



SOUTH ASIAN FEDERATION OF EXCHANGES



CHARTER

CHARTER

of the

South Asian Federation of Exchanges

PREMABLE:

WHEREAS, it was considered beneficial to establish a formal organization of stock exchanges, Chittagong Stock Exchange, Colombo Stock Exchange, Karachi Stock Exchange, National Stock Exchange of India, Nepal Stock Exchange, OTC Exchange of India, Pune Stock Exchange, Royal Securities Exchange of Bhutan and The Stock Exchange, Mumbai decided to form a Federation of the stock exchanges in the South Asian region;

WHEREAS, the Exchanges conferred in Chittagong on the 15th and 16th of January 2000 and declared formation of a Federation under the name of 'South Asian Federation of Exchanges (SAFE)';

WHEREAS, in pursuance of the Chittagong Declaration, Calcutta Stock Exchange, Delhi Stock Exchange, Dhaka Stock Exchange, Islamabad Stock Exchange, Lahore Stock Exchange, Ludhiana Stock Exchange, Madras Stock Exchange and Magadh Stock Exchange joined the founder exchanges in preparing a draft of a Charter in the 2nd Conference in Mumbai held on 17th and 19th April 2000, which was duly approved by all the founding Members;

WHEREAS, it is agreed that the Charter may be amended from time to time;

WHEREAS, in furtherance of SAFE objectives, it is now deemed essential to enlarge the membership of SAFE by bringing in all related capital market institutions comprising of; both SAARC Member countries and other regions, under the membership of SAFE;

NOW, THEREFORE, the SAFE Charter is duly amended and adopted by the Federation as follows:

Article 1: TITLE

The Federation shall be known as the South Asian Federation of Exchanges (SAFE for brevity) and shall be voluntary not for profit and cooperative in nature.

Article 2: COMPOSITION

2.1 The SAFE shall be composed of:

- 2.1.1 Recognized, regulated and supervised stock exchanges, derivative and commodity exchanges operating in the South Asian region ('Region' for brevity), as "Primary Members";
- 2.1.2 any other entity / organization / association operating in / outside the Region, in the service of the capital market whose main objective is the provision of regulatory,

technical and expert services of specialized nature to the capital markets, as “Associate Member”.

- 2.2 However, the Executive Committee may grant “Observer/ Affiliate Member” status without voting rights to other exchanges, capital market intermediaries, securities regulators, professional entities and other associations, regardless of their geographical location.

Article 3: OBJECTIVES

The objects for which the Federation is established are; to undertake in or outside the Region, any or all of the following:

- 3.1 To facilitate exchange of information and to promote mutual assistance amongst its Members and other related entities;
- 3.2 To encourage co-operation amongst the Members in order to promote and develop the respective capital markets;
- 3.3 To work towards common standards for listing, trading, clearing, settlement and investors' protection as well as International Accounting Standards or Generally Accepted Accounting Principles and best business practices in the regional securities markets;
- 3.4 To establish and maintain contact, collaborate and obtain affiliation with other organizations, institutions, bodies and societies in the Region and globally, including relevant international agencies, interested in similar objects and to cooperate with such institutions, bodies and organisations for furthering the objects of the Federation;
- 3.5 To help improve the governance standards of the capital market constituents, including the listed corporate sector of the Region;
- 3.6 To encourage cross border listings and securities trading in the Region;
- 3.7 To promote investors' education and awareness in the Region through independent publications, seminars & conferences in collaboration with SAFE Members and other entities;
- 3.8 To work and provide facilities for educational/skills development, human resources training and the spread of capital market knowledge in the Region;
- 3.9 To provide advisory, consulting and facilitatory services to SAFE Members and other capital market related entities;
- 3.10 To address other issues of common interest, as and when they arise.

Article 4: MEMBERSHIP

The following rules on admission to, rights arising from and termination of membership of SAFE shall apply:

4.1: ADMISSION AS MEMBER

- 4.1.1 Any active exchange as prescribed in Article 2.1.1 and other entities as described in Article 2.1.2, operating for at least one year, may apply for membership under the respective category. Such application shall be in writing on the standard format and shall be submitted to the SAFE Secretariat.
- 4.1.2 An applicant shall be admitted to SAFE membership only upon approval of its application by the Executive Committee.
- 4.1.3 The Executive Committee may relax the conditions for admission of an applicant seeking membership of SAFE, if deemed appropriate.
- 4.1.4 For the purpose of allocation of the SAFE membership, the applicant entity may be required to attend a designated Executive Committee meeting and make a presentation thereat, for enabling the Executive Committee to consider the application on merit.
- 4.1.5 All decisions of the Executive Committee in respect of the admission, acceptance of withdrawal or expulsion of a Member shall be taken by a resolution passed by not less than two-third (2/3) of its present Members, and shall be subject to confirmation by the General Assembly in its next following meeting.

