



Strengthening Financial Sectors

**Final Report on Cross Border Listings
for the
South Asian Federation of Exchanges
Primary Research Data**



December 2005

Introduction

The consultant visited the following four SAFE countries in November and December 2005: India, Pakistan, Bangladesh, and Sri Lanka. He also met with a delegation from the Securities Board of Nepal, whilst he was in Bangladesh.

In each country the consultant held discussions with the SAFE member stock exchanges, Ministries of Finance and Central Banks, Securities Regulatory bodies, a small cross section of listed issuers to discuss cross border listing, and a small cross section of market intermediaries to discuss potential investor interest in cross border trading. The listed issuers and intermediaries were identified by the stock exchanges in each country.

The exchanges, regulators, listed companies and intermediaries were each given a questionnaire ahead of the meeting, which was designed by ISC to establish the level of commitment to cross border listing and cross border trading in each country visited. A copy of the questionnaire is set out in the Appendix. In some cases the questionnaire had been completed in advance by the interviewee. In all cases, the questionnaire was used as a guide during the interview and not a detailed script.

It is important to note that the interviewees are a cross-section of intermediaries and listed issuers in each country, selected by the stock exchanges, are not a scientifically significant “representative sample”. The primary data collect by the consultant thus represents “exploratory research” regarding the level of commitment to cross border listing and cross border trading in each country visited.

A list of the people interviewed, together with the interview notes and completed questionnaires received are set out below.

Acronyms, Abbreviations and Notes

ADR	American Depositary Receipts
BSE	Bombay Stock Exchange
CDS	Clearing Depository System
CSE	Colombo Stock Exchange
DR	Depository Receipt
DSE	Dhaka Stock Exchange
FX	Foreign Exchange
GDR	Global Depository Receipt
ISE	Islamabad Stock Exchange
KSE	Karachi Stock Exchange
LSE	Lahore Stock Exchange
MOU	Memorandum of Understanding
NSE	National Stock Exchange, India
RBI	Reserve Bank of India
SAFE	South Asian Federation of Exchanges
SEBI	Securities and Exchange Board of India
SECP	Securities and Exchange Commission of Pakistan

List of Interviews

Country	Regulators	Government	Brokers and other Intermediaries	Listed Companies
Pakistan	Islamabad Stock Exchange Mr. Aftab Ahmad Ch., CEO/Managing Director Mr. Ahmad Noman, General Manager	Ministry of Finance Muhammad Iqbal Hussain, Senior Joint Secretary	Al Hoqani Securities & Investment Corp. Ltd. Shahid Ali – CEO	KASB Securities (considering listing) and KASB Bank (listed)
	Karachi Stock Exchange Muhammad Ghufraan Dep. Chief Manager - Company Affairs Dept. Ghulam Hussain Dep Manager – Trading & Members Affairs Dept.		Aqeel Karim Dhedi Securities (Pvt) Ltd. Kashif Shamim Head, Investment Banking	
	Shamim Ahmad Khan – former Chairman of SECP Cathryn Martens Malik	State Bank of Pakistan Azhar Kureshi Director, Policy Exchange Wing	Arif Habib Securities Ltd. Arif Habib Chairman & CEO (member of KSE and LSE) Arif Habib Investment Management Ltd	Arif Habib – considering listing a private cement company
	SECP Securities Markets Division Imtiaz Haider – Director		Finex Securities Ltd Al A. Shirazee - CEO	

	Murtaza Abbas Dep. Director Zaib Shadani Assistant Director Ms. Saima Shafi: Assistant Director Mr. Atif Latif: Junior Executive Mrs. Sarwat Aftab: Joint Director			
			Jahangir Siddiqui Capital Markets GM Malkani S.I. - CEO Kamran Ansari CFO & Company Secretary	
			KASB Securities Farrukh Sabzwari - CEO Moeen Sheikh – CFO & Company Sec.	
			Moosani Securities Ltd. A. Ghaffar Moosani, Chairman and CEO	
			Sirajuddin Cassim Pvt Ltd.- member of KSE Sirajuddin Cassim – Chairman &	

			CEO Nihal Cassim	
India	Bombay Stock Exchange Dr Bandi Ram Prasad – Chief General Manager & Chief Economist C Vasudevan – General Manager, Knowledge Management P S Reddy – Chief General Manager - Listings Sanjay Golecha – General Manager, Corporate Services Jyoti Chawla Deputy Manager		Kotak Mahindra Capital Co. Ltd. S Ramesh – Executive Director, Equity Products Group	Kotak Mahindra Capital Co. Ltd. Adises companies on listing in India and DRs overseas.
	SEBI D Chanda – Chief General Manager Parag Basu – Listing Manager		Motilal Oswal Securities Limited Manish Shah – Head of Retail products and strategy Prem Khatri – Director – Retail Business	

			National Stock Exchange of India Chitra Ramkrishna – Dep. Managing Director T S Jagadharini – VP K Hari – Asst VP (listings)	
Bangladesh	Dhaka Stock Exchange Salahuddin Ahmed Khan – CEO Shaikh Mohammadullah – Sec Syed Abu Zafar (Shamim) – Listing Affairs	Mohammed Shafiul Azam Dy Director Securities and Exchange Commission, Ministry of Finance	M. Abdul Rashid & Co. (Member DSE) Ahmad Rashid Lali Vice President of DSE	M. Abdul Rashid & Co. Considering listing several private companies

Sri Lanka	Colombo Stock Exchange Hiran Mendis – Director General Surekha Sellahewa – Snr. Manager, Listing and Surveillance R Lalin Paranavitana – IT Rajeeeva Bandaranaike – Marketing and HR Renuke Wijayawardhane – Head of CDS Buvaneka Charita Dumbukola – Planning and Product Dev. V. Devadas – Fin and Admin	Exchange Control Department – Central Bank of Sri Lanka H A G Hettiarachchi – Controller of Exchange D Wasantha – New Exchange Controller (from 10 Dec)	Asia Capital Securities Ltd – (CSE member) Asanga Seneviratne – CEO	Asia Capital Ltd (CSE Listed company) Asanga Seneviratne – CEO
	SEC Channa de Silva – Director General Chandu Epitawala – Dir, Surveillance and Research	State Bank Dr. Thenuwara Director, Economic Research		Lanka IOC (CSE Listed company) K Ramakrishnan – MD S. Srinivasan – Dep. MD and SVP Finance

Nepal		Nepal Securities Board – Delegation in Bangladesh.		
		Niraj Giri – Dep Director, Market Regulation Mukti Shrestha – Div Chief, Market Regulation P N Poudyal - Dep Director, Market Regulation		

Interviews Held in Pakistan

Meeting Notes

21st – 24th November 2005

Meeting Note

AKD Securities (Pvt) limited

Kashif Shamim, Head of Investment Banking

AKD is leading brokerage on KSE (now 8% of volume) and effectively holding co for:

- Investment Banking biz – major mandates
- Large Research division
- VC fund – 1st in Pakistan – TMT VC Fund with 8 tech investments
- Private equity – DV Telecom (JV with J Siddiqui)
- Real Estate - \$100 mil residential housing development (AKD Cap is a listed company on KSE)
- Asset Management – 2 MF (closed ended) listed on KSE. One is a Gold and Arrow, the other a KSE 100 index tracker fund
- Joining Dubai Gold and Commodity Exchange

Will look to list more companies (especially DV Telecom and TMT investments). Initially list on KSE to build up domestic track record before cross listing.

Thinking about a rep office/branch in Dubai.

Thinking about membership of DIFX – have incorporated a Dubai co for that.

Dubai market may be a bubble

As balance of payments improve he foresees Gov of Pakistan going to international markets again.

SBP is the barrier – slow approval process. ECC is political and slow.

SCRA – does not work well for online trading. AKDtrade.com is the 1st and most successful online trading platform. Many overseas users – non resident Pakistani investors. BUT SCRA don't work because orders going directly from investors into KSE – not routed through the Bank – so existing SCRA/SBP procedures do not work. BIG issue for him – if this could be fixed he would see much more foreign investment into Pakistan now using his online trading system. Pakistani investors have to get a relative to open a bank account here for them to enable the online trading.

SCRA does not contemplate margin trading my overseas investors – available in their online platform (how is capital gain on the leveraged part going to be taxed??? Not clear). SCRA also has 30 day holding requirement.

SBP must improve for procedures for online trading. NB – online trading prevents from running by broker – so better regulated.

Pakistani investors have big appetite for speculative investments. So would love Indian Pharma Companies or ENP (exploration) or IT – where upside can be huge. Would not be interested in Indian companies without major growth potential (e.g. TATA Steel or Indian OIL). New sectors would be welcome here.

Regional index could be interesting if cash settled.

Pakistan Commodities Exchange – not going to take off. Cotton cartel are not joining and Gold market is in Dubai not in Karachi.

KSE should become National SX (LSE and ISE merged into it).

Intermediary linkages are coming – early days. EG they are discussing a JV with “bulge bracket western firm. Major International firms used to be here but all pulled out (e.g. ABM AMRO, Bear Sterns, UBS).

JP Morgan etc are getting mandates from Government on privatizations:

PCTL – JP Morgan

PPL – Merrill Lynch

PSO – JP Morgan

Pakistan Steel - Citibank

LNG Terminal - ABN

International Sukuk issue placed privately in gulf – Standard Chartered

Pakistani Gov is contemplating GDR issue for PCTL or OGDC (state owned portion) – to be listed (e.g. Luxembourg or Dubai)

Fees for cross listing are very important. Listing fees are very high in Europe and US.

Meeting Note

Al Hoqani Securities & Investment Corp (PVT) Ltd.

Shahid Ali -CEO

Omani resident is investing in the business and launching a new broker on KSE.

Used to work for Jardine Fleming – all those international firms have pulled out.

GDR of PCTL and Hubco traded outside Pakistan.

