



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

Press Release

Stock Exchanges (Corporatization, Demutualization and Integration) Law approved by the Parliament

ISLAMABAD, March 27: The Stock Exchanges (Corporatization, Demutualization and Integration) Law has been approved in a joint session of the Parliament today. This landmark achievement was long awaited since the passing of the bill by the National Assembly in October 2009.

This law is part of the SECP's efforts to bring about structural and regulatory changes through legal reforms in the non bank financial market and the capital market. Other draft laws awaiting approval include Securities Law, Futures Trading Law, SECP Law and Corporate Rehabilitation Law.

The Demutualization law provides a framework for the corporatization, demutualization and integration of the stock exchanges and had been drafted after consensus with all the stakeholders. The law requires the stock exchanges to be demutualized within 119 days of its promulgation in line with pre-defined timelines specified for completion of various milestones involved in the demutualization exercise.

Presently the Pakistani stock exchanges are operating as non-profit companies with a mutualized structure wherein the members have the ownership as well as trading rights. This structure inherently creates conflict of interest as members predominantly control the affairs of the stock exchange which results in lack of transparency in the operations of the stock exchange and compromises investors' interest.

Also, due to lack of resources our exchanges have not been able to grow to the expectations of investors as trading activity is mostly concentrated in three buildings of these exchanges with the dominant share going to the Karachi Stock Exchange.

Corporatization and demutualisation of stock exchanges would entail converting the stock exchanges' structure from non-profit, mutually owned organizations to for-profit entities owned by shareholders.

Demutualization would result in enhanced governance and transparency at the stock exchanges and greater balance between interests of various stakeholders by clear segregation of commercial and regulatory functions and separation of trading rights and ownership rights.

Demutualization will assist in expansion of market outreach, resulting in larger number of investors, improved liquidity and better price discovery. A demutualized stock exchange will be in a better position to attract international strategic partners and good quality issuers. Demutualization will also facilitate consolidation of brokers leading to financially strong entities.

Demutualization is a well-established global trend and almost all stock exchanges worldwide operate in a demutualised set up. The passing of this law is a momentous accomplishment

which will bring the Pakistani capital market on par with other international jurisdictions like India, Malaysia, Singapore, USA, UK, Australia, Hong Kong, Turkey etc.

Shakil Ahmad Chaudhary

Head, Internal and External Communication
Securities and Exchange Commission of Pakistan
NIC Building, 63 Jinnah Avenue, Islamabad
Tel: 921-4005 or 921-4009 ext. 378
Fax: 920-6459
Cell: 0302-855-2254
| [email: shakil.chaudhary@secp.gov.pk](mailto:shakil.chaudhary@secp.gov.pk)