

PRESS RELEASE

SEC, Bourses Chiefs discuss Report of Expert Committee on Demutualization and Integration of Stock Exchanges

Islamabad – 15 October 2004: A meeting of the Securities and Exchange Commission of Pakistan (SEC) and Chairmen and Managing Directors of the three stock exchanges was held earlier today to discuss the Report of the Expert Committee on demutualization and integration of stock exchanges in Pakistan.

The Expert Committee on demutualization and integration of stock exchanges in Pakistan has submitted its final report to the SEC wherein it has recommended two models for demutualization of the stock exchanges. As provided in the report, the Expert Committee has recommended that the structure should preferably be a fully integrated, demutualized stock exchange and the process of integration and demutualization should take place simultaneously and should be enforced through the enactment of a special law/legislation for this purpose. Alternatively, a New National Stock Exchange (NewSE) may be established. However, the decision on the adoption/implementation of either of the two models will be determined through a consultative process with the relevant stakeholders.

Further, the report of the Expert Committee gives a detailed assessment of the present capital market conditions, specifically identifying the issues/flaws inherent in the existing structure of our stock exchanges and accordingly provides an in-depth rationale for integration and demutualization of the stock exchanges. In addition, the report provides guidance on the significant features of the envisaged demutualized exchange paradigm such as: legal mode and sequencing, the process of demutualization, integration and listing, the structure of the board of directors, encouragement of Electronic Communication Networks (ECNs) etc.

As part of the capital market reform process, the SEC had constituted the Expert Committee to formulate a comprehensive plan for demutualization and integration of stock exchanges in Pakistan on February 17, 2004. The Committee comprised national and international securities market experts including Mr. Justice (Retd.) Aamer Raza A. Khan, Mr. Ebrahim Sidat, Mr. Rashid Zahir, Mr. Alan Cameron, Dr. Philip N. Pillai and Mr. Ashley Alder. Mr. Shamim Ahmad Khan was Chairman of the Committee. The Expert Committee was required to examine the feasibility of the integration of stock exchanges and to provide specific recommendations on demutualization of exchanges such as, an appropriate model/structure for the demutualized exchanges and a plan of action for its implementation after taking into account international standards and best practices in this regard and the peculiarities of the capital market in Pakistan as provided for in the Terms of Reference.

The full report of the Expert Committee is available on the SEC website at:
<http://www.secp.gov.pk/reports.htm>