4.2: RIGHTS OF MEMBERSHIP

- 4.2.1 The equality and independence of Members in all respects shall be assured.
- 4.2.2 A Member shall be entitled to vote at all meetings of the General Assembly, provided that the said Member is present thereat.
- 4.2.3 A Member shall be entitled to be represented at a meeting of the General Assembly by not more than one duly authorized nominee.
- 4.2.4 Only a natural person holding the office of President / Chairman, Vice-President / Vice-Chairman or Chief Executive Officer / Managing Director or Deputy Chief Executive / Deputy Managing Director of a Member entity can be the authorized nominee at all the forums / meetings of SAFE including the General Assembly, the Executive Committee or any other special Committee of SAFE.
- 4.2.5 Representation of the Member entities at SAFE shall be on ex-officio position basis. In case the official representing any SAFE Member entity ceases to hold the position with

his/her entity, the representation at SAFE against any elected office shall involuntarily be acquired by the incoming person performing at the same position.

4.3: TERMINATION OF MEMBERSHIP

Membership in SAFE may be terminated in the following manners:

4.3.1: VOLUNTARY WITHDRAWAL

4.3.1.1 Any Member may voluntarily withdraw its membership by submitting a written intention of withdrawal to the Secretariat.

4.3.1.2 Such Member shall be required to provide its expression of disinterest, giving reasons thereof to the Secretariat, at least one year in advance.

4.3.1.3 An applicant for the withdrawal of membership shall be required to clear the outstanding subscription fees and/or other dues payable to SAFE before the consideration of its application of withdrawal by SAFE.

4.3.1.4 Acceptance of withdrawal of membership of the entity from SAFE shall only take place after formal approval of the Executive Committee and its confirmation as provided in Article 4.1.5.

4.3.2: EXPULSION

A Member may be expelled from the Federation by a vote of two-third (2/3) of the Members present and voting at a meeting of the Executive Committee after giving the Member a reasonable opportunity of being heard subject to confirmation as provided in Article 4.1.5.

4.4: RE-ADMISSION

4.4.1 The entity whose membership is cancelled or terminated either voluntarily or through expulsion, may apply for re-admission after two years of such withdrawal or expulsion. However, the Executive Committee may relax such a condition in special circumstances, to be recorded in writing at the time of re-admission.

4.4.2 The application for re-admission shall be subject to procedures under Articles 4.1, 4.2 and other regular admission process.

Article 5: ORGANISATION OF SAFE

5.1 SAFE shall be composed of four bodies: the General Assembly, the Executive Committee, the Management Committee and the Secretariat.

- 5.2 Special Committees may be formed by the Executive Committee for the purpose of achieving the SAFE objectives and/or for carrying out any study on a specific subject as required by the Executive Committee or for such other purposes as the General Assembly may specify.

Article 6: THE GENERAL ASSEMBLY

6.1: MEMBERS OF THE GENERAL ASSEMBLY

The General Assembly shall comprise of all Members of SAFE, irrespective of the membership category.

6.2: FUNCTION

It shall be the general body of SAFE.

6.3: MEETINGS

6.3.1 The General Assembly shall meet at least once in two calendar years.

6.3.2 Special meetings of the General Assembly may be held on the requisition of one-third (1/3) Members of all SAFE Members.

6.3.3 Notice for a meeting of the General Assembly shall be served by the SAFE Secretariat at least 30 days prior to the date of meeting.

6.3.4 Notice for a special meeting of the General Assembly may be served by the SAFE Secretariat at least 15 days prior to the date of the meeting.

6.3.5 The meetings of the General Assembly shall be held in the member countries of SAFE, for which purpose each Member would be required to serve as a host on rotation basis.

6.4: QUORUM

One third (1/3rd) or four (4) of the total SAFE Members, whichever is greater, shall form the quorum of a meeting of the General Assembly. For the purposes of determining the existence of quorum, the number of Members, and not of delegates, shall be considered.

6.5: CHAIRMAN OF THE GENERAL ASSEMBLY

Chairman of SAFE shall serve as the Chairman of the General Assembly. In the absence of the Chairman, any of the three (3) Vice Chairmen of SAFE may chair the meetings of the General Assembly.