Would like to see more good quality value product from SAFE region.

Yield in Pakistan averages 6-8% and p/e averages 10-12.

Meeting Note

Arif Habib Group – Arif Habib, CEO

Brokerage
Asset Manager
Commercial Bank
Manufacturing Co
Fertilizer Co – bought from Gov in privatization
Real Estate

Just joined Dubai Gold and Commodities Exchange

Considering listing the fertilizer co on DIFX

DIFC did a roadshow to KSE recently.

Dubai has been observer at SAFE – could apply to be a member!

Companies are not going public in Pakistan because the valuations are too low. Dubai offers better multiples at the moment.

Individuals – must get approval for overseas investment whatever the SBP told me.

Launching a new Sharia compliant MF – hoping to raise US\$16 mil. Will use foreign advisers to invest in overseas mutual funds. Interested in Gulf markets, India, Bangladesh, Malaysia and Turkey.

Too early for brokerage linkages, but will follow on from more foreign investments by Pakistani investors.

Meeting Note

Sirajuddin Cassim Pvt Ltd.– member of KSE

**Sirajuddin Cassim - CEO(Visits TO)
Nihal Cassim (Montreal educated and work)**

Pakistan market is small – only 1 or 2 International scale companies – PCTL and HubCo.

Lots of small issuers as Government use to force companies to be listed. Today there are hundreds of private companies not listed, and many of at least Rp. 1 bil. in value (e.g. in Textiles).

No bond market in Pakistan – only equity

No desire to list today due to regulatory burden and overly strict corporate governance standards.

Pakistani companies will be looking to list in Dubai.

Gov has large stakes in PCTL (only 5% public now) and other privatized entities – should offer more to the public.

Not likely Indian companies would list here, so much inflow into India. But HNWI have huge appetite for regional derivatives eg baskets and index products.

Products in sectors lacking in Pakistan (eg IT) would expand the market in Pakistan.

Non resident Pakistanis are not keen to invest into Pakistan because of volatile political and regulatory situation. Thus listing on Dubai of Pakistani companies would attract lots of investors from outside.

If DIFX imposes high standards it will be very popular in Pakistan.

Pakistani companies will be raising more money in the Gulf.

No correspondent broking relationships now – political issue.

They would like relationships with Indian and Bangladeshi brokers, but no chance at the moment till regulations change.

Need a progression – First correspondent broker – market intermediary linkages – and then secondly demutualization of the exchanges in Pakistan.

Demutualization will happen but has been mishandled. KSE members must get value.

Meeting Note

Finex Securities

Al A. Shirazee – CEO

Broker and FX (inter-bank dealer).

Pakistani investors have appetite for regional investments (investing in Dubai).

Foreign firms listing here would increase product mix in the market.

Mutual Funds – now allowed to invest up to 30% in foreign stocks.

Pakistani companies have interests in Bangladesh (textiles).

Could potentially do a JV in India for the inter-bank FX market.

Capital account is not convertible at the moment – so FX controls are main constraint.

OGDC and Nat Bank could list outside Pakistan if the Government let them.

Nat Investment Trust – original Gov run MF. Now many private MFs. But still only 4-5% of all bank deposits in the MFs. 30 % can be invested outside Pakistan.

Post 9/11 funds flowing back to Pakistan. Markets have been more liquid and interest rates have come right down. Let to easy capital form Banks, so few IPOs. Now inflation and interest rates rising so Debt Issues/IPOs will pick up as bank money becomes harder. 10 yr bond was 15/16% and came down to 4% and now back to 9%.

Consolidation phase as SB raise capital adequacy requirements for banks.

Appetite is there, infrastructure is good, but need legislation to create the framework for cross border linkages.

Investment banks include J Siddiqui, UBL, BMA Capital, AKD Securities, Investcap.

Pakistan is small market – it would help if large Indian companies could list here. But country risk is still there.

Gov National Savings Scheme will eventually invest in the market and then they need new products. Defence Savings Certs. (10 yr) and Special Saving Certs. (3 yr).

Meeting Note

Islamabad Stock Exchange

Mr. Aftab Ahmad Ch., CEO/Managing Director ISE

Mr. Ahmad Noman, General Manager ISE

Merger with Lahore SX proposed to be called National Stock Exchange of Pakistan. Awaiting Parliamentary act to approve. Will then challenge Karachi and have 2 competing exchanges.

Need for cross border/remote members – like Euronext – to develop cross border trading

No interest in cross border listing yet. Would like the project to focus more on cross border trading for the future.

ISE is too small to go and attract regional listings – maybe Karachi could and maybe new NSEP could in the future

Derivatives – would like the new commodities exchange to focus only on physical commodities and then NSEP does financial derivatives. Commodities exchange is owned 10 % by ISE, 20% by Lahore SX, 4% by Karachi SX and 30% by Banks.

ISE will adopt trading system from Lahore – home grown.

NSEP is interested in OM system for equity and financial derivatives in future.

Need donor conference to get more funds for further studies and to operate SAFE.

Eventually they see exchanges merging in the region as with EU.

Demutualization – the SECP is pushing this but no plans at the moment. Merger with Lahore must come first.

Only 6 -7 % of individuals hold stocks – market is dominated by institutions.

Meeting Note

Jahangir Siddiqui Capital Markets Ltd. (JS was ex Chair of KSE)

G. M. Malkani - CEO

Kamran Ansari - CFO & Company Secretary

Investors here are very keen to invest outside Pakistan.

JS is setting up an associate in London = establishing overseas presence. Will seek inward and investment and UK clients.

Regulatory constraints:

1. SB – permission for FX
2. Since 9/11 money coming back form US – seeking investment in the region;
3. Foreign investment is increasing. 127% increase in foreign investment in Oct over 2004. Main interest in Oil exploration, Telecoms and Fin Inst.

Foreign investors are encouraged – free conversion. Gulf money coming in – eg to KES

Never thought about encouraging other country stocks to list in Pakistan.

CDS has run road shows in Pakistan for retail investors.

Client base is mainly institutional. NID (Gov fund) and Mutual Funds dominate the market. Individuals investor base is growing.

Would love to be able to trade in other SAFE countries.

Would love new regional products.

Meeting Note

Karachi Stock Exchange

**Md Guffran, Deputy Head of Company Affairs
Gh Hussain**

KSE is very keen to encourage more cross border linkages within SAFE, especially between Pakistan and India. But if very large Indian companies come to Pakistan it could soak up liquidity from the domestic companies.

Under KSE existing regulations it can only list companies that are incorporated, or otherwise established by ordinance, in Pakistan (including disputed Kashmir).

KSE is working with Bombay SX to get a set of Listing Regulations for overseas companies to list. Trying to have one standard set for all SAFE exchanges. They have prepared a “comparative review” of BSE and KSE regulations – draft copy given to me. Idea is to have them as new, separate regulations for overseas companies.

1. Needs SECP approval. SECP wants more discussion
2. May need changes in Companies Ordinance (e.g. Section 62A says Pakistani co needs SECP approval for each issue of shares outside Pakistan).
3. Needs SBP to liberalize on FX.

KSE also has an OTC market regulations where overseas companies could be listed – but requires two market makers and onerous regulations (currently no companies listed on OTC market).

Key issues to address:

1. How to get simultaneous disclosure of company/price sensitive info on all markets?
2. Trading arrangements. What currency? Local or US\$?
3. Settlement arrangements – each market has different standards (T + 3 – 7). Could we establish a new central depository for cross border issues?
4. Markets have different holidays (some move based on when moon appears),

SAFE Regional Index: KSE likes the idea of an index comprising a basket of regional stocks which is computed by a separate company and made available to each member exchange for futures contract trading. Key issues:

1. Rules for constituent stocks?
2. Market weighted, free float weighted?
3. Contract terms? Currently futures are cash settled on 30, 60 and 90 day cycle

4. Would it trade on KSE or new commodities exchange?
5. How to get simultaneous disclosure of company info? – e.g. central collection entity and web site for dissemination? Links to Bloomberg and Reuters.
6. Currency – each market has its own contract so not an issue.
7. Risk management – for each market

Dubai – use of Dubai by Pakistani companies will grow the pie, but may take some liquidity from KSE. Bank Al-Falh is considering a DIFX listing. Gov is considering GDR for PCTL

Meeting Note

KASB Securities

Farukh Sabzwari - CEO

Moeen Sheikh – CFO & Co. Sec.

[Did Special Opportunities Fund with Citibank in the past]

Parent KASB Bank is listed

KASB Sec is considering listing in the future. KASB research is distributed by Merrill Lynch.

Foreign inflows stopped after nuclear detonation. International players left. Now picking up again.

They have 2 mandates that are exploring a listing on DIFX in Dubai. Equity listed on KSE and GDR on DIFX.

Need first one to go well and others will all follow. The money and the investors are in the Gulf.

Cross listing in other SAFE member countries is unlikely.

State Bank monitors all outflows. Allowing Mutual Funds to invest overseas, but will go mainly to Europe and US.

Dubai – better valuation, deeper market so can raise more.

GDRs by existing listed issuers is most likely ext phase of market growth. E.g. PCTL could do ADR in US or GDR in Gulf.

PTC will be next privatization – Government is considering cross listing on DIFX

Still to prove that Pakistani issuer will work in Dubai.

Indian companies from new sectors (e.g. Infosys – IT, or Pharma) would be very popular in Pakistan – would not swamp market as institutions have limits on sector weightings.

Brokerage linkages would be great.

Derivative products, e.g. basket of top 5 stocks form 5 SAFE markets would be great.

Demutualisation must happen for further development. Brokers are too powerful in Pakistan.

Need progression.

First - SECP should focus on:

1. Getting rid of Badla and insist on proper margin financing;
2. Get rid of insider trading;
3. introduce financial derivatives – index products
4. Move office to Karachi – out of touch in Islamabad – too far away from the market.

