

Press Release

Brokers, Stock Exchanges Asked to Implement New Measures

ISLAMABAD – October 29 2005: The Securities and Exchange Commission of Pakistan (SEC) has directed the brokers and the stock exchanges to implement two measures to further ensure investor protection, improve transparency and efficiency in the stock market and to prohibit unfair trade practices, inculcate good governance and strengthen risk management.

Firstly, brokers of the exchanges have been asked to indicate clearly the client codes representing each customer in all trades/transactions of the Ready, Futures, CFS and Provisional market. It was brought to the SECP's attention that not all brokers were adequately entering client codes. This measure is meant to ensure the identification and linking of trades to the clients on whose behalf they are made, within a brokerage house, until the Universal Client Identification Code is implemented.

Secondly, in case of a "sell" position in the Futures Market, the brokers must disclose whether such a position is hedge or a short sell. A hedging position could include a Sell in the futures counter against a delivery (Buy) in the ready counter, or a sell against the purchase of a futures counter in another month whereas a short sell is conducted with the intention of "buying to cover" at a later date/time. Besides being an international best practice, this measure is meant to provide more information about the risks associated with the market, and distinguish between future sell trades of the "hedging" and "speculative" nature. If the exchanges' trading system does not presently provide a facility for entering this information, the brokers shall provide a statement of disclosure to this effect to the exchange at the end of each trading day.

Both of the above mentioned directives are to be implemented w.e.f. 1st November 1st, 2005.