6.6: DECISIONS OF THE GENERAL ASSEMBLY

Subject to Article 6.4, all decisions of the General Assembly shall be made by simple majority, except the matters related to amendments in the SAFE Charter which would require a vote of not less than two third (2/3rd) of the Primary Members of SAFE.

Article 7: VOTE AND VOTE BY PROXY

- 7.1 Each Member entity shall have the right of one (1) vote for all purposes other than amendment of the Charter.
- 7.2 On a poll, the nominees of the Member entities may give their votes either personally or by a proxy.
- 7.3 The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing.
- 7.4 An instrument appointing a proxy shall be in the form as prescribed in Schedule-I hereof.
- 7.5 A proxy must also be the nominee of a SAFE Member entity.
- 7.6 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed shall be furnished to the SAFE Secretariat not less than seven (7) days before the time for holding the meeting at which the person named in the instrument proposes to vote.

Article 8: AMENDMENT TO THE CHARTER

- 8.1 Subject to Article 6.4, any amendment to the Charter shall require the consent of not less than two third ($2/3^{\text{rd}}$) of the Primary Members.
- 8.2 For the purpose of amendment of the Charter, Primary Member entities of a country together shall have one (1) vote. Vote of each Primary Member entity shall be fractional equal to one (1) divided by the total number of entities from the same country.
- 8.3 Any amendment proposed to be carried out in the Charter pursuant to section 8.1, shall be subject to the approval of the registering and income tax authorities at Islamabad, Pakistan- the location of the permanent Secretariat of the Federation.

Article 9: THE EXECUTIVE COMMITTEE

- 9.1: MEMBERS OF THE EXECUTIVE COMMITTEE
 - 9.1.1 The Executive Committee shall consist of seven (7) members; six (6) elected under Article 9.2, and one Secretary General appointed on independent basis under Article 11.2.1.
 - 9.1.2 The eligibility for election to the Executive Committee or continued membership thereof shall be subject to the conditions as provided for in Articles 4.2.4 and 4.2.5.

9.2: ELECTION OF THE EXECUTIVE COMMITTEE MEMBERS

- 9.2.1. The schedule of election for the Executive Committee shall be circulated by the SAFE Secretariat to all Members at least thirty (30) days prior to the holding of election at a meeting of the General Assembly.
- 9.2.2 Six (6) members of the Executive Committee shall be elected by the General Assembly for two (2) years term. The election for the Executive Committee shall be held in such a manner that four (4) seats are filled from amongst the nominees of Members representing the Primary Members and two (2) seats are filled from amongst the nominees of Members from the Associate Members. The Secretary General shall deemed to be the seventh (7th) member of the Executive Committee, by virtue of his position.
- 9.2.3 An authorized nominee of a SAFE Member entity shall file his/her intention for contesting the election for SAFE Executive Committee, to the SAFE Secretariat not less than fifteen (15) days prior to the date of election together with his/her resume. Such intention for contesting election shall also be recommended by the concerned SAFE Member entity. No Member entity of SAFE which is in default of arrears of the Federation shall be entitled to recommend its authorized nominee for election to the office of the Executive Committee.
- 9.2.4 The intention for contesting the election to the Executive Committee shall be filed separately for the Primary Members group and the Associate Members group.
- 9.2.5 Final list of all candidates for the election to the Executive Committee shall be circulated by the SAFE Secretariat to all the Members, at least seven (7) days prior to the date of election, along with the resumes of the contesting candidates.
- 9.2.6 Election of the Executive Committee Members shall be through the simple majority vote of the General Assembly, including the votes cast by the representatives holding proxies. If the number of candidates does not exceed the number of the Executive Committee members to be elected, no voting shall be necessary, and all the candidates, subject to the requirement of Article 9.2.2, shall deemed to be elected. If the number of candidates is fewer than the number of Executive Committee members to be elected, the deemed elected Executive Committee shall fill the remaining vacancies from amongst the authorized nominees of any other SAFE Member category as provided in Article 9.3.1.
- 9.2.7 No SAFE Member entity whose authorized nominee(s) has been elected/nominated to the Executive Committee for two (2) consecutive terms shall be eligible for election/nomination for the third consecutive term unless a period of one (1) term has elapsed in between such terms, except as may be unanimously resolved otherwise by the General Assembly in its meeting where the election is to be held. Moreover, no

more than two (2) EC members belonging to the same country shall hold the 'elected' positions at the EC, but this condition shall not be applicable for the position of the Secretary General.

