

Newsletter



Volume II, June 2007

SOUTH ASIAN FEDERATION OF EXCHANGES

BSE Launches BSE Reality Index

**Nepal Stock Exchange Automates its Trading
and Settlement & Clearing Systems**

**A Landmark Initiative of Pakistani
Bourses; Launch of Unified Trading System**

CDSL India signs MoU with DTCC USA

Developing Capital Markets through regional Cooperation

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International Training Programme for Securities Market Professionals 2007



From 3rd to 7th Sep. 2007
Islamabad-Lahore, Pakistan

Last date for Registration
July 20, 2007

An ideal learning opportunity for securities market operators, fund managers, investors or other financial sector practitioners/regulators

Arrangements:

International Training Programme for Securities Market Professionals is being organised by SAFE in Islamabad and Lahore, Pakistan. Bombay Stock Exchange (BSE), the oldest Stock Market in Asia, and NIBAF, a subsidiary of the State Bank of Pakistan (SBP), shall act as co-organisers for the said Training Programme.

Professional Learning:

The 5-day study programme is aimed at capacity building of executives associated with various aspects of securities markets operations. The training programme is divided into five parts, beginning from the basics of securities markets and related entities and goes on to the discussion on the core areas of investment and financial planning.

Register now!

For Details and Registration, visit www.safe-asia.com/training or email to: training@safe-asia.com

Cultural Learning:

In order to promote cross-border relations, the programme also lays emphasis on cultural learning of the participants through various excursions to places of heritage and historic importance of Pakistan.



Organised by
**South Asian Federation
of Exchanges**

in cooperation with



**National Institute of
Banking and Finance
(NIBAF)**



BSE Training Institute (BTI)

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difference

SAFE SECRETARIAT UPDATES

SAFE INVITES FOR AFFILIATE STATUS

Mutual collaboration is very pertinent for any organization to ensure sustainability and development in this competitive world. In the wake of the changing global scenario, SAFE has already taken concrete steps towards establishing strong ties with sister federations of stock exchanges, financial bodies and leading corporations of other regions. SAFE believes that the regional federations also need to redefine their boundaries and establish ties with the other bodies in order to achieve further headway. In this age of globalization, when bigger companies are merging, small investors are searching markets; our capital markets must also re-define their objectives and seriously think in the present changing scenario.

Given SAFE's status of an association to represent the Capital markets of South Asia, SAFE has been consistently striving to establish strong relationships with the regional bodies to share ideas, knowledge and experiences. The Secretariat has been working upon establishment of affiliate and collaborative status with the following Federations.

- African Stock Exchanges Association (ASEA)
- Association of Futures Markets (AFM)
- Asian and Oceanian Stock Exchanges Federation (AOSEF)
- Federation of Euro-Asian Stock Exchanges (FEAS)
- Federation of European Securities Exchanges (FESE)
- Federacion Iberoamericana de Bolsas (FIAB)
- International Association of Exchanges of Commonwealth of Independent State Countries (IAECIS)
- World Federation of Exchanges (WFE)

Our initiative was welcomed and responded by most of the addresses. Under this initiative various perks were to be offered and received on reciprocal basis with the purpose to facilitate and enhance mutual collaboration. The perks mandatory with Affiliate status include

(i) displaying of links of events or publications or any other links on official websites, (ii) advertisement of events, publications or requests of Affiliates to members, (iii) full access to digital and publication resources, (iv) obliging each others' data requests and also helping gather general information from respective member entities and (v) special rates and discounts for staff members for events and publications.

In this regard, the SAFE Secretariat is in the process of finalizing a Memorandum of Understanding (MoU) with the Association of Future Markets (AFM). Similar MoUs will be signed with other federations although some federations have not made such undertaking mandatory and are willing to establish reciprocal facilitation based upon mutual consent.

