



Jan-Mar2001

Newsletter of South Asian Federation of Exchanges

SAFE'S 1st Annual General Assembly and 4th Conference held in Colombo

The two-day conference and general assembly of the South Asian Federation of Exchanges was held in the wonderful atmosphere of Colombo, Sri Lanka, on the 22nd and 23rd of January, 2001. Colombo Stock Exchange hosted 25 delegates from the 12 stock exchanges of India, Bangladesh, Pakistan, Bhutan and Mauritius, and apologies were received from Nepal.

The South Asian Federation was launched in January, 2000, from Chittagong, Bangladesh. Colombo Stock Exchange holds the Vice-chair

of the Federation while Chittagong Stock Exchange is the Chair for the years 2000 and 2001.

Dr. P. B. Jayasundera, Secretary to the Ministry of Finance and Treasury of Sri Lanka, inaugurated the conference and said in his keynote speech that South Asian countries still continue to regulate more than deregulate the economy. Deregulation is crucial to exploit the full potential for greater socio-economic growth. No economy can shift from a closed economy to an open economy without making



SAFE Chairman Mr. Amir Khosru Mahmud Chowdhury MP is seen speaking during the first Annual General Meeting and 4th Conference of South Asian Federation of Exchanges held on 22 and 23 January 2001 in Colombo. Mr. Hiran Mendis, Vice President, SAFE and Director General Colombo Stock Exchange. BSE President Mrs. Deena Mehta, KSE President Mr. Yasin Lakhani. MD of OTCEI Mr. Praveen Mohnot and Secretary General of SAFE Mr. Wali-ul-Mawof Matin ore also seen.





Sri Lanka Securities and Exchange Commission Chairman Mr. Ken Blendra is seen delivering his speech as special guest in the SAFE Colombo Conference.

adjustments and creating an enabling environment for greater private sector-led growth.

The theme of the Colombo Conference was "Globalisation and Deregulation: Issues and Challenges for Exchanges". Colombo Stock Exchange invited Mr. Thomas Krantz of FIBV, Mr. Robert Sandelowsky of Euronext, Mr. Richard Sawyer of Deutsche Bank Global Securities Services and Mr. Tony Weerasinghe of Millennium Information Technologies to speak at the Conference.

Mr. Ajit D. Gunewardene, Chairman, Colombo Stock Exchange, said in his welcome address that modern times are a critical period for exchanges and deregulation, and advancements in technology and the globalisation of capital flows have radically changed the framework in which the exchanges operate. Stronger links between exchanges may evolve into cross-border trading out there are regulatory and technical issues that need to be addressed. The globalisation of capital flows is an opportunity that South Asia must exploit and, in this regard, the Colombo Stock Exchange Chief said that the establishment of a South Asian Mutual fund would increase the region's prospects.

Underscoring growing need for greater networking and partnership within the regional exchanges, SAFE Chairman Mr. Amir Khosru M. Chowdhury said that SAFE has progressed apace, and the member exchanges have been working together on a host of issues and the conference is a further step towards greater cooperation for mutual benefit. He also said that the South Asian Mutual Fund, of which a

concept paper is ready, would be a great move forward.

Mr. Thomas Krantz, Secretary General (Designated) of International Federation of Stock Exchanges, spoke on the 'Globalisation & Deregulations - Challenges for Exchanges' in the context of sweeping globalisation and deregulation. Mr. Rob F. Sandelowsky, Deputy Executive Director (Marketing) of Euronext Amsterdam presented a paper on 'Mergers and Alliances - The Euronext's Experience' while Mr. Richard Sawyer, Director, Head of Sydney Operations, Deutsche Bank Global Securities Services made a presentation on 'Cross Border Clearing and Settlement'. After his presentation, he pointed out the cross-border element, the settlement process, G-30 and ISSA Recommendations on Governing Principles, the current cross-border trade processing and settlement environment, settlement in the developed markets and a comparison of issues being addressed at present in the Australian and South Asian markets. The first day's program ended with a panel discussion based on the issues covered.