9.3: ELECTION OF THE CHAIRMAN AND VICE-CHAIRMEN OF THE FEDERATION

- 9.3.1 Soon after the formation of the Executive Committee, the elected Executive Committee members shall elect One (1) Chairman and three (3) Vice Chairmen in such a manner that the Chairman and two (2) Vice Chairmen shall be elected from the amongst the Primary Members group, and one (1) Vice Chairman shall be elected from the Associate Members group, provided that if no candidate has shown his interest for the position of the Vice Chairmen from any particular group, then any such vacancy may be filled from amongst any membership category of the Federation.
- 9.3.2 Election of the Chairman and the Vice-Chairmen shall be through a simple majority vote by the Executive Committee Members.
- 9.3.3 The election for the office of the Chairman and the Vice-Chairmen of the Federation shall be held on country rotation basis so as to ensure that such offices are not held by the authorised nominees of the Members entities from any one country of the Region for more than two consecutive terms.

9.4: FUNCTIONS OF THE EXECUTIVE COMMITTEE (EC)

- 9.4.1 The business/affairs of the Federation shall be run under the direction of the Executive Committee which shall have the powers to approve all financial, human resource and other general policies of the Federation.
- 9.4.2 The Executive Committee, may, at any time initiate studies, projects and activities that fall within the scope of SAFE's purpose as defined in Article 3 hereof; and may offer recommendations arising from those studies, projects and activities to the General Assembly.
- 9.4.3 The activities of the Executive Committee shall be reported to the General Assembly by the Chairman of the Executive Committee, or by the Secretariat at any regular or special meeting of the general body.
- 9.4.4 The Executive Committee shall meet as and when deemed essential to transact its business. However, it may also convene its meetings, conduct its business and perform its functions through electronic communication /VOIP.
- 9.4.5 The Executive Committee may, from time to time, delegate any of its power to the Chairman of the Federation or the Management Committee.

Article 10: MANAGEMENT COMMITTEE

- 10.1 The Management Committee shall comprise of the Chairman, Secretary General and Deputy Secretary General.
- 10.2 The Management Committee may annually monitor the progress on SAFE initiatives/and the performances of the SAFE staff, and report it to the Executive Committee.
- 10.3 The Management Committee may periodically recommend the new/revised scale of compensation and benefits for the SAFE Secretariat staff for the approval of the Executive Committee.
- 10.4 The Management Committee, subject to the policy framework of SAFE, shall have the powers to do all such lawful things, as are conducive or incidental to:
 - 10.4.1 The attainment of the objects and furthering the growth of SAFE;
 - 10.4.2 Procure registration from the government(s) or any other authorities concerned, on behalf of SAFE, at national and international level and take all such steps as may be necessary or expedient for enabling SAFE to carry on with its functions in an expedient manner;
 - 10.4.3 Obtain from any government, authority, corporation, company or person (national and international) any rights, privileges, concessions and exemptions which SAFE may think desirable, and to carry out, exercise and comply with any such rights, privileges concessions and exemptions.

Article 11: THE SECRETARIAT

- 11.1 The permanent Secretariat of the Federation shall be located in the city of Islamabad, Pakistan.
- 11.2 SECRETARY GENERAL
 - 11.2.1 Administration of the Federation shall be entrusted to a Secretary General who shall be appointed by the Chairman with the consent of the Executive Committee.
 - 11.2.2 The Secretary General shall be responsible for the running, superintending and effectuating the day-to-day operations, administration and management of the SAFE Secretariat and its staff.
 - 11.2.3 The Secretary General shall be the authorised representative of the Federation for all SAFE Members, regional regulators, governmental/non-governmental entities and other international bodies/forums for all matters related to the affairs of the Federation/Secretariat.

11.2.4 In the absence of the Secretary General, the Chairman may approve the transfer of powers and responsibilities of the Secretary General to the Deputy Secretary General, or any other designated staff of the Secretariat.

11.3 FUNCTIONS OF THE SECRETARIAT

11.3.1 The SAFE Secretariat shall serve as the central coordination office for the performance of all activities of the Federation.

11.3.2 SAFE Secretariat shall comprise of such staff members who are appointed in accordance with the human resource policy for the purpose of the smooth functioning of the Secretariat.

