRIENDLY T20 CRICKET MATCH
SECP VS CCP



SECP Annual Cricket Tournaments 2015

The SECP 7th tape ball cricket tournaments 2015 were held in Islamabad, Lahore and Karachi.

The objective behind organizing these annual tournaments was to encourage healthy activities among employees and to provide employees with the opportunity to interact with each other in a casual and friendly environment for strengthening relationships within SECP. The Administration Department won the tournament, SMD was Runner-up and IS&T/TKM got 3rd position.



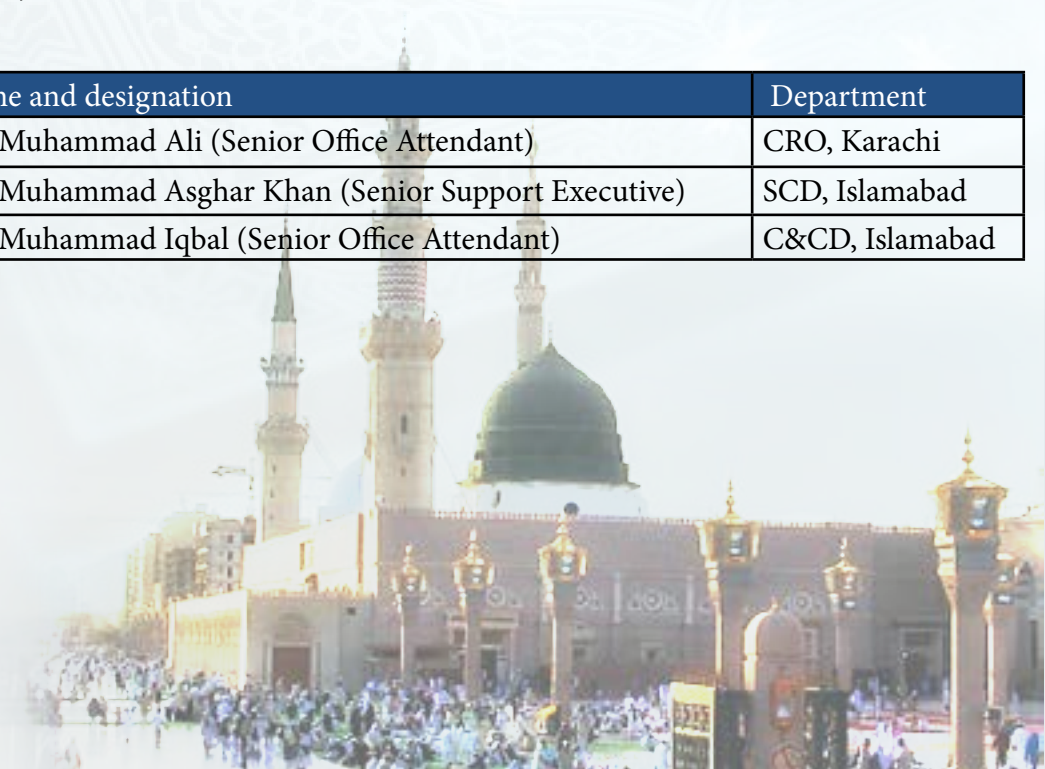
SECP's facilitates 3 low cadre employees to perform Hajj

Every year, the SECP bear expenses to send its 3 low cadre employees for Hajj. The blessed persons are selected through balloting. This year the Hajj Balloting for the year 2015 held on March 24 at SECP, Head Office. Employees from regional offices witnessed the balloting through a video link.

Chairman SECP Zafar Hijazi and Commissioners draw the names from ballot box. The following SECP employees have been successful in the Hajj balloting lucky draw for performing Hajj in the year 2015.



Sr#	ID	Name and designation	Department
1	363	Mr. Muhammad Ali (Senior Office Attendant)	CRO, Karachi
2	244	Mr. Muhammad Asghar Khan (Senior Support Executive)	SCD, Islamabad
3	340	Mr. Muhammad Iqbal (Senior Office Attendant)	C&CD, Islamabad





A hiking trip was organized by the T&OD at trail No. 6 behind Faisal Masjid.

A good number of SECP officers and staffers participated in this activity that involved collecting waste materials such as wrappers and bottles. These were then disposed of properly in the CDA's bins. At the end of the hiking trip, a barbecue was arranged for the participants.



SECP ANNUAL DINNER



THE ANNUAL DINNER FOR THE SECP EMPLOYEES BASED IN ISLAMABAD AND PESHAWAR WAS HELD ON JUNE 12 IN ISLAMABAD.

Annual dinners were also hosted at the CROs in Lahore, Karachi and Quetta. The current and former employees attended these dinners.

The employees from Multan and Faisalabad traveled to Lahore to attend the dinner. And the employees from Sukkur attended the dinner in Karachi. Lucky draws were also held. HR&T also gave shields to the longest-serving employees.





Jamapunji.pk- SECP's Investor Education Initiative

Keeping in view the financial turmoil experienced by the world's capital markets in 2008, and the subsequent unavoidable capital infusion by the developing world's central banks, regulators around the world have recognized the need for investor education in enabling investor to understand various investment products and evaluate associated risks.

