Securities and Exchange Commission of Pakistan
12TH FLOOR, NIC BUILDING, 63-JINNAH AVENUE, BLUE AREA, ISLAMABAD

PRESS RELEASE
FOR IMMEDIATE RELEASE

KARACHI - MARCH 03, 2008: Following is the media brief as read out by the Chairman SECP Razi-ur-Raman Khan during a press conference in Karachi today (Monday).

FOREIGN PORTFOLIO INVESTMENT IN PAKISTAN STOCK MARKET

In the recent past, there have been discussions in various forums regarding the extent of Foreign Portfolio Investment (FPI) as well as Foreign Direct Investment (FDI) in the local bourses.

Electronic and print media have a tendency to drive stock market on news of foreign investors entering into or getting out of the stock market. At the same time FPI statistics could not be corroborated by independent sources. With a view to addressing this undesirable situation, the Securities & Exchange Commission of Pakistan (SECP) undertook to ascertain and disseminate FPI, in the country on a daily basis.

As we know that foreign investors can freely trade in the shares quoted on the Stock Exchanges in Pakistan and debt instruments inter alia T. bills, Federal Investment Bonds (FIBs), TFC's etc. For this purpose, foreign investors are required to open a Special Convertible Rupee Account (SCRA) with authorized dealer in Pakistan and this account need to be fed by remittances from abroad. Accordingly, by monitoring the movements in SCRA one could keep track of foreign investors' activities in local stock market and debt capital market. Consequently movement movements in SCRA do not represent the extent of buying / selling being carried out by foreign investors. It is to be noted that a sell / divestment transaction by a non-resident is not recognized as an out flow from SCRA unless it eventually flows out of the SCRA and drains out of the Pakistani economy.

SECP has therefore, decided to formulate a strategy to track the non-residents investors' activities in the local capital market and to disseminate this information on daily basis. Utilizing the Universal Identification Number, UIN, of each foreign investor, SECP and NCCPL shall determine the amount of foreign investment made in the market.

Based on an analysis of the information received from CDS, regarding shares held by foreign investors, other than long term FDI, as at February 13, 2008, and adjusting same with the net inflow/ outflow (represented by net buying/ selling) each day up

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to February 29, 2008 we have determined the extent of foreign ownership in the local market. The results are quite revealing:

a) Total investment in the local stock market by foreign portfolio investors as at February 29, 2008 is US$4.8 Billion, and represents 25% of the Free Float of the scrips in which the FPIs are invested, (this excludes GDRs and is based on February 29, 2008 closing rates).

b) The following chart show the Gross and Net US$ Inflows and Outflows for each of the days in February 2008:

Date	**Buy Value($)**	**Sell Value($)**	**Net Value ($) inflow / (outflow)**
February 1, 2008	11,930,720	7,940,678	3,990,042.17
February 4, 2008	20,813,368	12,483,975	8,329,393.07
February 6, 2008	12,137,338	7,510,935	4,626,402.55
February 7, 2008	5,006,383	6,803,072	(1,796,688.78)
February 8, 2008	3,559,789	5,798,626	(2,238,837.31)
February 11, 2008	7,574,568	4,421,683	3,152,884.98
February 12, 2008	11,109,328	19,710,585	(8,601,257.07)
February 13, 2008	6,682,012	10,187,555	(3,505,542.31)
February 14, 2008	36,604,742	18,262,805	18,341,936.77
February 15, 2008	58,397,581	16,104,442	42,293,138.66
February 19, 2008	52,016,117	16,186,181	35,829,936.39
February 20, 2008	87,668,379	28,557,365	59,111,013.61

February 21, 2008	28,268,802	21,116,418	7,152,384.01
February 22, 2008	35,589,309	22,158,109	13,431,200.00
February 25, 2008	29,520,843	22,214,155	7,306,687.84
February 26, 2008	19,936,928	18,803,294	1,133,634.00
February 27, 2008	24,381,453	31,879,798	(7,498,344.80)
February 28, 2008	29,224,353	36,892,257	(7,667,903.93)
February 29, 2008	42,982,857	92,958,317	(49,975,459.68)
Total	**523,404,871**	**399,990,251**	**123,414,620**

c) In February 2008 the net inflow of FPI is US $ 123.4million.

d) It is also worth mentioning that in following scrips foreigners holding is in excess of 49% of Free Float:

1	Atlas Engg. Ltd
2	NEW JUBILEE LIFE INSURANCE COMPANY LTD.
3	FAYSAL BANK LIMITED
4	PREMIUM TEXTILE MILLS LIMITED
5	OIL & GAS DEVELOPMENT COMPANY LIMITED
6	FIRST CAPITAL MUTUAL FUND LIMITED
7	UTP-GROWTH FUND
8	HABIB METROPOLITAN BANK LIMITED
9	KOT ADDU POWER COMPANY LIMITED
10	ATLAS FUND OF FUNDS
11	AMERICAN LIFE INSURANCE CO. (PAK) LTD

e) Foreigners have an interest in 327 scrips.