Secondly – Raise foreign interest through GDRs and ADRs;

Thirdly – and only later - it can focus on cross border listing

DIFX may suck some liquidity out of the KSE but it will be good for Pakistan overall.

Meeting Note

Ministry of Finance: Mr. Iqbal Hussain, Senior Joint Secretary

MOF supervises the SECP and State Bank – which report to it.

MOF is not pro-active in this area but has coordinating role

Economic Liberalisation is the order of the day.

Privatisations of strategically important sectors will continue. Foreign investors are welcome.

MOF wants to encourage development of the capital markets.

Offered every assistance for the project.

Meeting Note

Moosani Securities – A. Ghaffar Moosani, Chairman and CEO

Unique Business model – arbitrage between the three exchanges in Pakistan. They would like to be able to arbitrage between regional markets.

State Bank is the problem. FX restrictions should be lifted. But [?] said he fears that it is too early. Pakistan is too young – international speculators could crush the market.

Brokers cannot sell foreign products into Pakistan (Banks can if they whitelabel under their own names).

GDR/ADR the best option for growth in the region.

SRCA accounts are fully convertible but must hold for 30 days to avoid too much speculation.

Indian securities are very expensive so would not be attractive for Pakistani investors but would broaden the market. If the Indian companies are too big they could suck the liquidity out of the market.

Demutualisation will happen but KSE brokers must get fair value for their seats – worth much more than LSE or ISE.

Meeting Note

Shamim Ahmad Khan – former Chairman of SECP

(ISC consultant on ADB TA Loan 1957-PAK project)

Cathryn Martens Malik

ISC Resident Project Manager

Inter-linkages are developing.

PCTL – successful privatization – foreign investors allowed. Banks also privatized - syndicated by international banks and successfully floated.

Hubco – fixed income security issued outside Pakistan to international investors

Electronic trading and settlement introduced.

In early 1990's country funds were interested in Pakistan.

After Nuclear test – less interest.

Macro economic issues have also reduced foreign investor demand.

Demutualisation: exchanges must be demutualised to improve the market. Market is too dominated by the brokers at this stage.

Many structural issues to address. Ask Andy for the [Risk framework] report and recommendations report for details.

NB – ask for her contact in London – owns a successful IT consultancy in EU with operations in Pakistan – but NO interest in listing in Pakistan.

Meeting Note

Nov 22 2005

SECP

Imtiaz Haider – Director (Securities Markets)
Zaib Shadani - Assistant Director

New Initiatives:

Implementing IOSCO standards for disclosure

New SEC Act – to replace 1969 version. Aim is to increase flexibility by allowing SEC to do more by way of regulations.

Futures Trading Act is on its way – for the Commodities Exchange.

No interest in cross border listings expressed so far

Cross border trading is happening but regulations prevent members of SX trading in anything other than “eligible securities” – this is defined as securities listed in Pakistan only at the moment. Concern is to protect investors. A lot of fraud occurs where unlicensed people say they represent an overseas broker (eg REFCO) and then invest overseas for the individual. What happens when there is a dispute? Who can make recovery for the Pakistani investor? SEC has had to clamp down on unlicensed brokers selling foreign securities. Some activity is reported of brokers selling NASDAQ stocks in Pakistan.

If correspondent broker (ie licensed in overseas country) it could be OK but not currently permitted – however, it does go on.

No restrictions on foreign ownership BUT individuals must report all investments to the State Bank.

Harmonization is slow but is being achieved by individual Countries Implementing the IOSCO Standards for disclosure documents.

Commodities exchange has been licensed but awaiting parliamentary act before it begins operation. Will trade gold and other physical commodities first and then later financial derivatives. NO GDRs or other regional derivatives in Pakistan, But SEC interested in seeing these develop.

Broker Licensing: No cross border recognition of overseas registered brokers yet.

MOU signed with Bhutan and Sri Lanka.

Macro Political issue prevents MOUs with India at the moment. More MOUs needed before cross border trading or listing so that role of regulators is clear and investor protection is covered.

Company with operations in Pakistan must be registered – but correspondent office does not have to be registered – so oversea broker will have sales force but no operations in Pakistan.

Settlement rules are different across the region – need standardization first.

Meeting Note

State Bank of Pakistan

Azhar Kureshi – Directory, Policy Exchange Wing

FX Manual is on their website.

Outward

Individuals are technically free to go the licensed exchange dealers and buy foreign exchange for personal use. FX Manual does not expressly include investment or real estate, but people do (eg Dubai houses).

Companies, partnerships etc NOT allowed to invest abroad without SBP prior approval – formal application process with biz plan, 3 yr track record, etc. Larger investments (over US\$5 mil) require approval of Economic Coordination Committee (ECC) = political. But SBP is increasingly flexible now and has not declined applications for a while.

SBP has approved – allowing brokers to join Dubai Gold and Commodities Exchange (Moosani approved and others applied).

Mutual Funds: New liberalization move to allow mutual funds to invest up to 30% or US\$15 mil (whichever is reached first) in foreign investments.

SAFE Regional development: E.g. allowing individual investment in SAFE listed securities. SBP is wary of bucket shops encouraging Pakistani investors to invest in foreign speculative investments and lose it all (middle class is not very sophisticated investors yet).

Further liberalisation plans are to be announced soon

Inflows

SCRA – investor opens an account with a bank and the bank can then remit all proceeds and dividends without SBP approval – just statistical reporting to SBP monthly.

Dubai: No problem having GDRs listed outside Pakistan – has happened in the past.

Macro-political issues: Relations with India may get worse before they get better over Kashmir

Interviews Held in India

Meeting Notes

25th – 29th November 2005

Meeting Note

Bombay Stock Exchange 1

Dr Bandi Ram Prasad – Chief General Manager & Chief Economist
C Vausdevan – General Manager, Knowledge Management

SAFE meets quarterly and has been working on harmonization of disclosure norms.

SAFE members are very homogenous and so there are many common interests and need for greater co-operation.

However, SAFE also needs to work on issues where there is more scope for immediate co-operation and not so many legal and regulatory barriers.

1. The regulators need to become part of SAFE;
2. SAFE needs to set up a Securities Institute program. It is hard to get visas for SAFE member nationals to come to the training institute in Bombay. Instead, it would be good if SAFE could organize programs in each member country on things like: minimum standards for brokers; what are derivatives, disclosure standards, etc – using SAFE as the brand name;
3. SAFE needs to issue a series of regional publications – like the BSE Securities Review. It would cover the SAFE member economies and exchanges. Also technical “how to” guides on: M&A, Valuing securities; Charting, ect ie subjects that are universal in all member countries;
4. These initiatives could foster cross market co-operation and spread common knowledge and information.

At the moment NSE does not attend SAFE meetings because it does not see worth of the organization and cross border listings are unlikely.

SAFE must deliver benefits to its members for their investment and so they take it seriously.

IDRs – will take a while to bring in. Regulators have a long list of other priorities, including integrated surveillance, short selling/margining, demutualization, etc....

Dubai poses competition as regional market. Difficult to include in SAFE (not focused on Asian region).

Bombay must build its role as regional financial centre, in competition with HK, Sing, Shanghai and Taipei.

Pakistan – India Many travel restrictions and visas are very limited.

Meeting Note

Bombay Stock Exchange 2

P S Reddy – Chief General Manager - Listings

Sanjay Golecha – General Manager, Corporate Services

Jyoti Chawla - Deputy Manager

BSE has experienced many changes in last few years, with move to dematerialized settlement, T+2, much better regulation. SEBI is setting up state-of-the-art integrated surveillance of both markets (BSE and NSE).

4,750 listed securities but only 2,600 trade actively. BSE is now delisting any defunct companies.

India seems to lead other SAFE member markets in terms of size, infrastructure, regulation and enforcement.

Cross Border listings can only happen after regulations, compliance mechanisms and enforcement powers have been harmonized.

No knowledge of any SAFE member companies that want to list in India.

No knowledge of any Indian companies wanting to list on other SAFE markets. Indian companies do want to issue DRs in US or Europe but not Dubai (same time zone so no real not much different from India).

Outward investment is allowed (up to \$25,000) but investment is going mainly to US and EU and not other SAFE member countries.

Intermediary linkages: No such linkages exist today. Some Indian brokers have offices in Dubai. A broker in India must be an Indian company, so BSE cannot overseas members.

Pakistan-India – trading with the enemy. Big issue to resolve.

FII rules are quite relaxed now. FII has been increasing this year – renewed interest from Korean institutions but not SAFE member countries.

IDRs – Idea comes from high up in Government because there is plenty of capital available in India and it is now chasing too few good stocks in the domestic market – so they want to encourage large overseas companies to list here.

However the high entry norms mean that it is unlikely to be a success. It would be better if the Government released more PSU stocks into the market.

There are lots of IPOs and plenty of liquidity in the market – no issues have failed for quite a while.

Regional Basket/Index – may be a good idea. Vast majority of derivatives trading is on the NSE and only 1% on BSE – BSE has plans to revamp the derivatives section.

Harmonisation: The region needs to become a free trade zone and liberalise in order to encourage more cross border activities. SEARC is talking about a free trade zone for South Asia.

Regional Markets Committee of SAFE has recently met in Bombay (August) and has completed a comparative table of the listing regulations. Next steps to be decided by SAFE.

Key issue is how to share regulation and ensure compliance through cross border enforcement.

MOUs will be important, but not worth drafting a model MOU yet as there are too many “macro- economic/political” issues to be resolved first.

Dubai – could be included in SAFE but not really same time zone as SAFE members. DIFX is very new and not proven and regulation is more a “free for all”. BSE has nothing to fear from Dubai. India has large enough capital market and huge future growth. Indian companies can go direct to NYSE or LSE – so need for Dubai.

Indian companies issue DRs and Foreign Currency Convertible Bond (FCCB). Indian issuer of convertible debt security to foreign investors.

