



## Press Release

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*For immediate release*

### **SECP Chairman expresses confidence in stock markets' soundness**

ISLAMABAD, March 19: Chairman, Securities and Exchange Commission of Pakistan (SECP), Zafar Hijazi, has expressed his confidence in the stock markets' soundness and said that the risk management system at the exchanges remains robust.

Chairman Hijazi said this in his keynote address at the Institute of Chartered Accountants of Pakistan (ICAP's) CFO conference "Sustaining Excellence: Shifting Gears" held here on Thursday. The speech was read out by Tahir Mahmood, the SECP's Commissioner for Company Law Division.

Commenting on stock market situations, Mr Hijazi said that capital markets of Pakistan witnessed phenomenal growth and reached historic heights in terms of Index levels as well as market capitalization in 2014. The market capitalization peaked at \$77.68bn on February 3, 2015. However decline has been witnessed in March.

The regulator is vigilantly monitoring the stock market to ensure there is no systemic risk to it. He said that the rise in KSE -100 index during the period was unprecedented, and hence we at the SECP were expecting some technical corrections. This was due, owing to various factors but predominantly because of continuous decline in oil prices internationally, selling by foreign investor's due to upcoming US Fed policy announcement, upcoming gas tariff hike etc, he was giving logic behind recent fluctuations in KSE 100 index.

While appreciating the ICAP's initiative of organizing CFO conference, Mr. Hijazi said that such events not only provide an excellent forum for discussions but also help us to re-align our goals and objectives.

Emphasizing the importance of CFOs responsibilities, Chairman Hijazi said the CFOs are the custodians of reputation of the financial integrity of an organization - and this puts enormous responsibility on their shoulders. He said that the regulator cannot work in isolation for the development of our financial market, thus it has great expectations from the corporate community, the CFOs and the auditors to achieve its objectives.

It is encouraging to note that our capital market players have started looking beyond their home ground for financial resources, he added. In developing scenarios, maintaining a robust capital market and corporate sector therefore has become a greater challenge for the regulator, as it seeks accurate information to be presented by companies to stakeholders, he added. He said that it is the responsibility of the

management and boards of companies to adopt sound corporate governance practices for adequate protection of shareholders' rights, improving company performance and attracting long term investment both local and foreign. In today's interconnected world, we are all global citizens and there is no such thing as a local market. Hence, it is very important for our companies to remain competitive.

We at the SECP are cognizant of the fact that transparent reporting, free from conflict, is essential to regain the trust of investors. Therefore, the SECP is considering establishing a financially and operationally independent Audit Oversight Board for oversight of auditors of public interest companies.

There are more than 3 million businesses operating in Pakistan, but less than of them 5% are operating under a corporate set-up while others are either sole proprietorships or partnership concerns, said the SECP Chairman. "We need to corporatize Pakistan!" he stressed and advocated that the objective can be achieved by making changes in the taxation structure and in our Company Laws.

The SECP is actively working on drafting the new Company Law to ensure hassle free operations for businesses, he informed participants. Chairman Hijazi also revealed that the soft Virtual One Stop Shop (VOSS) for business registration is expected to be launched by the end of this month. VOSS, a collaborated project of SECP, FBR and EOBI would considerably reduce the turnaround time for business start-ups, facilitate investors, and enable mutual sharing of information through a unified web portal, he added.

While talking about the challenge of lack of available options for financing SMEs, Mr. Hijazi said that the SECP had approved the regulatory framework for listing and trading of SMEs on the stock exchanges. This will provide a marketplace where our entrepreneurs can go and offer their companies to different sets of investors and raise capital for business expansion, he explained.

He reaffirmed SECP's commitment to promoting a culture of compliance in corporate sector and ensure high standards of business practice in Pakistan's financial services sector.