We want to highlight here that this Affiliate status shall also prove beneficial for our members as it shall serve to bring together the capital market professionals of various regions. It shall also facilitate exchange of information and assistance across regions, amongst the respective members of sister federations, and help in establishing stronger ties between various capital markets

As a first step towards mutual facilitation the promotion banners of International Training Programme for Securities Markets Professional 2007 have been displayed on the official websites of Association of Future Markets Association (AFM) and Federation of Euro- Asian Stock Exchanges (FEAS).

DIGITAL LIBRARY

South Asian Federation of Exchanges in collaboration of Higher Education Commission of Pakistan (HEC) is trying to establish a project of Digital Library at its official website, www.safe-asia.com. In order to utilize the full potential of our web domain, we have decided to establish a digital library on our website that will provide world' best links along with several comprehensive search engines containing colossal amount of information and knowledge about capital markets, business studies, research journals, articles, finance and investment material, and much more.

Higher Education Commission of Pakistan (HEC) has graciously offered us the important links including Emerald, JSTOR, SCOPUS, Science Direct - Digital Library of the Future, ACM, Oxford University Press, British Library, Blackwell Publishing and Springer Link, in addition to the hundreds of Open access Links. These links would be accessible from our website. It is pertinent to mention here that the Higher Education of Pakistan has laid down very tough criteria for Private Universities and Research & Development Organizations.

UNIVERSITY STUDENTS VISIT SAFE SECRETARIAT

The students of National University of Computer and Emerging Sciences visited the SAFE Secretariat at the ISE building on 23 May 2007. SAFE Secretariat welcomed the students and briefed them about the activities of SAFE. Mr. Imran Mahmood and Zahid Khan spoke to the group about the Federation, its objectives and future goals. Later on, they were taken round to various brokerage houses.



LATEST ABOUT INTERNATIONAL TRAINING PROGRAMME FOR SECURITIES MARKET PROFESSIONALS

News about International Training Programme (in progress)

Registrations for International Training Programme for Securities Market Professionals are in full swing. The Secretariat Staff is busy in sending email requests to all member exchanges; we have also sent training messages to all registered members of member exchanges. Not only this, but we have also invited bankers, brokers and securities market professionals, we have received an over whelming response from the South Asian region and we would like to request all our member entities to ensure their participation in this training programme not only to help us make it a success for this to be adopted as a regular feature, but also to ensure representation of the entire South Asian region and all spheres of stakeholders of the South Asian Capital Markets. In this regard we are requesting all our members to encourage their members, market participants and investors to participate in this programme.

Distribution of Training Material

Publicity material including banners and pamphlets have been provided to all member exchanges in order to be displayed at public access areas and distributed amongst market participants.

Scholarship Scheme

As per SAFE's ideology of inception, facilitating exchange of information, promoting mutual assistance amongst its members and other related entities and ensuring human resource development for its member exchanges are its main objectives. In this regard SAFE has been sponsoring training sessions for representatives of its member entities since 2001. The practice of awarding scholarships for such training programmes has been adopted as a permanent feature. Henceforth, SAFE shall be conducting international training programmes on annual basis. Since only one scholarship is being offered to each member country, therefore, the selection of executives from countries having multiple members shall be made through ballot. We are also trying our level best to involve our sister federations of regional associations and we are keenly following up any interest generated thereto.

Training Banners on websites of AFM and FEAS

It is a matter of utmost pleasure that training banners have been displayed on the official websites of Association of Future Markets Association (AFM) and Federation of Euro- Asian Stock Exchanges (FEAS). Please visit the following links.

- <http://www.afmorg.net/>
- <http://www.feas.org/Calendar.cfm?Get=Upcoming&&Top=News>

PRIMARY MEMBERS' UPDATES

FROM BOMBAY STOCK EXCHANGE (BSE), INDIA

BSE's one step further to development of Indian Corporate Debt Market (ICDM)

BSE's has launched a Negotiated Trading cum reporting platform for the corporate debt market. This platform has USP's such as a chat facility between market participants, online updation/addition of issuances etc. This is the second stage of the road map and builds on the Indian Corporate Debt Market (ICDM), launched by BSE earlier this year, for reporting all corporate deals done in respect of debt instruments, which are listed on any stock exchange in the country.

