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SAFE to help setting up

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on site orientation and the study & analysis of relevant regulations for the core business group of National Commodity Exchange (NCEL) from the Multi Commodity Exchange (MCX) of India, both the members of Safe.

The establishment of a fully electronic nationwide commodity market eco system will be one of the most ambitious initiatives ever taken in Pakistan, which would aim to create a network comprising of electronic spot (physical) markets; accredited warehouses; and linked banks/financial institutions providing post harvest financing to the farmers. In this way, the farming community of the country would get the benefit of financial inclusion through the provision of an elaborate price discovery mechanism, the controlled storage facilities for issuing certified qualitative warehouse receipts and the fungibility of these receipts for the extension of credit to the farmers based on the quality of their produce.

Aftab stated that the system would envisage the electronic linking of the existing physical markets for the grain & agricultural commodities of the country by the NECL, the establishment of a Collateral Management Company (for managing the integrated accredited warehouses) through public private partnership and the introduction of regulations facilitating post harvest credit facilities to the farmers.

He stated that each and every step of the proposed system would result in the economic empowerment of the farming community of the country. He stated that firstly the electronic linking of the physical markets would enable the farmers to discover the accurate ongoing prices of their produce through real time anonymous buy and sell orders on the nationwide network resulting in the minimization of their exploitation by the middlemen. Secondly, he said, the establishment of an integrated network of warehouses would enable the farmers to get on-site quality testing of their produce and store their produce in a controlled environment. This, in itself, would empower the farmers to decide on the appropriate timing of the sale of their produce, thereby, yet again giving him the option to not go for the distressed sale at the time of the crop arrival season. Thirdly, he said, the availability of post harvest credit opportunities would enable the farmers to get financing against their produce and invest in the next crop. He said that in this way a great anomaly of the existing financing system, which is mainly based on land holding documents etc., would be corrected and the farmers would instead be

able to get credit against the quality of their crops. He said that overall the establishment of a nationwide integrated market system would provide incentives to the farmers for the modernization of their crop sowing and preservation techniques. He said that in this way, our rural markets would be aligned with an elaborate market/financial system of the country, and the growth of rural economy would result in the overall economic development of Pakistan. He said that on the social side, the system would help in uplifting of the standards of living and the skill development of farming labour as more and more markets would become linked electronically, thereby, requiring the farmers to acquire awareness about the fundamentals of the market economy besides learning the computing skills.

Aftab stated that even before the roll-out of the new system, a great deal of efforts would be made by all the stakeholders on educating the farmers about the benefits of the system, and such efforts would certainly play a meaningful contribution to the rural society.

Aftab Chaudhry stated that the initiative to set up the above system has been undertaken by the Governor State Bank of Pakistan, who after having attended the SAFE Roundtable on the above topic during December 2009, has asked all stakeholders to invest their resources in the setting up of a similar system in Pakistan. He said that for this purpose, both the Chairman NCEL, Kamran Mirza and the Chairman Safe, Adnan Afridi had made a follow up presentation to the Governor SBP, who has asked the core business team to study the system in vogue in the neighboring country. Accordingly, a team comprising of State Bank official Fahad Ullah Khan, NCEL officials Samir Ahmed and Mansoor Ali and Safe Secretary General Aftab Chaudhry has recently visited India. Simultaneously, the SBP has also approached Competitive Support Fund (CSF) to fund a technical assistance project on the above matter.

SAFE is an initiative towards regional and global integration of the domestic capital markets of the region. It's a SAARC recognized nonprofit association and an affiliate of the World Federation of Exchanges with an objective to promote the growth of the securities market in the region. Safe comprises of 17 stock & commodity exchanges, five depository & clearing institutions and some affiliate members from eight South Asian countries, Mauritius and UAE.

SAFE to help setting up of commodity market system

RECORDER REPORT

ISLAMABAD: The South Asian Federation of Exchanges (Safe) will assist in the establishment of a nationwide commodity market system in Pakistan through facilitation from one of its member group to National Commodity Exchange of Pakistan.

According to an announcement of Safe Secretary, Aftab Chaudhry, here on Friday, under this initiative, Safe would utilize its cooperative platform for arranging practical training.

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