The second day of the conference started off with the presentation on 'Cross Border Trading, Clearing and Settlement Technology' by Mr. Tony Weerasinghe, CEO of Millennium Information Technologies, and the presentation on 'Establishment of a South Asian Mutual Fund' by Ms. Deena Mehta, Vice President of The Stock Exchange, Mumbai followed by a panel discussion and concluding remarks on the above issues. -:--

The major event of the day was the 1st AGM of SAFE. The General Assembly approved the

draft proceedings of the Karachi Conference and Annual Accounts of the year 2000. The General Assembly also approved its budget and the work plan for the year 2001 and admitted the Stock Exchange of Mauritius into the federation. An executive training program is scheduled at NSE, India, for the senior executives of the member stock exchanges in March 2001.

In its last conference at Karachi, the Assembly of the SAFE chalked out a work plan to conduct a study in the rules and regulations of all the member exchanges, which Colombo Stock Exchange had generously volunteered to carry out. The task having been accomplished successfully, Mr. Hiran Mendis, Director General of Colombo Stock Exchange, handed that study report to the delegates of this conference.

Mauritius Stock Exchange appears as new member of SAFE

The General Assembly of South Asian Federation of exchanges has approved admittance of the Stock exchange of Mauritius as a member in the meeting held in Colombo on 23rd January, 2001.

The application from the Mauritius Stock Exchange for membership of SAFE was forwarded to the Assembly by the executive committee. Although the location of Mauritius

Cross-border trading is the vision of the SAFE. Among the other debut assignments of the Federation, the idea of launching a SAFE mutual fund was floated in the Karachi conference by Mrs. Deena Mehta of Bombay Stock Exchange. The General Assembly worked out a detailed action plan to materialise the concept. It is expected that in the last quarter of the current year, the 1st SAFE Mutual fund will be ready to go into operation. The SAFE Mutual fund will be the first vehicle of cross-border trading in the region. It is predicted that the close end fund will be listed on the member exchanges regardless of their geographical locations.

The delegates expressed their thanks and gratitude to Colombo stock Exchange for their warm and numerous hospitalities in hosting the conference and the 1st AGM of SAFE.

was not within the region of South Asia, the members of the South Asian Federation of Exchanges welcomed admission of the bourse in the federation.

In formal self-introduction the Executive Director of Mauritius Stock Exchange pointed Mauritius to be a nation with very similar culture and deep rooted historical link with South Asian Countries. The Assembly welcomed Mauritius Stock Exchange in the spirit of expanding the SAFE members beyond regional geographic boundary towards the stream of globalisation.



Participants from Chittagong Stock Exchange, Calcutta Stock Exchange, Dhaka Stock Exchange, Islamabad Stock Exchange, National Stock Exchange, OTC Exchange of India and Royal Securities Exchange of Bhutan are seen who joined the 1st executive training programme of SAAE on "Risk Containment Mechanisms in Stock Exchanges" held In Mumbai on 12 - 16th March 2001 at National Stock Exchange of India. Dr. R.H. Patil and Mr. J.H. Bosco of NSE are also seen. Dr. Patil attended the programme as inaugural guest.

1st Executive Training Programme of SAFE

Under the Executive Exchange Programme, the 1st executive training programme of SAFE on

"Risk Containment Mechanisms in Stock Exchanges" was held in Mumbai on 12 -16th March 2001 at National Stock Exchange of india. The programme was co-ordinated by SAFE Secretariat and organised by NSE, India.

This comprehensive training programme is designed to impart skills and knowledge to those who manage and conduct the affairs of stock exchanges, especially the mid and senior level executives of the member bourses. Participants from Chittagong Stock Exchange,



European Union Counselor visits the SAFE Secretariat

Mr. J. V. Ketelsen, the First Counselor of European Union and Mr. Zillul Hye Razi, Economic and Information officer, European Union visited Chittagong Stock Exchange on March 20, 2001 and met the SAFE Chairman and CSE President Mr. Amir Khosru M. Chowdhury.

