



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

PRESS RELEASE

SECP Chairman meets KSE Board of Directors

KARACHI, January 26: The SECP Chairman, Mr. Muhammad Ali, met the outgoing and newly constituted Board of Directors of the Karachi Stock Exchange on Thursday. In his address to the Board members he appreciated the valuable services rendered by the outgoing Board. He expressed the belief that the new Board would deliver in the best interest of the capital market adopting a coherent approach and discouraging any compartmentalization of the Board while benefiting from the extensive knowledge and expertise of individual members. He emphasized that the investors' interest should be supreme, over and above members' interest and the management and Board are jointly responsible for the protection of investors.

The SECP Chairman gave an overview of the financial landscape of the country and the capital market. He mentioned that in Pakistan the banking sector continues to dominate overall financial industry and enjoying confidence of the general public. He viewed that the existing fiscal structure works against corporatization as income tax rate on companies is higher than other business structures like partnership or proprietorship. This discourages documentation and general culture of corporatization. The non-banking financial sector presents a bleak picture not only in terms of financial assets, but also with regards to participation and outreach to general public. He emphasized upon the need for creating awareness amongst the masses about the capital market and restoration of investors' confidence. For achieving a vibrant capital market his speech focused on various areas including (i) investor education and awareness, (ii) market surveillance, (iii) automation, (iv) debt market development, (v) resolution of investor complaints, (vi) image building and legal and structural reforms.

On investor education side the SECP's initiatives relate to a detailed three-year investor education plan for different segments of target groups, restructuring of the Institute of Capital Markets which will work as an executing arm of the SECP's investors education/awareness initiatives in collaboration with the stakeholders. The Chairman emphasized upon the exchanges and brokers to impart investor awareness and education with a view to attract investors to the capital market. The Chairman also urged upon the Exchange to put in place mechanism for expeditious resolution of investors complaints which is important in restoring the confidence in the market. Also, the members of the stock exchanges need to be abreast of the regulatory and legal framework and work aggressively towards improving image of our market to the international community.

In relation to automation, the need for enhanced internet trading module was emphasized to bring our market to international level and expand the existing narrow outreach. The SECP also discussed the envisaged augmentation of business structure of brokers to allow them to function on lines of an NBFC with certain restructuring. This will provide opportunity to pool resources to have financially strong entities with ability to offer diversified financial services.

The Chairman reiterated that globally only after demutualization, the exchanges have succeeded in giving competition to banks for public's savings, maximize brokers' business

by achieving mass outreach and eventually lead to wealth creation for all market participants and investors. Brokers must let loose on their control over the exchange exercised traditionally, and forgo on the membership card value which is meager as compared to the benefits that would be reaped in the medium and long term. Besides demutualization for effective market regulation and investor protection, the promulgation of Securities Act and Futures Trading Act was in pipeline. All these laws are vital for strengthening our capital market, increasing business of market participants and attracting new investors.

The KSE Board was also briefed on some other key SECP initiatives in process which include introduction of the revised Code of Corporate Governance, allowing takaful window to insurance companies, establishment of centralized KYC Registration Agency, fiscal reforms in coordination with the FBR and development of a long term Financial Market Development Plan.

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