From March 5, 2008 NCCPL website will daily announce the net inflow / outflow of foreign investment based on actual trading by foreigners in the market.

FINANCIAL INSTITUTION MARGINING SYSTEM

Significant number of trades executed by members on the Stock Exchanges of the country emanate from Financial Institutions. Up till recently, the members were faced with the additional burden of depositing margins on behalf of these financial institutions (FIs), together with utilization of their capital adequacy in respect of such trades.

Since there was no provision within the existing regulations of the Exchange or NCCPL to collect margins directly from FIs, it was decided to develop a mechanism which shall enable collection of margins directly from non-member institutions dealing though a member of the Exchange. A Committee was established for this purpose, and NCCPL was entrusted with the primary responsibility to develop the required infrastructure, systems and regulations to implement the Financial Institutions Margining System.

The Financial Institution's Margining System was implemented by NCCPL from **November 05, 2007**. The said system is characterized with direct deposit of margins by Financial Institutions directly with NCCPL, in support of trades executed by members on behalf of such Financial Institutions. Once the requisite margins have been placed with NCCPL and the trades affirmed, margins of members placed on behalf of their FI clients are released by the respective stock exchanges, hence reducing the margin requirements of members and enabling them to enhance their trading capacity. The implementation of this system has resulted in:

- Reduction in margin demand for members of approximately Rs 3 billion *
- Relief in respect of capital adequacy for members of trades worth approximately Rs 23 billion *

* Based on average figures for the week ended February 29, 2008.

COMPULSORY COLLECTION OF MARGINS FROM CLIENTS

One of the most distinguishing characteristic of the new Risk Management System is that it has abolished netting at client level, which was applicable during the previous risk management regime. Under the new regime, exposures are calculated at client level (based on **Universal Identification Number (UIN)** and no netting is allowed between long and short positions of different clients. Exposures calculation on UIN basis means that netting is allowed in the same scrip and same settlement period of a **single client** under the same broker.

After the successful implementation of netting regime at client level, SECP has made it mandatory on the brokers to take margins from their respective clients in accordance with the rates as prescribed by the Exchange based on **Value at Risk (VaR)** Estimates. Regulation 8.4 of the Risk Management Regulations provide that such prescribed margins shall be the minimum margins that must be taken by the Member from each of their respective clients while trading/taking exposure on behalf of such client. The Stock Exchange shall ensure compliance of this requirement through appropriate procedures including system audit and inspection of records.

Non compliance of this regulation is punishable under Broker & Agents Registration Rules, 2001 which provide for a fine of up to Rs.100, 000 and even suspension of registration of the member(s).

AUTOMATED HANDLING OF CORPORATE ACTION IN CFS FINANCED SECURITIES

In case of corporate announcements in Continuous Funding System (CFS) transactions, the old system of transfer of these benefits to the rightful owner (CFS Financee) was very laborious, time consuming and out side the normal trading system of exchanges and clearing and settlement system of National Clearing Company of Pakistan Limited (NCCPL), where the CFS trades used to get force released prior to the pay-out time and then these CFS trades were settled manually between Member to Member.

SECP started working with the Exchanges, **Central Depository Company (CDC)** and NCCPL to completely automate the mechanism to ensure that corporate action benefits were received by the Financee and not by the Financier. Development of this automated mechanism involved many challenges, especially in the area of regulatory framework and system architecture of Central Depository System and **National Clearing and Settlement System (NCSS)**.

The automated mechanism is now successfully in place for all corporate announcements from the year 2008. The Financiers allow CDC to automatically and without further instructions from them, move the CFS shares held in their blocked-accounts on the day prior to the book closure date. With the result that now, under the new system, the CDS determines the entitlement of the corporate benefits in the name of the CFS Financees, who are the real beneficial owners of the securities. In this manner, the corporate benefits are directly issued in the name of the CFS financee by the Issuer. The new automated system will increase tax revenues for the Government, since it will no more be possible to save taxes on dividends by entering into CFS transactions with Financiers having tax-exempt status.

The first Corporate Action handled by this new automated mechanism was that of Dewan Cement, with book closure dated **January 24, 2008.**