Individual investors less than 2-3 %
Dearth of quality investments in the stock market
Lack of institutions that take the long/contrary view.

Plenty of unlisted companies to go public – eg TCS only listed last year.

Plenty of good PSUs to be listed – but privatization is stalled by the coalition government.

How do we make it all happen? SAFE needs the regulators and it needs the donors to lobby Governments to make sure change occurs. Regulators are part of Gov – eg regulatory MOUs need to go through Ministries for approval.

Meeting Note

Kotak Mahindra Capital Co Ltd

S Ramesh – Executive Director, Equity Products Group

Broker and
Investment Banker
JV with Goldman Sachs

No cross border interest that he is aware of.

Indian companies are looking to do DRs in US and EU and Singapore – but not SAFE member countries. IOC did list a local subsidiary in Sri Lanka.

Potential exists for Sri Lanka companies to come and list in India – e.g. Cement companies. But would have to be an IDR because too many problems for direct listing.

Their investor clients are not interested in other SAFE countries as Indian market is so good right now.

FII is flooding in (already US\$8.5 b. this year and growing). Foreign investor % restrictions will be lowered over time.

Dubai not an issue – Indian companies will not do DRs there.

Integration should occur at the exchange level – like Euronext in Europe. Then clearing settlement and trading issues will be resolved. BSE has most interest in becoming a regional player. It will demutualise within the next year.

Regional Index/Basket: could be a good idea. Could be broad based (not necessarily sectoral).

SAFE should work to get standard disclosure rules and standard accounting rules. That will help integration on the primary side.

Governments should allow local investors to put invest in other SAFE country exchanges up to a maximum per investor. This will take time to achieve but it will come.

Meeting Note

Motilal Oswal Securities Limited

Manish Shah – Head of Retail products and strategy

Prem Khatri – Director – Retail Business

Indian investors have little appetite for other SAFE member country investments – because the domestic market is already large enough (over 6 listed companies) and doing really well at the moment. Stocks, Gold and Real estate are all at new highs.

The only market they have become aware of recently is Pakistan because of the rapid growth in its index.

The only new products they would like to see are new sectors. EG Media, Retail, Airlines and Telecoms are relatively weak – because only opened up in the last 10 years to competition.

Outward investments are now allowed for individuals in last 12 months – maximum of US\$25,000 per individual. But so far little interest. Mutual Funds can now invest overseas (using individuals \$25,000 limits) but little success. Companies still need permission to invest abroad.

Indian companies have no incentive to raise money in other SAFE countries because it is not cheaper or easier to do so. Unless they are doing business there, in which case it can raise their profile. E.g. TATA once talked about investing in Bangladesh but never did.

Inward investment is encouraged now – quite liberal, except that the beneficial ownership must be disclosed to SEBI. There are also still sectoral based restrictions on foreign ownership, ranging from 100% (IT) down. E.g. Banking 49% and Telecoms 49%.

Indian companies can pay dividends to overseas investors.

Intermediary linkages. International houses are in various markets but Indian brokers are not. Some have joined the Dubai Gold and Commodities exchange now.

Indian companies would list in DIFX before Karachi (macro political issues with Pakistan of course).

Regional Basket/Index: Would be a bigger market than for regional stocks. In his opinion it would need to be sectoral – because even some Indian sectors are divided between large cap and small cap (e.g. telecoms) or Private versus Public sector (eg Banking), but maybe overseas investors would be happy with just one regional index....

National Stock Exchange has been a success and large derivatives market. But BSE still has a role and is giving better customer service now than the NSE in some areas (including IT).

Poona has become a subsidiary member of both NSE and BSE so that their members can trade through the exchange omnibus membership. BSE needs to get its management act together and launch new derivative products.

Meeting Note

National Stock Exchange of India

Chitra Ramkrishna – Dep. Managing Director

T S Jagadharini – VP

K Hari – Asst VP (listings)

NSE has been very successful. Now has over 70% of the market and 90% of derivatives.

Indian companies have issued over 70 GDRs and/or ADRs in the international markets already. But no cross listings in SAFE member countries.

IDR program is of great interest to NSE. Awaiting SEBI regulations.

Sponsored GDRs (this is where existing issued shares are packaged up into a DR).

Direct Cross Listings – not heard of any interest. Too many problems with currency and settlement. However, non Indian companies could be listed on NSE if all these problems could be resolved.

Intermediary linkages: Broker must be an Indian company – so could not admit a Pakistani broker directly.

FDI process is now more automatic – does not require prior review by Economic Board.

There are risks for NSE in cross border listings:

1. Compliance. Needs greater co-operation between regulators to ensure that rules can be enforced across borders.
2. Liquidity. Could be a loss of liquidity (eg to Dubai) if lots of companies go overseas.

Meeting Note

28 November 2005

SEBI

D Chanda – Chief General Manager
Parag Basu – Listing Manager

Inward investment

FDI – now very liberal and SEBI has no role

Portfolio investment. Foreign funds with 1 yr audited track record and regulated by “relevant regulator in home jurisdiction can invest in India.

So far no SAFE country members – mainly from US and UK. Mauritius is just a pass thru for them.

In fact developed markets need geographic diversity more than developing ones.

IDRs – new policy initiative. Idea is to have the framework in place for foreign companies to issue IDRs in India and raise capital there. Gov Ministry of Company Affairs has approved “entry norms” – must be \$500m rev and \$100 NA – so not really aimed at SAFE country companies. SEBI is now working on the implementing regs (eg model disclosure rules and model listing agreement for NSE and BSE). SEBI is discussing with Gov the idea of lower entry norms for South East Asian (SEARCoop) members. FX approval will be provided by RBI or the IDR program – so issuer can take proceeds out of India.

IDR regime will take months not weeks to finalise. The concept has been discussed in the market but no existing list of companies lined up to do it.

Indian companies look to list GDRs/ADRs in the west, not Dubai

Indian companies do not look to list in other SAFE member countries. Pakistan is special political problem. But a subsidiary of Indian Oil recently listed on the Sri Lankan exchange because it was based there (within the last year).

Direct listings on other SAFE markets will be a major problem due to currency, settlement and other issues. So DRs are the obvious first progression.

Regional Index: SEBI regulates financial index futures and stock futures – potentially a good idea.

Foreign investor limits are being liberalised but still exist in most sectors, ranging from 100% to 20% - average is 49%.

Internet trading will facilitate cross border investment flows as regulations are liberalized. In India this needs the capital account to be fully convertible and then intermediary linkages will follow. Indian brokers are already facilitating inward investment by NRIs online. Such flows will benefit smaller SAFE members like Bhutan, Sri Lanka and Nepal – as their investors will get access to bigger companies in India and Pakistan.

Mutual Funds have been allowed to invest overseas but not much take up yet. Limitation is that they can only invest in companies that have at least a 10% stake in an Indian company. This excludes SAFE member countries.

Intermediary linkages will come. Banks are talking about opening in Pakistan and vice versa. So cooperation is increasing. Business with Pakistan is a win/win on a non political level.

Interviews Held in Bangladesh

Meeting Notes

30th November – 2nd December 2005

Meeting Note

Dhaka Stock Exchange

Salahuddin Ahmed Khan – CEO
Shaikh Mohammadullah – Sec
Syed Abu Zafar (Sharmin) – Listing

Also present:

Ahmad Rashid Lali
M. Abdul Rashid & Co

Mohammed Shafiul Azam
Dy Director
Securities and Exchange Commission, Ministry of Finance, Bangladesh

Population: 150 mil
Listed Companies: 284
Market Cap: US\$3.6 bil
IPOs in 2005: 13

DSE implemented automated trading on 1998. CDS is now being implemented progressively. Already 84 companies (representing 80% of market cap) are in the CDS and all new issues are required to be in CDS.

Companies are pressurized to list if they take a loan from the bank, which insists that they must have 25% in public hands. Over a certain size (100 million Taka), the SEC must approve any new share issue, even for private companies – but does not necessarily insist on listing.

Gov gives a tax incentive for companies to list (30 % instead of 40%).

Berger Paints – a large company will soon be listed.

Foreigners may invest without restriction. 100% convertibility for proceeds and dividends. No % limits except in some very limited sectors (e.g. forestry and arms).

Outward investment is possible in theory but none happens.

Cross border listing: absolutely no interest. Only a very few Banga companies are suitable for India or Pakistan. GDR issue by Beximco Pharma in Oct 2005 on the LSE the first ever for Bangladesh.

Inward listing: worried about poor quality or defunct Indian companies seeking a listing here.

Key issues are FX, compliance and regulation and ensuring simultaneous disclosure.

DSE has 75% of daily turnover (averages around 3-400 million Taka) versus Chittagong at 25% (5-60 million Taka).

DSE has three indices. GEN, DS20 and DSI (all ordinaries). Index is at 1,600 up slightly this YTD. High in 2004, but interest rates have risen since then (from 8-9% up to 11%), depressing the stock market (sucked liquidity out to banks).

Cross border Trading: Banga investors are only making limited investments in HK and US but none in SAFE region. Investor needs state bank approval to open a FX account.

MOUs between the regulators are required to monitor cross border trading. Foreign broker can join the DSE but only 2 JV with international brokers so far – none joined directly.

DSE is working on a new set of listing rules and seeking conformity with other SAFE markets.

Largest companies in Power and Telecomms sectors are not listed yet – so market can get bigger.

Textiles and telecomm – there are JVs with large foreign companies – not yet listed.

DSE is a company (not for profit) owned by broker members. 230 members today.

Financial sector (banks) dominates 52% of market cap (next biggest is cement at 13%).

Clause 2(c)(c) – SEC has power to order anybody to do anything it demands – without recourse.

Privatisations: Privatisation Board is working on privatizing banks etc, but workers resists and go to court (Bank recently got court approval).

Many PSU are listed with Gov holding as much as 97%. Privatisations can occur by selling existing stock into the market. (eg Unilever).

