SECURITIES AND EXCHANGE COMMISSION
OF PAKISTAN
Media and Publications Wing

SECP: Capital Market Development Plan

ISLAMABAD, September 26: As part of the SECP's commitment towards development of the capital market in Pakistan, a meeting was held on the 23rd of September in Karachi, between the apex regulator and the major Pakistani capital market institutions i.e. the stock and commodity exchanges, the Central Depository Company (CDC) and the National Clearing Company (NCCPL) to discuss strategic plans for the capital market.

The meeting was convened with the aim to bring together all the major institutions of the Pakistani capital market and ensure a clearer vision in setting out a future roadmap for the sustainable growth and development of the market and its entities.

The respective strategic plans of the aforesaid institutions were discussed in detail and consensus was reached on major areas for capital market development including (i) investor education/ awareness, expanding outreach of the capital market to the masses (ii) encouraging new listings (iii) introduction of new products and systems; reviewing/revamping existing products and market segments including development of Islamic products (iv) revamping of legal and regulatory framework and (v) improving coordination with various regulators and governmental bodies.

Considering the importance of investor education and capital market outreach, it was agreed to plan road-shows aimed at domestic and international investors; along with awareness campaigns for retail investors, policy/decision makers, and pension and insurance sectors. Moreover, branch network for brokers, mutual funds and the commodity exchange would also be expanded.

The participants concluded that dedicated efforts are required to incentivize the corporate sector to contribute to the development of the capital market. Measures would be taken to facilitate new listings for attracting corporates with large capital base to list through various debt and equity instruments. The processes of book building and initial public offering would be streamlined to make them more efficient and less cumbersome. The Exchanges would explore the possibility of setting up separate boards for facilitating small and medium sized companies and venture capital/green field projects for easier fund-raising. While discussing the initiatives taken to safeguard investors from investing in shell/defaulting companies, it was agreed that further measures would be taken to improve the overall quality of listings at the stock exchanges.

It was also emphasized that efforts are needed to develop various debt, equity and derivative products which can channelize savings of the nation towards businesses. While, the introduction of new products like exchange traded funds, derivatives such as index and stock options and cross listing and trading of international indices are work-in-process, existing derivative and leveraged market products would be continuously reviewed and revamped to better cater to the needs of the investing public. Greater efforts would also be undertaken for introduction of Islamic products considering the growing global trend towards Shariah-compliant investment alternatives. Additionally, measures would be taken for development of debt capital markets, commodity and currency markets, mutual fund industry and Real Estate Investment Trusts.

Greater automation in the capital market operations is envisaged through introduction of e-dividend and e-voting facilities. E-dividend mechanism will enable automatic dividend distribution to the entitled shareholders through the CDC, while *e*-Voting, being an internet based platform will enable the shareholders to vote on resolutions proposed by companies without the necessity for them to be physically present at the meeting or sending their votes through post.

On the legal, regulatory and structural forefront, it was concluded that the corporatization/ demutualization of the stock exchanges is the need of the hour and would go a long way in achieving the desired separation of their regulatory and business development functions. Structure of capital market intermediaries would also be improved with the introduction of a "Revised Brokers' Regime" based on the IOSCO Principles, which envisages strengthening their capital base and segregation of clearing and trading members. Moreover, it was agreed that the NCCPL needs to be better capitalized to enable it to fully function as a central counterparty in line with international best practices. It was also agreed that in order to facilitate investors, the current limits for the Investor Protection Funds would be enhanced and initiatives would be taken to put in place mechanisms for expeditious resolution of investor complaints. Further, efforts will be made for establishment of Pakistan Collateral Management Company to facilitate electronic warehousing of receipts for the commodity exchange.

From the standpoint of image-building, efforts will be focused on improving coordination and liaison with the relevant Ministries, non-governmental and foreign institutions and counterparts and to improve Pakistan's image/ranking in the global index providers like the MSCI, FTSE etc.

Based on the areas mentioned above, a comprehensive Capital Market Development Plan will be formulated by the SECP in close coordination with the stakeholders which will serve as the future roadmap for the Pakistani capital market.