BSE launches 'BSE realty index'

In keeping with its tradition of introducing new products to meet the needs of investors and in recognition of the growing importance of the real estate sector in the Indian economy, BSE announces the launch of BSE Realty Index. Fundamental changes are taking place in this sector in India. The demand for real estate in the country, both residential and commercial, has registered strong growth over the past three years and Indian cities have become attractive investment destinations for international real estate players.

The market capitalization of the real estate sector in India is just 4.2% of the total market capitalization, well below the global norm of approximately 15%, reflecting the headroom available for growth of this sector. The index is calculated on free -float methodology and it represents about 95% market capitalization of real estate development companies in BSE-500 index.

BSE Launches - Indian Journal of Capital Market

On its 133rd foundation day - Bombay Stock Exchange has launched a new publication - The Indian Journal of Capital Market (IJCM). It is a quasi-academic publication focusing on Indian Financial markets.

The Explosive growth witnessed in the markets (in terms of SENSEX level, FII inflows, value and volume of transactions, etc) has thrown up a host of issues, which deserve to be debated and discussed at length by all the stakeholders. We believe that IJCM will provide the platform for the exchange of views, for airing of new ideas and for incisive analysis of issues pertaining to the Capital Markets. The Contents in this journal have been sourced in equal measure from academicians and market practitioners.

Given the rapidity with which the capital market universe is evolving, IJCM would serve a very useful purpose by bringing together all stakeholders and their considered opinions will benefit regulators and policy makers. IJCM is expected to be well received by global organizations as well, given the very high level of overseas interest in the Indian Capital Markets.

FROM ISLAMABAD STOCK EXCHANGE (ISE), PAKISTAN

Construction of ISE Towers

Islamabad Stock Exchange is constructing its own building that shall serve as financial hub for the investors; this tower is being constructed with a view to facilitate the trading flows. ISE Towers is located at a prime location of Jinnah Avenue, Blue Area, Islamabad, Pakistan, which is the hub of all business and commercial activities in Islamabad. It is very close and easily accessible from all parts of the fastly growing twin cities. It is one of the most secure commercial areas in the city, which always remains under strict vigilance of the law enforcement agencies due to its close vicinity to Parliament House, Secretariat, Diplomatic Enclave and Armed Forces Establishments.

The location of ISE towers is easily accessible through public/private transport due to very good road network. The building location shall also provide plenty of light and air to the tenants. Building is being constructed in the form of twin towers from third floor onwards with a wide central lobby at Ground Floor.



FROM KARACHI STOCK EXCHANGE (KSE), PAKISTAN

Change of Guards for Karachi Stock Exchange



The Board of Directors of the Karachi Stock Exchange elected Mr. Shaukat Tarin as chairman and Mr. Yacoob Memon as Acting Managing Director of the Karachi Stock Exchange (KSE) for the year 2007. The seat of chairman had fallen vacant following the resignation of Mr. Zaffar A. Khan from the positions of chairman and director, as he was chosen by the government to run Pakistan International Airlines (PIA).

Mr. Shaukat Tarin is known as a renowned banker with more than 30 years of experience with local and international institutions. He has worked as President of Habib Bank Limited, Pakistan and more recently Union Bank Pakistan. Mr. Tarin had also been elected as the chairman of the National Commodity Exchange Ltd. He is also on the boards of Pakistan Industrial Development Corporation and Pakistan Steel Mills. He is also leading the SECP's committee on CFS MK-II.