DSE initiatives:

1. Get all listed companies in CDS;
2. Internet trading – allow investors form all over to trade on DSE;
3. Enhance the Bond market; and

4. Make the market competitive in the region – disclosure and enforcement standards;
5. Launch a new derivatives market. – awaiting SEC approval.

Derivatives will be launched as part of DSE. Futures and options on stocks and on the DSE indices. Regional index could be a good idea, but need SEC to approve the market first. Targeted for launch in 2007.

SEC is pressurizing DSE to merge and to demutualise

DSE does not want to merge with Chittagong because CSE is losing money.

DSE does not want to demutualize unless the valuation is right

Meeting Note

Nepal Securities Board – Delegation in Bangladesh.

Niraj Giri – Dep Director, Market Regulation

Mukti Shrestha – Div Chief, Market Regulation

P N Poudyal - Dep Director, Market Regulation

Population:

GDP:

GDP Growth:

Listed Companies: 125

Market Cap: US\$1 bil.

No of IPO in 2005:

Turnover is 10 mil rupees per day (\$140,000).

Brokers must be Nepalese company but could be JV with foreign broker.

Inward investment – no clear regulations in place. No fully convertible accounts available yet. How to remit dividends or proceeds?

Outward investment – no clear regulations in place. Central Bank approval required for all FX.

Gov has been privatizing, but shares have gone down not up, and pace is very slow. Question mark over the whole process at the moment. Gov issues are made by way of IPO directly to the public.

Interviews Held in Sri Lanka

Meeting Notes

3rd – 6th December 2005

Meeting Note

Asia Capital Ltd – CSE Listed company
Asia Capital Securities Ltd – CSE member broker

5 Dec 2005

Asanga Seneviratne – CEO

FX is the big problem. No one is pushing government hard for liberalization. Informally capital flows out all the time. Only 3-6 months of import coverage.

Would like individuals to be able to invest up to \$100,000 outside SL. Would like companies that raise capital outside to be able to convert that capital and invest it outside SL. Eg they raised US\$ from Sing and HK in IPO and listed on CSE, but could not invest it outside SL (could have grown much faster if they had).

Gov is not focused on market development. E.g. there are savings accounts (RFC) that return 2-3 % and mainly invested in Treasuries that should be allowed to invest in securities and some overseas too.

Companies listing in India does not make sense unless there are a few (ie an SL sector). One or two would be lost.

GDRs have been privately placed. JK issue was a flop.

Correspondent broking arrangements are “neither here nor there”. He prefers direct access. He proposes that CSE becomes a member of NSE in India – so all members here can trade on NSE.

He had a JV with an Indian broker 2 yrs ago but no business.

International brokers like Cosby, Jardines, WI Carr all left because of civil war, too small and not enough economic growth.

CSE must improve its branch network, do more marketing and promote MF to get more investors into the market.

Main investment for individuals is Treasury Bills (9.5% yield) or banks (3-45 only). Unsophisticated market.

Meeting Note

5 Dec 2005

Colombo Stock Exchange

Hiran Mendis – Director General

Surekha Sellaheva – Snr. Manager, Listing and Surveillance

Population is around 19.5 million. CDS has around 300,000 individual accounts and 100,000 other accounts. So very low % of population are investors now.

240 listed companies.

6 new listings this year. 2 IPOs and 4 introductions. Dialog was big IPO (Malaysian parent co). RP 135 billion market cap.

GDP growth is 5-6 %.

Cross Border listing is not happening and the focus should be on developing cross border trading.

Cross border listings could split liquidity. The receiving country is OK but the giving country will lose (eg if SL companies go to India, the CSE loses potential liquidity).

Cross Border Trading creates a mutual advantage for both exchanges.

He likes the Euronext model of cross border memberships and trading. Why would the CSE encourage companies to list in India or Pakistan instead of here?

Brokers can be 100% foreign owned as long as it is a local company. Currently JVs with South East Asian partners but not SAFE members. International JVs have mostly left after the currency crisis at the end of the 90's.

SL investors cannot invest outside SL. FX Management Act was mooted by the last administration but not a priority for the new admin.

SIERA – inward investment is wide open. Even individuals can invest in SL through a SIERA account with full convertibility – so more open than India. Must open FX account and SIERA acc with a commercial bank.

In the 90's 60-70% of CSE volumes were foreign investors. Today the local trading has increased and foreign decreased so the balance is 20% foreign and 80% local.

Index is up for the year.

Would definitely encourage the Central Bank to open up capital account for individuals to invest in other SAFE countries.

GDRs – 2 SL GDR issues. First was John Keels Holdings – not a success – all converted into underlying. Recently Hatton National Bank has listed GDR in Luxembourg.

The IDR concept is not attractive to him – lose of SL trading. He thinks the high entry levels are aimed at foreign companies that have BPO in India and want to raise their profile there.

Derivatives market is in planning stage. Needs a Futures Act to regulate and formalize and needs a lot of market development first. So maybe 2 – 5 years away. Working with NSE of India on training and hopes to do JV to use NSE platform (trading and clearing). Will start with stock futures and index futures – options later.

SAFE regional MF idea (see letter). Proposed in 2001 but went nowhere. Investments raised in each SAFE member by a local MF (which is listed in the domestic market). These domestic MFs get FX permission to invest in a foreign holding (feeder) fund (eg in Mauritius). The Feeder then invests into each of the domestic markets in direct proportion to the % of capital from each country – so FX effect is neutral for each country. Still needs FX approval. But because net zero effect it is more likely to get approval than a net outflow.

SAFE regional index idea. Questions if they need direct trading in the underlying first?

CSE is working on the comparison of disclosure norms (did not attend the regional committee meeting) and will complete.

Inward investment is only restricted in certain areas: eg Plantations 40%, Insurance 90%, Banking and Stock broking is 100%.

Common market is the ultimate goal. But FX must change and new government administration so unsure.

Corporation Tax of 30% for listed companies and 32.5% for unlisted.

Privatisations – slow. Government is not promoting the market. Eg Sri Lanka Insurance was sold to private investor and not listed. Plantation sector privatizations were listed.

Fully electronic in 97. CDS in 1991

CSE is a not-for-profit association, limited by guarantee. Will demutualize but must first become company limited by shares. SEC Act must be changed to allow a SX to be “for profit”.

CEPA does not go far enough – needs to provide for cross border licensing.

CSE could join NSE – possible. But brokers may be swamped by larger NSE members. Common market is the goal and modalities for joining (direct or through CSE sub member) can be worked out later.

Barclay is talking about launching an iShare for SL.

Also Met:

R Lalin Paranavitana – IT

Rajeeva Bandaranaike – Marketing and HR

Renuke Wijayawardhane – Head of CDS

Buvaneka Charita Dumbukola – Planning and Product Dev (going to Bombay for seminar on demutualization)

V. Devadas – Fin and Admin

Meeting Note

5 Dec 2005

Exchange Control Department – Central Bank of Sri Lanka

H A G Hettiarachchi – controller of exchange (retires on 10 Dec)

D Wasantha – New Exchange Controller (from 10 Dec)

Inward is open – Share Investment External Rupee Accounts (SIERA) are fully convertible for companies and individuals (including SL nationals overseas). Can hold 100% except some limited sectors (see Gazette Notice). Eg Money Lending, Coastal Fishing – prohibited. Plantations, Mining, Shipping or Travel agencies limited to maximum of 40%. Account must be with a commercial bank.

Outward is closed – all capital account investments must be pre-approved by the MOF. Case-by-case process. Priority for investments that will generate FX.

Company from another SAFE country listing here would need MOF approval – on a case-by-case basis.

GDR issues have to pre-approved.

Telecomms company recently made bond issue abroad – pre-approved.

Since 2003 there have been discussion about liberalisation. First area will be approval of overseas listings if the company will export and earn FX. Second will be MF up to 25% (so they can diversify their portfolio). No plans to allow individuals to invest outside SL.

SAFE investment accounts: Possible only if Reciprocity – ie mutual

CEPA is under negotiation. If it is approved there will have to be capital account liberalisations, but new Gov has not agreed yet. So ongoing discussion.

FX reserves cover 4-5 months of imports. Economy vulnerable to oil price changes.

Change will only be gradual.

Meeting Note

5 Dec 2005

Lanka IOC – CSE Listed company

K Ramakrishnan – MD

S. Srinivasan – Dep. MD an SVP Fin.

IOC is parent company with 72%. 28% was issued to public in SL in Nov 2004. Oversubscribed 12 times and used book building (closed at top end of price range) – so success. Foreign investors – mainly from HK and Singapore bought up 40% of the issue.

IOC is an Indian PSU – Indian Government owns 95% and only 5% is in public hands.

Chose to list on CSE to raise profile in SL and to emphasise that they are a SL company.

They want liberalization on capital account. Watch budget on 8th Dec for economic statement by the new admin.

Dialog – recently listed - Malaysian parent is like them. Others may follow.

Brandix – newspapers report that this company has opened a factory in India and is looking to list on the NSE in India as it becomes more Indian in outlook (US\$ 20 – 30 mil market cap).

SL's main trading partners are India, China and Japan (autos) not really Pakistan or Bangla.

Meeting Note

5 Dec 2005

SEC

Channa de Silva – Director General
Chandu Epitawala – Dir, Surveillance and Research

SEC is for incremental growth, wants to facilitate market development, regionalization is a good thing, each SAFE market is small so regional market will be bigger, more attractive.

FX outward is the big hurdle. SL will follow the Indian example and open up, match them, but not sure when. SAFE regional accounts would be a good idea to start with – with \$ limit on amount per person. Informal leakage occurs now and is very efficient.

Close links with Dubai – would be in favour of Dubai joining SAFE.

Privatisation: new regime is not in favour, so will slow down. In the past sick companies have been sold off. Sri Lanka Insurance will probably be listed soon. Sri Lanka Telecom is 35% privatized and SL Airlines is 40% private.