The financial marketplace consists of supply and demand sides, wholesale, retail and intermediaries. In this mix the retail, i.e. the ordinary investor is at a considerable disadvantage in comparison to the better trained and incentivized supply side. In Pakistan's case, a majority of the potential investors have very little or no knowledge of alternative investment opportunities and insurance products that may be available to them. Most people do not even have a bank account, and, those that do, end up leaving their savings in accounts that earn very low profits.

Unknowningly, because of negative perception based on hearsay, the public views our stock market as gambling and has kept away from investment opportunities that may be available to them such as mutual funds. Mutual funds pool the savings of a large group of investors that is held in trust by a reputable trustee, and offer the investor professional management, diversification,

affordability, and liquidity. Because of limited investor knowledge about our mutual fund industry, opportunities for supplying much needed new capital to our economy through mutual fund investment have been missed.

Pakistan has a large middle class estimated at between 35-40 million, yet the total number of retail portfolio investors is estimated to be around 325,000, which is indeed very low when compared to regional players such as India and Malaysia. It may be noted that Pakistan's non-banking financial sector, excluding insurance is only 4.9% of the total financial sector, which is very low. Ideally our mutual funds, pension funds and insurance sectors should be booming, keeping in view Pakistan's growing middle class, and the potential savings that could be invested. However, this is not possible without informing and educating the public.

In view of the serious gaps in knowledge about the investment process and related investment products, and in line with best international practice, the SECP, as the apex regulator of non-banking financial sector, capital markets and insurance has established a dedicated department, the Investor Education and International Relations Department to oversee and lead investor education initiatives across the sectors regulated by the SECP.

The official launch of the SECP's investor education web portal under

the brand name JamaPunji on June 8, 2015 is an important first step in this direction. This will help protect existing and future investors by teaching them about investment basics and making them aware of their rights as investors. Investors cannot be expected to make sound financial decisions or evaluate information being presented to them, unless they have an understanding of what they are investing in, and its implications for their financial well-being. Investor education is the key to achieving these objectives, and for protecting investors from falling prey to fraud by market manipulators. The SECP investor education initiative encompasses the financial products and services, ranging from non-banking and insurance products to money management, financial planning as well as retirement planning. The key components of investor education plan include:

- Offering a dedicated web portal which provides comprehensive, credible and impartial financial information, tools and educational resources
- Regular investor education seminars at area universities to educate our future work force the basics about managing personal finance without having to learn it the hard way;
- Reaching out to the public with financial education



messages through the mass media campaigns

- Building sustainable and tailored outreach programs for different target groups
- Collaboration with stakeholders
- Engaging with international counterparts and networks to share and develop best practices

It is important to note that the JamaPunji investor education web portal is Pakistan's new gateway for both domestic and international investors who wish to learn about investing in Pakistan's financial markets. On a par with investor education portals of the world's most developed capital markets, the portal serves as a pivotal point for holistic financial education, to better equip the potential and existing investor with skills and knowledge needed to make informed financial decisions.

Whether you are a prospective investor considering taking out an insurance policy, an investment professional, or a student at a university, the portal offers a complete and comprehensive guide to various investment products sold in Pakistan. Supported by state-of-the-art high speed Internet access, the portal has access to real-time information on incorporated companies and licensed entities regulated by the SECP. This information is useful for identifying genuine sellers of investment products, and will help deter fraud by non-registered entities and unscrupulous

persons.

Information is presented in a methodical and organized manner about topics such as capital market, mutual funds, insurance products, retirement planning, Islamic financing, leasing companies and investment banks. A members' area has been created to develop a database of members interested in investing and for sharing market related information in the future. This area offers additional features to encourage visitors to sign up by completing a member's profile. Members can opt for receiving alerts from the SECP via email or SMS. In addition, members can access a stock trading simulator with real-time access to live KSE price quotes, risk profiler, scam meter, mutual fund and insurance demonstrator, quiz shows, calculators, games, polls and surveys. Our confidence increases with knowledge and understanding, and it is hoped that as more and more people learn about the various investment opportunities available to them in Pakistan, they will put their money to work in Pakistan's capital market and help build our economy.

In order to facilitate Pakistan's large number of mobile phone users, JamaPunji may also be downloaded on smart phones, and is available on the following links:

Facebook:

<https://www.facebook.com/jamapunji.pk>

Twitter:

https://twitter.com/jamapunji_pk

Through the launch of JamaPunji investor education web portal, the SECP has established a strong foundation, and a resource for improving the financial literacy and capacity of both international and Pakistani investors. It is important to note that the task of investor education cannot be achieved by the SECP alone. It must be a concerted effort, supported by the enthusiasm, goodwill and strengths of stakeholders from many different sectors, including the government, the financial sector, the education sector, the community as well as the media. We must work together closely to help achieve our shared goal of raising investor education and awareness and developing Pakistan's economy by putting to work billions of rupees in savings that are currently unemployed into profit making investment opportunities. By investing in Pakistan's capital market we are not only building and securing our own financial future, but also ensuring a happy and promising economic future for our children and grandchildren. We invite you to take the first step by simply typing: Jamapunji.pk on your web browser and start learning about Pakistan's capital markets and the investment opportunities that await you.

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