FROM LAHORE & ISLAMABAD STOCK EXCHANGE, PAKISTAN

UTS Launching Ceremony between LSE and ISE



The ground breaking ceremony between Lahore Stock Exchange (LSE) & Islamabad Stock Exchange (ISE) for Unified Trading System (UTS) was held at ISE building on April 30, 2007. The ceremony was attended by Mr. Omar Ayub Khan, Federal Minister for Finance, Mr. Razi-ur-Rehman Khan, Chairman Securities and Exchange Commission of Pakistan (SECP), Mr. Hamid M. Imtiaz, M.D Lahore Stock Exchange (LSE), Mr. Aftab

Ahmad Ch. M.D/CEO. Islamabad Stock Exchange (Guarantee) Limited (ISE), Members of Islamabad Stock Exchange, brokers, newsmen and general public. This was a historic day for two exchanges as this new trading system would enhance the trade volume, provide better price discovery and faster execution of trade orders between the two exchanges. Mr. Omar Ayub Khan, the chief guest, lauded the untiring efforts of the LSE and ISE for materialising the Unified Trading System. He termed the event as landmark in the history of both the exchanges.



Unified Trading System would provide a common trading platform to the members of two exchanges. ISE and LSE would be interlinked through DSL, optic fiber and radio link. The latest technology of first ever nature has been used for implementing the system. The members of the two exchanges can execute their trading with each other through intranet. The need of UTS was felt as the three exchanges of country had been facing the problem of fragmentation and it was causing serious problems for all stakeholders particularly investing public. This had reduced liquidity, affected price discovery, increased cost of trade and affected quality of execution, thereby keeping market access limited and not letting the market realize its potential. In order to address these problems, the ISE and LSE conceived the idea of having a common trading platform. With the onset of the UTS, it is expected that the above problems in the local market would disappear to a greater extent.



SAFE congratulate both ISE and LSE on the implementation of this landmark initiative. From our forum we would also like to request and encourage both exchanges to share their expertise and experience with other South Asian capital markets to contribute towards the development of South Asian Capital Markets sector.



FROM STOCK EXCHANGE OF MAURITIUS (SEM), MAURITIUS

The Stock Exchange of Mauritius (SEM) was highly commended by the jury for the Africa investor (Ai) Index Awards. The Ai Index Awards were presented on June 8, 2007 at the London Stock Exchange to reward Africa's best performing stock exchanges, listed companies, investment banks, research teams and fund managers.

The "Best African Stock Exchange" Category, strove to look at the performances of exchanges, the ability of the exchanges to provide accurate real time information to investors, how technology is being used to facilitate trading and how the exchanges are working to include smaller companies and protect minority shareholders. The winner for the best African Stock Exchange went to the JSE Securities Exchange, and the Stock Exchange of Mauritius was highly commended by the jury panel for its No. 2 ranking position. In identifying the winner, the jury also looked at the absolute performance of African stock markets between 1st April 2006 - 31st March 2007, quality of website, responsiveness of the communication department, clarity of listing rules and requirements, openness of the financial services sector, quality of trading system and real-time trading facilities, to name but a few.

Though satisfied of what we have achieved so far, our minds and energy are resolutely focused on other important targets that will help us grow our markets further. During the year, our focus will be on the following:

- creating and trading of derivative products on specific underlying financial instruments,
- introducing the concept of turn-around trading,
- Implementing the new listing rules for international funds.
- Launching the Corporate Social Responsibility Index

FROM NATIONAL COMMODITY EXCHANGE LTD (NCEL), PAKISTAN

National Commodity Exchange Limited (NCEL) Launches its Formal Operations in Futures Gold Contract

National Commodity Exchange Limited (NCEL) has launched its operations in Karachi on 11 May 2007 in a dignified ceremony witnessed by various persons from corporate sector. National Commodity Exchange Limited (NCEL) is the first technology driven, de-mutualized, on-line commodity futures exchange in Pakistan. NCEL's shareholders are Karachi Stock Exchange, Lahore Stock Exchange, Islamabad Stock Exchange, Pak Kuwait Investment Company (Pvt.) Limited, and Zarai Taraqiati Bank Ltd and it is regulated by Securities and Exchange Commission of Pakistan.



The trading in exchange will start with three-month gold futures contracts and later other commodities including rice, sugar, wheat, crude palm oil and cotton yarn will be added in the trading at the end of the current year 2007, sources apprised. The commodity exchange will operate for two hours every day from February 7, however, within next two months it will operate for 12 hours a day from Monday to Friday.