11.3.3 The Secretariat shall be responsible for performing all the functions related to the achievement of SAFE objectives, implementation of all the policies of the Federation and the Executive Committee, and for facilitating the exchange of information amongst the Members, and for other matters that may be assigned to it by the Executive Committee.

11.3.4 The Secretariat shall be responsible for the compilation of agenda items for all meetings of the General Assembly, the Executive Committee or any other Committee of SAFE, in consultation with the Chairman and its timely circulation to all concerned.

11.3.5 All matters taken up during any and all meetings of SAFE shall be recorded in the minutes by the Secretariat, which shall likewise be responsible for furnishing other concerned Members with copies thereof.

11.3.6 The SAFE Secretariat shall have the authority to approach any donor agency for undertaking projects in line with SAFE's objectives.

11.3.7 In addition to powers hereby expressly conferred upon it and without detracting from the generality of its powers under these Articles, the Secretariat, in accordance with SAFE EC policy, shall have the following powers:

11.3.7.1 to utilize money, property, income or any part thereof in such manner as is deemed most beneficial for the achievement of the objectives of SAFE;

11.3.7.2 to ensure that all assets, money, property or the income of SAFE, whenever and however derived, shall be used solely for the promotion of the objects of SAFE as provided above, and that no portion of its money, property or income is paid or transferred, directly or indirectly by way of dividend, bonus or profit to any of its Members or the relative or the associated persons of the Members;

11.3.7.3 to invest in the name of SAFE, such part of the surpluses or money validly set apart, excluding restricted funds subject to 25% of the total income of the year,

and invest the same in the Government Securities, NIT units, a collective investment scheme authorized or registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Mutual Funds, a Real Estate Investment Trust approved and authorized under the Real Estate Investment Trust Rules, 2006, or any Scheduled Bank, provided that nothing herein contained shall prevent the payment of any administrative expense, remuneration, or traveling expenses to the staff of the SAFE Secretariat or to other persons in return for services actually rendered to the SAFE.

11.3.7.4 to comply with all requirements of the local laws in Pakistan-being the location of the permanent Secretariat of the Federation, wherever applicable including the relevant provision of the Income Tax Ordinance-2001 and Income Tax Rules-2002, as amended from time to time.

Article 12: FINANCE, BUDGET AND AUDIT

- 12.1 The SAFE financial year shall be the Calendar Year.
- 12.2 The Executive Committee shall approve all the finance and budget policies for the SAFE Secretariat.
- 12.3 The Secretariat shall be responsible for the preparation of annual accounts including the balance sheet and income & expenditure accounts of SAFE in accordance with the overall policies of the Federation.
- 12.4 The Auditors of SAFE shall be appointed for two years period by the General Assembly. The Audit shall be conducted in accordance with the International Standards of Accounting.
- 12.5 The accounts of SAFE shall be maintained in a Scheduled Bank or in a Post Office or National Savings Accounts, National Bank of Pakistan or any Nationalized Commercial Bank.
- 12.6: Each year, SAFE shall appoint an independent agency to evaluate its performance, in order to certify that the Federation is achieving its declared aims and objectives in view of its set and administration.
- 12.7 The Bank Account(s) of the Federation shall be opened and operated by the Secretary General and the Deputy Secretary General or by any such staff of the SAFE Secretariat as may be authorized by the Executive Committee.
- 12.8 The general body shall decide the annual membership subscription rates for various categories on the recommendation of the Executive Committee, as and when deemed expedient.
- 12.9 All Members shall clear the outstanding membership subscription and any other dues of SAFE to the Secretariat within 90 days from the date of the invoice thereof. In case of non-payment beyond the said time period by any Member which is also represented on the Executive

Committee, the Executive Committee may co opt any other representative from amongst the Members not represented in the Executive Committee in place of the defaulting Member.

Article 13: CIRCULAR RESOLUTION

A resolution in writing (in paper or electric form) circulated amongst all Members of the Executive Committee / the General Assembly, and approved by the majority of its Members, shall be as valid and effectual as if it has been passed at a meeting of the Executive Committee and/or General Assembly, duly called and constituted, as the case may be.

Article 14: LANGUAGE

English shall be the official language of the Federation.

Article 15: DISSOLUTION

SAFE shall not be dissolved, except by the vote of at least four-fifths (4/5th) of the Primary Members present at a meeting of the General Assembly specially called for such a purpose. In the event of its dissolution, the assets of SAFE, after meeting all liabilities, if any, shall be transferred to the successor-in-interest of SAFE, within three months of the dissolution under intimation to all concerned, including the Income Tax Authorities.