Apparel/Textile sector is not listed – big private companies, family owned.

Derivatives: SEC fully supports – should have happened 10 yrs ago.

Intermediary Linkages: SEC is keen to encourage and see cross border licensing once common standards and enforcement agreed. A Comprehensive Economic Partnership Agr (CEPA) with India is being negotiated now (Dr Thenuwera at Central Bank) and this will allow banks and brokers (capital markets) and insurers of one company to be treated exactly the same as a domestic company in the other country (reciprocity). May be in effect in 2 months or so.

Questionnaires Completed

Karachi Stock Exchange
Islamabad Stock Exchange
Bombay Stock Exchange
KASB Securities Limited
Jahangir Siddiqui Capital Markets Limited
Finex Securities

Questionnaire for Exchanges, Regulators and Intermediaries

The Karachi Stock Exchange (Guarantee) Limited

No.	Question
Part 1: Background on Your Organisation	
E1.	Name of your Organisation?
Ans	The Karachi Stock Exchange (Guarantee) Limited
E2.	Country in which your Organisation is located?
Ans	Pakistan
E3.	Main activities of your Organisation?
Ans	<p>Stock Exchange is a market place where securities / shares can be bought and sold and where the buyer and seller of securities both equity and debt meet.</p> <p>The main activities of Karachi Stock Exchange is to conduct, regulate and control the trade or business (hereinafter called the "Trade"), of buying, selling and dealings in shares, scrips, Participation Term Certificates, Modaraba Certificates, Stocks, Bonds, Debentures, Debenture stock, Government papers, Loans, and any other instruments and securities of like nature including but not limited to Special National Fund Bonds, Bearer National Fund Bonds, Foreign Exchange Bearer Certificates and documents of similar nature issued by the Government of Pakistan or any agency authorized by the Government of Pakistan.</p>
Part 2: Demand for Cross Border Listings	
E4.	Are you aware of any companies that currently have cross border listings on two or more stock exchanges in SAFE member countries?
	If so, are they direct listings or depositary receipt programs?
Ans	No
E5.	Are you aware of any companies that have securities which currently trade in

	an over-the-counter market in another SAFE member country?		
Ans	No		
E6.	Are you aware of any companies currently contemplating making a cross border listing in a SAFE member country? If so, are they contemplating a direct listing or a depositary receipt program?		
Ans	No		
E7.	Are you aware of any companies that are likely to contemplate making a cross border listing in a SAFE member country in the next 3 years?		
Ans	No		
E8.	If the regulatory/legal and other obstacles you identify below were removed, how many new cross border listings in SAFE member countries would you anticipate:		
Ans	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> a. within 1 year; b. within 3 years? </td> <td style="width: 50%; vertical-align: top; text-align: center;"> Maximum 5 From 10 to 20 </td> </tr> </table>	a. within 1 year; b. within 3 years?	Maximum 5 From 10 to 20
a. within 1 year; b. within 3 years?	Maximum 5 From 10 to 20		
E9.	From which SAFE member countries are new cross border listings most likely to come, in your opinion?		
Ans	It is difficult at this stage to point out such countries.		
E10	To what extent do local investors currently trade the securities of companies located in other SAFE member countries?		
Ans	Information is not available, however, very few local investors may be involved which would confirmed from the brokers.		
E11	Are you aware of potential demand from local investors to trade the shares of companies located in other SAFE member countries?		
Ans	It is difficult at this stage to assess such demand.		
E12	Would there be greater interest from investors to trade the shares of companies located in other SAFE member countries if the obstacles were removed and the process was made as simple as buying the shares of a local company? Please quantify and provide justification for your answer.		

Ans	We feel that there would be substantial interest from investors to trade the shares of companies of SAFE Member companies, upon removal of all obstacles.
Part 3: Perceived Benefits of a Cross Border Listing	
	Financial
E13.	In your opinion, does a cross border listing enable a company to access a broader range of investors?
Ans	Yes
E14.	In your opinion, does a cross border listing increase the marketability of a company's securities?
Ans	Yes.
E15.	In your opinion, does a cross border listing lead to an increase in the market price of a company's securities?
Ans	Not necessarily, it may be other way round, since the market operates on supply and demand and other factors including quality of company's securities.
	Corporate Visibility
E16.	In your opinion, does a cross border listing add prestige to a company's profile?
Ans	Yes.
E17.	In your opinion, does a cross border listing raise a company's profile with investors in the foreign market where it lists?
Ans	Yes.
	Product Visibility
E18.	In your opinion, does a cross border listing raise consumer's knowledge of a company and its products in the foreign market where it lists and ultimately raise sales volume?
Ans	If the company is export oriented, the listing of security in other SAFE member countries may enhanced its revenues by exporting the product in the SAFE member countries, where the consumer are already aware of the product due to its listing in the stock exchange of their country. As a result, the company would curtail the expenses of launching and marketing the product the SAFE

	member countries. Accordingly, the profitability of the company is increase due to increase in sales.
	Labour Market Visibility
E19.	In your opinion, does a cross border listing assist a company to recruit and retain employees in the foreign market where it lists by enabling it to create employee option programs?
Ans	Yes, it may assist recruitment and retaining of employees in the foreign market.
	Capital Market Visibility
E20.	In your opinion, does a cross border listing enable a company to participate in more mergers and acquisitions in the foreign market where it lists?
Ans	Yes, subject to compliance of necessary legal requirements of the respective countries.
Part 4: Obstacles To Cross Border Listings	
	Foreign Exchange/Exchange Control Issues
E21.	Are there any foreign exchange control restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country?
Ans	Restrictions as given in Foreign Exchange Manual issued by the State Bank of Pakistan (a central bank of the country). Then Foreign Exchange Manual is available at the publication section of the State Bank of Pakistan's website: www.sbp.org.pk
	Legal Restrictions
E22.	Are there any legal restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country?
Ans	The Listing Regulations of the Exchange needs to be amended to facilitate cross border listing.
	Regulatory Issues
E23.	Are there any regulatory restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country?

Ans	Presently, there is no provision in the Listing Regulations of the Karachi Stock Exchange regarding cross border listing. Further, under the governing law of Companies Ordinance, 1984, Section 62(A) restricts the companies to issue any security outside Pakistan without the prior approval of the Securities & Exchange Commission of Pakistan. In addition, approval for import and export of securities and remittances will also involved approval from the State Bank of Pakistan.
Part 5: Cross Border Listings and Your Organisation	
E24.	What benefits, if any, does your Organisation stand to gain from increased cross border listings within the SAFE member countries?
Ans	Following are the benefits to the Karachi Stock Exchange: <ol style="list-style-type: none"> 1. Number of securities / companies will increase. 2. Increased market capitalization with increase in total market size available for trading. 3. The local investors will have choice of securities to invest and may lead to increase in investor base. 4. The revenues of the Exchange may increase in the form of listing fees.
E25.	What risk, if any, does your Organisation perceive from increased cross border listings within the SAFE member countries?
Ans	It will depend on rules and regulations to be framed and practices to be followed with respect to cross border listing within the SAFE member countries.
E26.	In what ways, if any, could your Organisation actively encourage or facilitate more cross border listings within the SAFE member countries?
Ans	The KSE will extend all possible cooperation to encourage / facilitate cross border listing of SAFE member countries.

Questionnaire for Exchanges, Regulators and Intermediaries

BOMBAY STOCK EXCHANGE LIMITED

No.	Question
Part 1: Background on Your Organisation	
E1.	Name of your Organisation? BOMBAY STOCK EXCHANGE LIMITED
E2.	Country in which your Organisation is located? INDIA
E3.	Main activities of your Organisation? PROVIDING A PLATFORM FOR LISTING, TRADING AND SETTLEMENT OF SECURITIES
Part 2: Demand for Cross Border Listings	
E4.	Are you aware of any companies that currently have cross border listings on two or more stock exchanges in SAFE member countries? NO If so, are they direct listings or depositary receipt programs? NOT APPLICABLE
E5.	Are you aware of any companies that have securities which currently trade in an over-the-counter market in another SAFE member country? NO
E6.	Are you aware of any companies currently contemplating making a cross border listing in a SAFE member country? NO If so, are they contemplating a direct listing or a depositary receipt program? NOT APPLICABLE
E7.	Are you aware of any companies that are likely to contemplate making a cross border listing in a SAFE member country in the next 3 years? NO
E8.	If the regulatory/legal and other obstacles you identify below were removed, how many new cross border listings in SAFE member countries would you anticipate: c. within 1 year; d. within 3 years? NOT QUANTIFIABLE. HOWEVER, INDIA COULD HAVE A LARGER NUMBER OF LISTINGS