The First Counselor visited CSE to discuss with the issues of SAFE and its progress with the SAFE Chairman Mr. Amir Khosru M. Chowdhury MP and the Chief Executive Officer of CSE and SAFE Secretary General Mr. Wali-ul-Marroof Matin.



"DSE-20" new index in DSE

The Dhaka Stock Exchange has introduced a new index in addition to its existing one, which is known as the "DSE-20" with effect from 1st January 2001. The base index is 1000 points as at 1st January 2000.

Calcutta Stock Exchange, Dhaka Stock Exchange, Islamabad Stock Exchange, National Stock Exchange of India Limited, OTC Exchange of India and Royal Securities Exchange of Bhutan Limited joined the programme.

Mr. Matin gave a detailed presentation on the vision and activities of SAFE and CSE. Mr. Ketelsen expressed his satisfaction on the CSE-SAFE activities and praised CSE's state-of-the-art technology enabling the CSE brokers to do online trade from any corner of the country. Mr. Ketelsen in his comments written in the CSE visitor's book mentioned that "I am very thankful and appreciative for the enlightening discussions I was able to have with the CSE. I am convinced that the European Commission and the CSE have successfully embarked on a fruitful cooperation to the benefit of CSE and SAFE." Mr. Khosru the CSE President and SAFE Chairman said that three vital issues that CSE pursued from the very inception i.e., transparency in CSE activities, using modern technology to create a very efficient bourse and expanding CSE trading network countrywide. CSE President emphasized on research. CSE Director Mr. Syea Mahmudul Huq was also present in the meeting. After the meeting the delegation visited various departments including equipment room, research cell and Library.

The main logic behind the launching of a new index is to highlight the performance of the Blue Chip companies- The parameters set for a company's inclusion into the new index construction are:

- a) Market capitalization of at least Tk. 200 million.
- b) Minimum 20% of the share are at the hand of general public.
- c) Minimum 10% of dividend pay out for the last consecutive three years.
- d) Trading liquidity at least 95% of the trading day for the last six months.

Subjective criteria like, good corporate governance, regular holding of annual general meeting and sectoral representation have also been considered.

The DSE-20 is primarily comprised of 20 companies representing 9 sectors. The index represents over 9% of the listed companies and accounts for about 43% of the total market capitalization of the DSE.

DSE warned 21 AGM defaulter companies

=

Twenty one listed companies have failed to hold their annual general meeting (AGM) in the year 2000. Dhaka Stock Exchange has asked them the reason about not holding of AGM & also whether any initiative so far taken by them for holding the pending AGM. AGM defaulter companies for three or more years, have been served show cause notices & also given warning mentioning why necessary action will not be taken against them as per DSE Listing Regulations.

Council Election - 2001

The council election -2001 of Dhaka Stock Exchange will be held on 20 March 2001. In this regard the council has formed the Election Commission appellate Board to conduct the election. It is expected that 1 81 voters will cast vote to elect four Councilors.



Lahore Stock Exchange has adopted following Reforms :

A Free exposure exemption has been dispensed with and, members are required to make a deposit of 5% as initial deposit.

4 Under the directive of Securities & Exchange Commission of Pakistan, the carry over of blank selling has been;

i stopped at LSE.

-4 Lahore Stock Exchange is moving towards T+3 CNS Settlement System.

A Net capital limit of LSE members has been increased Rs.250,000/-to Rs.1.5 million.

? National Clearing Company of Pakistan Ltd. (NCCPL), is being established and LSE is one of the equity participants.



BSE Webx .com

On February 16, 2001, BSEwebx.com - the Internet Trading system of The Stock Exchange, Mumbai was launched at the hands of the Hon'ble Minister Shri Pramod Mahajan, Information Technology & Parliamentary Affairs, Government of India. BSEwebx.com is the only Exchange enabled Internet trading solution in the world. r

It provides end-to-end capital market services on a single interactive platform. All market participants' viz. Investors, Member Brokers, Depositories, Banks, and related entities are integrated into one seamless self-sustaining e-biz ecosystem through the system.