FROM NEPAL STOCK EXCHANGE (NEPSE), NEPAL

NEPSE Trading Automation

Nepal Stock Exchange Limited (NEPSE) is in the final stage of automation of trading and settlement system under the Asian Development Bank (ADB) loan assistance project i.e. Corporate and Financial Governance (CFG) at the cost of US\$ three hundred thousand. The project is targeted to substitute the present open-out cry system by electronic system within a month. In this connection NEPSE made an agreement with the British Company Comdaq Limited in November, 2006 and entrusted the responsibility for developing internationally accepted system.

Measures Introduced to Reform the Market

NEPSE introduced the following measures in order to reform the market

- Current System of matching transaction was abolished.
- Trading halt system was introduced through circuit breaker in case of ± 10 percent price fluctuation.
- Blank transfer provision was systematized.

Secondary Trading of the Government Bonds Began

NEPSE recently started the secondary trading of the government development bonds which was inaugurated by Finance Minister Dr. Ram Saran Mahat. The objective of the secondary trading of the bond is to boost the liquidity and reduce the cost of borrowing of the government. On that very day, a total of seven hundred thousands trading were made among the four institutions, while a total of Rs. 7 billion bonds have been listed in the stock exchange to-date.

Organizational Reform of NEPSE

In the process of organizational reform, NEPSE introduced the new organizational chart, and on the other hand, it also introduced Volunteer Retirement Scheme (VRS), under which about 45 percent unproductive staff opted the VRS, while fresh and competitive professional and staff are being recruited.

ASSOCIATE MEMBERS' UPDATES**CDSL AND DTCC (USA) SIGN INFORMATION SHARING AND COLLABORATION PACT**

The Central Depository Services (India) Ltd. (CDSL) has signed a Memorandum of Understanding (MoU) on June 25, 2007 with The Depository Trust & Clearing Corporation (DTCC) of New York, designed to build a cooperative relationship. Under the terms of the MoU, DTCC and CDSL will establish a mechanism whereby board members, senior management and staff of both sides could meet on a regular basis to increase mutual understanding and exchange market updates, improvement opportunities and information on business operating models.

“India is one of the fastest growing areas of the world, and CDSL is a major part of the securities infrastructure in the country,” said Donald F. Donahue, DTCC Chairman-elect and Chief Executive Officer. “This agreement with CDSL will give us a structure to exchange ideas, share market insights and develop coordinated ways of working with each other in what is rapidly becoming a global trading environment.”

“The MoU with DTCC is an extension of the good relations that CDSL shares with them. I see it as an initial formal handshake, the beginning of a long and mutually beneficial business relationship,” said Vijay V. Raut, CDSL Managing Director & CEO. “We are sure that this event will result in significant, tangible benefits, not just to both organizations, but also to our stakeholders and to the securities markets at large.”

ANNOUNCEMENT FROM THE SAFE SECRETARIAT

As you are aware that publication of SAFE Newsletter has become a regular feature at the Secretariat on a quarterly basis. We consider our SAFE Newsletter to be an important medium of information amongst the members and other related spheres of South Asian capital markets. We try to cover the major updates of all our member entities; similarly, we have decided to include research essays and activity updates or announcement from our members in the upcoming issues.

We would like to thank all our worthy members for their valuable contributions. In order to maintain the harmony and equivalence, we have decided to include all contributions from our members in alphabetical order (on the basis of name of the entity). We have also introduced new sections such as Primary Members' Updates and Associate Member's Updates. We strongly urge all of our members to send in us contribution at newsletter@safe-asia.com before the end of each quarter.

SAFE newsletter shall also try to focus members' activities with a mission to convey their message to other parts of the world. We also distribute soft copies of the newsletter to sister federations and selected security markets' professional and it is also available on our official website for general public. Our esteemed members can also utilize the pages for advertisement on very nominal charges but we assure that their investment shall bring back sound rewards.