



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Press Release

SECP Commissioner meets LSE Board of Directors

Lahore May 3: Mr. Imtiaz Haider, the SECP Commissioner for Securities' Market, met the Board of Directors of the Lahore Stock Exchange.

In his address to the board members he emphasized upon the crucial role of the board and management in the organized development of capital market, protection of investors' interest and curbing unfair/fraudulent activities in the market.

He discussed recent developments such as revamping of the capital gains tax regime, passing of the demutualization bill and various measures taken by the SECP to enhance the trading capacity of brokers and ensure desired liquidity in the market.

The automation and centralization of the CGT calculation and deduction within the existing parameters would attract in bringing back the investors to the market and meet the overall objectives of all stakeholders, in particular, the government's objective of documenting all incomes and sectors of the economy.

This will generate additional tax revenue for the government's exchequer by broadening the tax base and ensuring full coverage of all the taxable transactions in securities market while attracting foreign portfolio investment in the country.

On the demutualization of stock exchanges, he reiterated that within 119 days of the enactment of the law, stock exchanges would have to be demutualized and there would be various time bound requirements. Hence the LSE needs to ensure that it is fully geared up for the said exercise and should proactively initiate work on the milestones.

He also talked about the amendments to the regulatory framework of Margin Financing System whereby cash margin requirements have been partially substituted with eligible securities to provide relief to the market players and allowing individual investors to invest as financiers in the market. Further, the SECP in consultation with the stakeholders was finalizing modalities for limited utilization of funds from the Clearing House Protection Fund so as to enhance the trading capacity of brokers remaining within the risk management parameters. He also discussed with the Board SECP's work on a revised broker regime which will lead to consolidation of market intermediaries and result in healthy well capitalized entities that are in the interest in the market.

The Commissioner expressed his concern over investors' recent complaints against two LSE brokers who had been involved on manipulative practices and advised the board and management of the Exchange to take strict enforcement action against such elements.

He emphasized that the investors' interests should be supreme, over and above members' interest and the management and board are jointly responsible for the protection of investors. He said that the apex regulator had taken cognizance of such incidences and will take necessary action under the law. However, it is the responsibility of the LSE as frontline regulator and the SROs collectively to ensure adherence to the respective regulatory framework by their members/participants.

He advised the board to closely work with other market infrastructure institutions, i.e., the Central Depository Company (CDC), National Clearing Company of Pakistan Limited (NCCPL) and KSE to ensure that in future all necessary systems and procedures are in place to safeguard investors' interests, like maintaining backup of all transactions/trades, risk management procedures for broker-to-broker transactions, regular and effective system audits, systems to check capital adequacy of market intermediaries and swift and timely penal action against the non-compliant brokers, among others.

The LSE Board was also briefed on the SECP initiatives such as the KYC Registration Agency, e-dividend and e-voting, spot commodities exchange etc. He also mentioned that it was positively considering the LSE's Liquidity Network proposal and reviewing it in terms of existing legal and regulatory framework.

The board was assured of the SECP's full cooperation and support in its efforts towards market development.

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