The fundamental aim of BSEwebx.com is in altering the ways and means of conducting financial transactions by :

A Promoting transparency of information;

A Enhancing awareness of marke participants through provision of information; and

A Providing a highly scalable Internet and wireless Internet-based trading alternative to investors and member brokers alike.

Debt Segment

BSE plans to launch trading on the Debt Segment. BSE's goal for the Debt segment is to provide a transparent & efficient electronic trading System, which would result in the improvement of liquidity of the Debt Markets.

The 'GILT' system software developed for the Debt Segment would enable the participants in the Debt market to trade by placing orders through an order driven system. The 'GILT' system also has a provision for the reporting of negotiated deals and cross deals.

The Settlement for the securities traded in the Debt Segment would be on a Trade by Trade DVP basis. The primary responsibility of settling trades concluded in the wholesale segment rests directly with the participants who would settle the trades executed in the GILT system on their behalf through the Subsidiary Ledger Account of the RBI. Each transaction is settled individually and netting of transaction is not allowed. The Exchange would however monitor the Clearing and Settlement process for all the trades executed or reported through the 'GILT' system.

The Economic Times - BSE Investors Year Book

Bombay Stock Exchange (BSE) in association with The Economic Times released 'The Economic Times-BSE Investors Year Book' on 15th February, 2001 at the hands of Shri P.S. Subramanyam, Chairman - UTI. This book is one of the major initiatives taken by The Stock Exchange, Mumbai (BSE) and The Economic Times, the premium knowledge and business daily, to make information available to the investors.

BSE has been in the forefront of undertaking many initiatives which have helped enhance the safety and security features in the capital market mechanism and ensure the highest degree of protection to the investor. The book is first of its kind in India and contains a wealth of information on different financial instruments

available in the market with an insight on the functioning of the market.

This book covers bank deposits to mutual funds to credit cards to personal finance schemes. It contains a step by step approach to alternate investment avenues with its pros and cons.

This book is intended as a comprehensive source of information on the Indian Capital market to a broad spectrum of investors all across the country. We are sure that this book would be of immense help to Investors, worldwide.

BLESS

The Stock Exchange, Mumbai has launched BLESS (Borrowing and Lending Securities Scheme) on January 22, 2001. BLESS is a unique mechanism for stock lending, money lending, hedging & margin trading. The BLESS system is available in all 176 'A' group scrips and 15 scrips in compulsory rolling settlement shares.

BLESS would cater to two type of investors. One class of investors who have trading positions, either purchases or sales, on BSE in settlement, for which the investors require a mechanism to defer settlement. Second class of investors are those having funds or securities (176 scrips in A group and 15 scrips in Rolling settlements), which they wish to deploy in the stock market and earn returns. The BLESS system provides a mechanism for the lending and borrowing transactions in Securities and funds by these parties with opposite interests.

Advantages of BLESS

- ^ Promotes securities lending & borrowing activities - essential for any developed capital market
- A Makes available securities to borrowers and thus helps in infusing liquidity
- A Reduces workload at Brokers back offices
 - Greater integration between money & capital markets



New Chairman of NSE

Consequent on resignation by Mr. G.P. Gupta, the Board of Directors of National Stock Exchange of India Limited elected Mr. G.N. Bajpai, Chairman and Managing Director, LIC as the Chairman of NSE on February 12, 2001.

Franklin India Index Tax Fund;

Templeton launched the 'Franklin India Index Tax Fund¹' on February 16, 2001. This is the first tax saving index fund on the S&P CNX Nifty. This is also the fifth index fund on 5&P CNX Nifty- The other funds tracking S&P CNX Nifty are UTI Nifty fund, UTI Offshore fund, IDBI Index fund and Franklin India Index fund.

Record Turnover

NSE witnessed the highest turnover (in value terms) since inception in both Capital Market as well as Wholesale Debt Market segments on February 28, 2001. The turnover in these two segments were Rs. 10,367 crore and Rs. 5,124 crore respectively.

The CM segment also clocked the highest number of trades viz. 13,78,944. The F&O segment recorded highest ever turnover of Rs. 71 crore on February 23, 2001.