E9.	From which SAFE member countries are new cross border listings most likely to come, in your opinion? ALL MEMBER COUNTRIES WHICH HAVE VIBRANT SECURITIES MARKET
E10	To what extent do local investors currently trade the securities of companies located in other SAFE member countries? NO DATA AVAILABLE
E11	Are you aware of potential demand from local investors to trade the shares of companies located in other SAFE member countries? NO
E12	Would there be greater interest from investors to trade the shares of companies located in other SAFE member countries if the obstacles were removed and the process was made as simple as buying the shares of a local company? Please quantify and provide justification for your answer. YES. FOR DIVERSIFICATON AND ALSO BECAUSE OF LOW TRANSACTION COSTS AND EFFICIENT RISK MANAGEMENT.
Part 3: Perceived Benefits of a Cross Border Listing	
	Financial
E13.	In your opinion, does a cross border listing enable a company to access a broader range of investors? YES
E14.	In your opinion, does a cross border listing increase the marketability of a company's securities? YES
E15.	In your opinion, does a cross border listing lead to an increase in the market price of a company's securities? PRICE IS A FUNCTION OF A DEMAND & SUPPLY AND VARIOUS ASSET PRICES. THEREFORE, CANNOT BE ASCERTAINED.
	Corporate Visibility
E16.	In your opinion, does a cross border listing add prestige to a company's profile? YES
E17.	In your opinion, does a cross border listing raise a company's profile with investors in the foreign market where it lists? YES
	Product Visibility
E18.	In your opinion, does a cross border listing raise consumer's knowledge of a company and its products in the foreign market where it lists and ultimately

	raise sales volume? MAY BE.
	Labour Market Visibility
E19.	In your opinion, does a cross border listing assist a company to recruit and retain employees in the foreign market where it lists by enabling it to create employee option programs? MAY BE.
	Capital Market Visibility
E20.	In your opinion, does a cross border listing enable a company to participate in more mergers and acquisitions in the foreign market where it lists? YES
Part 4: Obstacles To Cross Border Listings	
	Foreign Exchange/Exchange Control Issues
E21.	Are there any foreign exchange control restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country? Foreign Exchange Management (Transfer or Issue of Security by a person Resident Outside India) Regulations, 2000 notified vide Notification No. FEMA.20/2000-RB, dated 3rd May, 2000 regarding transfer of shares/convertible debentures, by way of sale, from resident to non-resident and non-resident to resident respectively.
	Legal Restrictions
E22.	Are there any legal restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country? As per section 605A of the Companies Act, 1956 the Central Government may make rules applicable for the offer of Indian Depository Receipts by a company incorporated outside India, whether the company has or has not established or, will or will not establish any place of business of India. Govt. of India has notified the Companies (Issue of Indian Depository Receipts) Rules, 2004 which governs the issuance of Indian Depository Receipts by companies that are incorporated outside India, whether they have or have not established a place of business in India.
	Regulatory Issues
E23.	Are there any regulatory restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country? Govt. of India has notified the Companies (Issue of Indian Depository

	<p>Receipts) Rules, 2004 which governs the issuance of Indian Depository Receipts by companies that are incorporated outside India, whether they have or have not established a place of business in India, subject to eligibility criteria laid down by SEBI from time to time.</p> <p>SEBI is yet to frame the eligibility criteria for issuance of IDRs.</p>
Part 5: Cross Border Listings and Your Organisation	
E24.	<p>What benefits, if any, does your Organisation stand to gain from increased cross border listings within the SAFE member countries?</p> <ul style="list-style-type: none"> • Access to broader investor base (eg. some investors can only invest in certain regulated exchanges) • Increased liquidity & lower impact cost • Lower transaction costs: efficiency of exchanges/market makers • More listing fees and transaction charges • Data Marketing • Visibility among exchanges • Improve market quality of domestic markets • Provide groundwork for regional capital market development initiatives • Take advantages of the commonality of legal traditions and heritage between SAFE countries.
E25.	<p>What risk, if any, does your Organisation perceive from increased cross border listings within the SAFE member countries?</p> <ul style="list-style-type: none"> • Regulatory arbitrage • Conflict of regulatory jurisdiction • Conflict of surveillance and enforcement
E26.	<p>In what ways, if any, could your Organisation actively encourage or facilitate more cross border listings within the SAFE member countries?</p> <ul style="list-style-type: none"> • The organization played a major role in the set up of South Asian Federation of Exchanges. SAFE undertook the project styled Strengthening Stock Exchange Listing Regulations in members exchanges. The project was divided into four parts : <ul style="list-style-type: none"> - Phase I : which included the design of questionnaire and collating information from each member country. - Phase II : which included gathering of information from individual stock exchanges and the regulators by the SAFE team members and an international consultant. - Phase III : which involved the collation of information and the preparation of the draft report. - Phase IV : which involved the workshop to discuss the report and the preparation of the final report. • Harmonising the listing requirements in SAFE region • Efficient settlement system • Better visibility of the companies through efficient dissemination system • Instilling good governance practices

Questionnaire for Issuers of Securities

KASB Bank Limited (listed) KASB Securities Limited (considering listing)

No.	Question
Part 1: Company Background	
C1.	<p>Please provide some background on your company (e.g. home country, head office address, main business operations, turnover, profits, net assets). KASB Securities Limited is a unlisted public limited company incorporated in Karachi, Pakistan. KASB is a corporate member of the Karachi Stock Exchange (Guarantee) Limited</p>
C2.	<p>Does your company have any physical presence (factories, offices, etc) in another country? None</p>
Part 2: Demand for Cross Border Listings	
C3.	<p>Does your company currently have a cross border listing on two or more stock exchanges in SAFE member countries? (Bangladesh, Bhutan, India, Mauritius, Nepal, Pakistan and Sri Lanka) No, KASB Securities Limited has no such arrangement</p>
C4.	<p>Do the securities of your company currently trade in an over-the-counter market in another SAFE member country? No. KASB Securities Limited is an unlisted public limited company</p>
	<p>In the past, have you actively considered listing your shares in another country? No If so, which country/ies? Not applicable If you have not proceeded, why not? Not applicable</p>
C5.	<p>Is your company currently contemplating making a cross border listing? No If so, are you contemplating a direct listing or a depositary receipt program? None so far</p>
C6.	<p>Is your company likely to contemplate making a cross border listing in the next 2 years? Probably yes - we might consider Dubai a market for such a thing as compared to SAFE countries.</p>
C7.	<p>Which SAFE countries/stock exchange(s) would be your preferred choice for listing your company's shares?</p>

C8.	If you had a choice to raise equity capital in another country, would you prefer to do so: a. on a western stock exchange (eg London, New York)? b. On another regional stock exchange? Dubai / middle eastern markets and in longer term perhaps London/New York	
C9.	If you were contemplating raising capital on an overseas stock market, how would you rank the features for your choice:	Ranking (1 most important, 5 least important)
C9a.	The size of the market?	2
C9b.	The costs of raising capital in that market?	1
C9c.	The proximity to your existing country?	2
C9d.	The fact that your company has operations in that country?	4
C9e.	The fact that your company wants to raise its profile in that country?	2
Part 3: Perceived Benefits of a Cross Border Listing		
	Financial	
C10.	In your opinion, would a cross border listing enable your company to access a broader range of investors? Yes	
C11.	In your opinion, would a cross border listing increase the marketability of your company's securities? Certainly yes	
C12.	In your opinion, would a cross border listing lead to an increase in the market price of your company's securities? Most probably, yes	
	Corporate Visibility	
C13.	In your opinion, would a cross border listing add prestige to your company's profile? Yes	
C14.	In your opinion, would a cross border listing raise your company's profile with investors in the foreign market where you list? Yes	
	Product Visibility	
C15.	In your opinion, would a cross border listing raise consumer's knowledge of your company and its products in the foreign market where you list and ultimately raise sales volume? Remaining in the brokerage industry, we do think we have a lot of business directed form the middle east region particularly Dubai – where we as mentioned that we (if decided in long term) may opt for a cross listing. In that case there will be a positive result on the brokerage and advisory business.	
	Labour Market Visibility	
C16.	In your opinion, would a cross border listing assist you to recruit and retain employees	

	<p>in the foreign market where you list by enabling you to create employee option programs? No plans of exercising such an option</p>
	Capital Market Visibility
C17.	<p>In your opinion, would a cross border listing enable your company to participate in more mergers and acquisitions in the foreign market where you list? Certainly yes, being a corporate finance and investment banking advisory firm we see a lot of potential to operate as a role mode for other corporates – interested in mergers acquisitions and cross border listings</p>
Part 4: Obstacles To Cross Border Listings	
	Foreign Exchange/Exchange Control Issues
C18.	<p>Are there any foreign exchange control restrictions, of which you are aware, that currently prevent your company having a cross border listing? Nothing that we are presently aware of, there may be a code required to be followed for such arrangements and the State Bank and the Securities and Exchange Commission of Pakistan will have to be contacted in near future, if we seek to exercise this option.</p>
	Legal Restrictions
C19.	<p>Are there any legal restrictions, of which you are aware, that currently prevent your company having a cross border listing? No, nothing that we are aware of.</p>
	Regulatory Issues
C20.	<p>Are there any regulatory restrictions, of which you are aware, that currently prevent your company having a cross border listing? No, nothing that we are aware of.</p>

Questionnaire for Exchanges, Regulators and Intermediaries

KASB Securities Limited

No.	Question
Part 1: Background on Your Organisation	
E1.	Name of your Organisation? KASB Securities Limited
E2.	Country in which your Organisation is located? Pakistan
E3.	Main activities of your Organisation? Brokerage Services , mainly capital market related
Part 2: Demand for Cross Border Listings	
E4.	Are you aware of any companies that currently have cross border listings on two or more stock exchanges in SAFE member countries? If so, are they direct listings or depositary receipt programs? No
E5.	Are you aware of any companies that have securities which currently trade in an over-the-counter market in another SAFE member country? No
E6.	Are you aware of any companies currently contemplating making a cross border listing in a SAFE member country? If so, are they contemplating a direct listing or a depositary receipt program? No , None so far
E7.	Are you aware of any companies that are likely to contemplate making a cross border listing in a SAFE member country in the next 3 years? None so far, however this idea is in consideration and it may attract a listed corporate with greater market floatation going forward

