



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Talent Management, Finance and Communication Division

## *PRESS RELEASE*

### **SECP, KSE take steps to boost capital market**

**Karachi, July 13, 2012:** A meeting of the Securities and Exchange Commission of Pakistan (SECP) headed by the Chairman, Commissioner and other senior officials of SECP was held with the Board of Directors, Management and senior members of the Karachi Stock Exchange. The meeting discussed important capital market development matters and measures for enhancing activity at the Exchange by supporting retail participation.

The apex and front line regulators reviewed various international best practices for the overall growth of the market and deliberated upon areas of investor protection, expansion of market outreach, new product development in equity, debt and derivative segments, activation of leverage products for improved liquidity, effective risk management and market monitoring and surveillance etc.

While highlighting recent reforms in the market including revamping of capital gain tax regime, introduction of revised Code of Corporate Governance and demutualization of stock exchanges, the SECP Chairman emphasized upon the Exchange to take expeditious steps to put in effect already agreed scheme of arrangements for enhancing brokers' capacity to execute business. Under the said scheme each active broker will be allowed and amount of Rs. 50 million to be utilized against bank guarantee from the Clearing House Protection Fund as margins/collateral against their trades. It was however emphasized that in line with international best practices risk management needs to be consolidated and shifted to NCCPL with a settlement guarantee fund so as to support NCCPL to function as a central counter party. A committee of the stock exchanges and NCCPL was constituted to finalize necessary modalities for the same and submit its recommendations to the SECP.

Further to support liquidity in the market, generate healthy activity in leverage products i.e margin trading and securities lending and borrowing, it was agreed that these products will be reviewed in detail to identify and address issues hindering the participation of investors. Also, to revive investors' confidence and affectively address claims of investors pertaining to 2008 market situation, further enhancement of contribution from IPF for each default and expulsion was recommended by the SECP for consideration of the Exchange's Board of Directors.

Other areas that were mutually agreed by the regulators include:

Taking appropriate measures to promote intra-day/day trading, following principles adopted internationally, that will assist in enhancing trading activity. Further, to address concerns of market abuse the re-introduction of separate Odd lot Market and marketable lot size for ready market was discussed and agreed upon.

The present restriction for broker-to-broker trading on the same exchange was deliberated and it was agreed to be reviewed in detail to ensure that no market abuse is encouraged while accommodating practical aspects for facilitating market intermediaries.

With regard to inter-exchange trades, it was agreed that such trades will be on the broker to broker (B to B) module, the risk management of which will be looked after by NCCPL.

For encouraging activity in the derivative segments the system in the Deliverable Futures Contracts will provide for a special window to DFC holders in overlapping period, whereby participants will be able to carryover their buy and sale positions simultaneously. The Chairman SECP reassured the participants that the apex regulator will continue to work in close coordination with the Exchanges and play a facilitators role for the development of capital markets and enhancing investors' confidence.

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