Waiver of Transaction Charges

The Exchange waived transaction charges payable in respect of trades in derivative segment till June 30, 2001. Contribution to the Investor Protection Fund by Trading Members of the Segment will however continue..

Digital Signatures on Contract Notes

NSE allowed its Trading Members to issue contract notes authenticated by means of digital signatures provided that they obtain the digital signatures from certifying authority under IT Act, 2000.

Clearing Bank

National Securities Clearing Corporation Limited (NSCCLJ empanelled Bank of India as a clearing bank with effect from January 30, 2001, in addition to the existing Canara Bank, HDFC Bank, Global Trust Bank, IndusInd Bank, ICICI Bank, UTI Bank and Centurion Bank.

Neat XS/Neat iXS Products

NSEIT, a 100% technology subsidiary of NSE, provides the securities industry with technology, which ensures transparency and efficiency in the trading, clearing and risk management systems. Amongst the first products launched by it are Neat XS, a CTCL order routing system and NEAT iXS, an Internet trading system. The primary advantages of these products are unlimited expansion through single VSAT and comprehensive surveillance facility in-built in the product. These products have helped brokers to expand their connectivity to remote locations through leased line and Internet.

These products have become extremely popular among the broking community. By the end of the month there were 100 live sites of these products.

New Modules in NCFM

Insurance Regulatory and Development Authority requires that a person desiring to obtain or renew a license to act as an insurance agent or a composite agent shall pass pre-recruitment examination for life insurance agents and/or pre-recruitment examination for general insurance agents, as the case may be. NSE in association with the Insurance Institute of India (111), have commenced pre-recruitment examinations for insurance agents in electronic mode. This is

being administered through an on-line, fully automated and nation-wide testing system called NSE's Certification in Financial Markets (NCFM). NCFM now has two more modules, namely:

- i) Pre-recruitment Examination for Life Insurance Agents, and
- ii) Pre-recruitment Examination for General Insurance Agents.

Certificate Distribution Ceremony

While giving ciway certificates in a public ceremony on February 13, 2001 to the first lot of candidates who successfully completed the pre-recruitment examination for insurance

During the year 2000, the total market capitalization of the thirteen listed companies has increased to Nu 2,320.64 million since September 2000. The total turnover in equity, till date, is 56 million and over Nu. 1,832 million in short term discount bills. There was no new bond issued during the period.

Despite the slow market there has been overwhelming responses from the public investors towards divestments rights issue and the new offers in the market in the recent past. Divestment by the Royal Government occurred mainly on the reputed companies with good performance records and such policy has helped to promote its market.

Dematerialization and its importance are gradually realized by some of the companies,



OTC Exchange of India unveils the OHM Session, an exclusive after-hours trading

agents in the electronic mode, Mr. N. Ranagachary, Chairman, Insurance Regulatory & Development Authority (IRDA) commended efforts of the NSEIL. This examination is being administered through an on-line, fully automated nation-wide testing system called NSE's certification in Financial Markets (NCFM). Mr. H. Sonig, Member, IRDA presided over the function. Mr. M. G. Diwan, Deputy Chairman, Board of Studies of the Insurance Institute of India graced the occasion as guest of honour. Mr. G. N. Bajpai, C&MD of LIC and Chairman of NSEIL and Mr. Ravi Narain, MD & CEO, NSEIL shared their thoughts on quality intermediation through certification. Mr. Harbachan Singh, Member, IRDA and CEOs of many insurance companies and training institutes participated in the function.



which have issued shares certificates to public prior to inception of the RSEB. A Few of them have already come forward to go scripless. The Depository, on the other hand, is expected to receive some technical assistance for development of its proper legislative frameworks only towards the middle of the year2001.

The OTC Exchange of India becomes the only Exchange to offer after hours trading. The normal session at OTCEI would operate from 10:00 a.m. to 3:30 p.m. The OHM (OTCEI Hi-Trade Market) session will begin at 4:30 p.m. and will extend up to 7:30 p.m. The participants would get an opportunity to trade for extended hours.