

SAFE-Dow Jones Index

Benchmark for South Asian markets soon

By Hina Mahgul Rind

KARACHI: In order to promote the South Asian region as a combined investment destination for the global fund managers and investors, South Asian Federation of Exchanges (SAFE) has signed a Joint Marketing Agreement with Dow Jones Indexes Inc, New York for the designing and launch of the first ever index comprising of the prominent companies listed on the major exchanges of the region.

The agreement to this effect has been signed at Mumbai, India between Rajnikant Patel, Chairman, SAFE and Managing Director/CEO, Bombay Stock Exchange

and Sumeet Nihalani, Senior Director, Asia Pacific Sales, of Dow Jones Indexes, and very soon SAFE Index is going to be launched said Aftab Ahmad Chaudhry, the Secretary General SAFE and CEO Islamabad stock Exchange.

Signing the MOU, Rajnikant Patel, Chairman, SAFE and Managing Director & CEO, Bombay Stock Exchange, said, "The imperatives of globalization necessitate increasing interdependence among nations in terms of business, politics and cross-cultural activities. Consequently, capital

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markets in South Asia can no longer afford to remain insulated from each other or from the rest of the world. The markets have overlapping concerns and interests, which need to be recognized and addressed. The idea of a common Index to reflect the region's performance is the logical culmination of this realisation."

As part of the agreement, Dow Jones Indexes shall construct and publicize an index to be known as 'SAFE-Dow Jones Index' after collecting both live trading data and historical price data from the member exchanges of the South Asian Federation of Exchanges. Through a tripartite agreement separately signed amongst the individual exchanges, Dow Jones and SAFE, each of the member exchanges of SAFE has agreed to provide its trading activity data to Dow Jones on live basis for the

continuous updating of the new regional index.

The agreement empowers Dow Jones to independently make all editorial decisions regarding the inclusion of any company in the index or otherwise as per its internationally recognized index construction methodologies and criterion.

This index would represent the collective movement, direction and trend of the regional stock markets and would enable global investors to use the same as a benchmark for the performance of their investments in the region.

This index would also promote the region as an important asset class in the investment portfolio of the regional and international fund managers.

The launch of the initial composite index of the region would subsequently also enable the Dow Jones to launch different sub in-

dexes representing various major and performing sectors of the economies of the countries of the region such as banking, insurance, telecommunication, oil and gas sectors etc.

The index would greatly help the investors in co-relating and comparing the performance of the similar sectors within different countries of South Asia. With the launch of this index, global asset management companies would be able to start Exchange Traded Funds (ETFs) based on SAFE-DJ index, besides enabling the regional and other international exchanges to start futures trading based on this index. It would also serve as an underlying tool for developing many other new investment products in the region.

SAFE was established in the year 2000 and had been operating from Chittagong, Bangladesh until the establishment of its permanent

secretariat at Islamabad, Pakistan in 2005. With the establishment of its permanent Secretariat, SAFE has now become ready in the march towards regional and global integration.

Aftab Ahmad Chaudhry said that although the idea was approved by the SAFE general body representing all exchanges; however SAFE could not launch the index unless all major exchanges had individually agreed on the language of the Tripartite Agreement enabling Dow Jones to start the process of index construction.

He said that with the signing of the agreement, the way has been finally cleared for the quick launch of the index. He termed the agreement as a milestone in the history of the capital markets of the South Asian region by achieving to bring together the representatives of various capital markets of the region and obtain their consent for

extending required cooperation for the launch of the South Asian Index. He stated that after the launch of the index, SAFE Secretariat has been made responsible to market the index to global fund managers for which purpose an effective marketing strategy has been devised. He said that SAFE Secretariat plans to hold the launching ceremony of the index in Mumbai, India where all prominent global fund managers and the CEOs of those regional companies included in the index would be invited following which the work on the designing of an Exchange Traded Fund product on the index with the help of some leading AMC would start.

He stated that SAFE Secretariat has also planned to launch a futures product on this index with the help of one of the far eastern stock market being a major liquid-ity centre.