E8.	<p>If the regulatory/legal and other obstacles you identify below were removed, how many new cross border listings in SAFE member countries would you anticipate:</p> <p>e. within 1 year; f. within 3 years?</p> <p>Difficult to forecast, however following the past corporate trend analyses after the first cross border listing there will be decent number of corporates following this route. A lot also depend upon the govt. policies and exchange regulations put in place in this regard.</p>
E9.	<p>From which SAFE member countries are new cross border listings most likely to come, in your opinion?</p> <p>Dubai will remain to be a market of first choice, SAFE countries that are on priority may include India and Bangladesh</p>
E10	<p>To what extent do local investors currently trade the securities of companies located in other SAFE member countries?</p> <p>Trading in the securities by local investors in companies located in other SAFE member countries is very limited</p>
E11	<p>Are you aware of potential demand from local investors to trade the shares of companies located in other SAFE member countries?</p> <p>In the recent past there were few illegal business houses offering forex and international capital market access and unfortunately they were having a decent volume in number of trades per day from the investor side. Therefore it would not be completely wrong if we say that there is an interest from the local investor domain but the extent would be a sub-function of capital gains and results from such a model.</p>
E12	<p>Would there be greater interest from investors to trade the shares of companies located in other SAFE member countries if the obstacles were removed and the process was made as simple as buying the shares of a local company? Please quantify and provide justification for your answer.</p> <p>Not really, as the local bourses are doing well these days. However if the earning potential is good and the yields are better then the local exchanges, then certainly a specific segment of local investors will be interested.</p>

Questionnaire for Exchanges, Regulators and Intermediaries

Jahangir Siddiqui Capital Markets Limited

No.	Answers	
Part 1: Company Background		
C1.	Jahangir Siddiqui Capital Markets Limited was incorporated under the Companies Ordinance 1984 and is listed on the Karachi and Islamabad Stock Exchanges of Pakistan. The principal activities of the Company are share brokerage, money market, and Foreign Exchange brokerage, advisory and consultancy services.	
C2.	No physical presence in any other country.	
Part 2: Demand for Cross Border Listings		
C3.	No cross border listing in any SAFE member countries.	
C4.	The security of our company is not currently trade in an over-the-counter market in another SAFE member country. We have never considered listing our shares in another country.	
C5.	Our company is not currently contemplating making a cross border listing.	
C6.	Our company is not likely to contemplate making a cross border listing in the next 2 years.	
C7.	If we ever contemplate making a cross border listing our preferred choice for listing our company's shares would be India and Bangladesh.	
C8.	If we have a choice to raise equity capital in another country, we would prefer to do so on a western stock exchange.	
C9.	If you were contemplating raising capital on an overseas stock market, how would you rank the features for your choice:	Ranking (1 most important, 5 least important)
C9a.	The size of the market?	3
C9b.	The costs of raising capital in that market?	1
C9c.	The proximity to your existing country?	2
C9d.	The fact that your company has operations in that country?	5
C9e.	The fact that your company wants to raise its profile in that country?	5

Part 3: Perceived Benefits of a Cross Border Listing	
	Financial
C10.	Definitely in my opinion a cross border listing would enable our company to access a broader range of investors.
C11.	Surely, the marketability of securities would increase as a result of cross border listing.
C12.	Definitely increased demand and limited number of securities would ultimately lead to increase in prices.
	Corporate Visibility
C13.	Definitely yes.
C14.	Definitely, the Company would get an edge.
	Product Visibility
C15.	As you can understand that our principal activity is shares brokerage, customers across the border can easily purchase any of the listed security in Pakistan and that will surely result in increased revenue.
	Labour Market Visibility
C16.	I strongly believe that employee exchange programs can be initiated without Cross Border Listing, however, I am of the opinion that no one from Europe would like to come in Pakistan or else some one from Pakistan would not like to move to any of the SAFE countries.
	Capital Market Visibility
C17.	Surely yes.
Part 4: Obstacles To Cross Border Listings	
	Foreign Exchange/Exchange Control Issues
C18. C19. C20.	As already intimated in C5, the company is not currently contemplating a cross border listing. I can not inform you specifically, however, certainly there are requirements to be complied for cross border listing as mentioned in the Companies Ordinance 1984 and Foreign Exchange Regulations.
	Legal Restrictions

	Regulatory Issues

Questionnaire for Exchanges, Regulators and Intermediaries

Finex Securities Limited

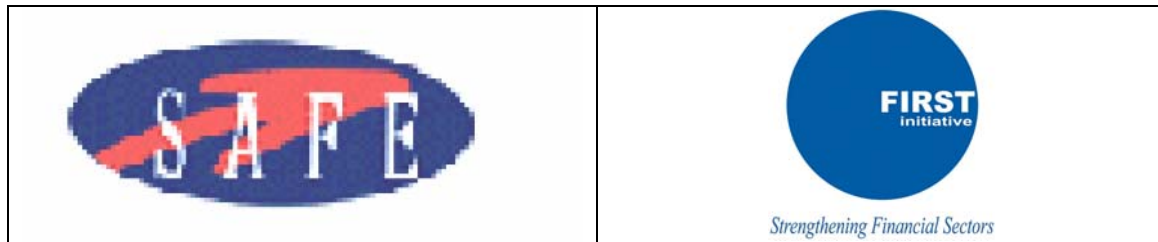
No.	Question
Part 1: Background on Your Organisation	
E1.	Name of your Organisation? <i>Finex Securities Limited</i>
E2.	Country in which your Organisation is located? <i>Pakistan</i>
E3.	Main activities of your Organisation? 1. <i>Stock Market Brokerage</i> 2. <i>Fixed Income Brokerage</i> 3. <i>Foreign Exchange Brokerage</i>
Part 2: Demand for Cross Border Listings	
E4.	Are you aware of any companies that currently have cross border listings on two or more stock exchanges in SAFE member countries? <i>No</i> If so, are they direct listings or depositary receipt programs? <i>No</i>
E5.	Are you aware of any companies that have securities which currently trade in an over-the-counter market in another SAFE member country? <i>No</i>
E6.	Are you aware of any companies currently contemplating making a cross border listing in a SAFE member country? <i>No</i> If so, are they contemplating a direct listing or a depositary receipt program? <i>No</i>
E7.	Are you aware of any companies that are likely to contemplate making a cross border listing in a SAFE member country in the next 3 years? <i>Not to our knowledge.</i>
E8.	If the regulatory/legal and other obstacles you identify below were removed, how many new cross border listings in SAFE member countries would you anticipate:

	g. Within 1 year	5
	h. Within 3 years	10
E9.	From which SAFE member countries are new cross border listings most likely to come, in your opinion? <i>From amongst Pakistan, India Sri Lanka and Bangladesh.</i>	
E10	To what extent do local investors currently trade the securities of companies located in other SAFE member countries? <i>Very few to our knowledge.</i>	
E11	Are you aware of potential demand from local investors to trade the shares of companies located in other SAFE member countries? <i>Retail Pakistani investors are enterprising and as such we believe that there will be investment appetite for regional investments. Similarly, we feel Indian investors will also be interested in Pakistani stocks.</i>	
E12	Would there be greater interest from investors to trade the shares of companies located in other SAFE member countries if the obstacles were removed and the process was made as simple as buying the shares of a local company? Please quantify and provide justification for your answer. <i>Yes, there would be greater interest especially from the Mutual Fund industry.</i>	
Part 3: Perceived Benefits of a Cross Border Listing		
	Financial	
E13.	In your opinion, does a cross border listing enable a company to access a broader range of investors? <i>Yes, it does. Mutual Funds will be keen to diversify their portfolios.</i>	
E14.	In your opinion, does a cross border listing increase the marketability of a company's securities? <i>Yes, more local investors will monitor its performance.</i>	
E15.	In your opinion, does a cross border listing lead to an increase in the market price of a company's securities? <i>In the short-term, it may. Fundamentals should prevail over the longer term.</i>	
	Corporate Visibility	
E16.	In your opinion, does a cross border listing add prestige to a company's profile? <i>Yes, it will improve its image domestically.</i>	
E17.	In your opinion, does a cross border listing raise a company's profile with investors in the foreign market where it lists? <i>Yes, it should.</i>	

	Product Visibility
E18.	In your opinion, does a cross border listing raise consumer's knowledge of a company and its products in the foreign market where it lists and ultimately raise sales volume? <i>Yes, only if its products are sold in that market.</i>
	Labour Market Visibility
E19.	In your opinion, does a cross border listing assist a company to recruit and retain employees in the foreign market where it lists by enabling it to create employee option programs? <i>It may assist in recruitment in that market since it would have created awareness through listing.</i>
	Capital Market Visibility
E20.	In your opinion, does a cross border listing enable a company to participate in more mergers and acquisitions in the foreign market where it lists? <i>Again, awareness will create many opportunities, including M&A.</i>
Part 4: Obstacles To Cross Border Listings	
	Foreign Exchange/Exchange Control Issues
E21.	Are there any foreign exchange control restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country? <i>Foreign Direct Investments (FDI) and Portfolio Investments into Pakistan are permitted and subsequent sale and dividend proceeds may be repatriated. However, to our knowledge, no provisions currently exist for facilitating a foreign issuer with foreign exchange movements from Pakistan.</i>
	Legal Restrictions
E22.	Are there any legal restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country? <i>To our knowledge, no Laws currently exist to facilitate cross border listing.</i>
	Regulatory Issues
E23.	Are there any regulatory restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country? <i>As above.</i>
Part 5: Cross Border Listings and Your Organisation	
E24.	What benefits, if any, does your Organisation stand to gain from increased cross border listings within the SAFE member countries?

	<i>More opportunities - more business.</i>
E25.	<p>What risk, if any, does your Organisation perceive from increased cross border listings within the SAFE member countries?</p> <p><i>Risks can be enumerated once the Laws and regulations are in place.</i></p>
E26.	<p>In what ways, if any, could your Organisation actively encourage or facilitate more cross border listings within the SAFE member countries?</p> <p><i>Most brokerage firms should encourage cross border listing to enhance their market size.</i></p>

APPENDIX: QUESTIONNAIRE



SAFE: STRENGTHENING STOCK EXCHANGE LISTING REGIMES AND REGIONAL HARMONISATION PROJECT

South Asian Federation of Exchanges

Questionnaire

On

Cross Border Listings

Contact details: SAFE Secretariat	Contact details: Capital Markets Consultant
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Questionnaire on Cross Border Listings

This Questionnaire has been prepared as part of a South Asian Federation of Exchanges (SAFE) project on strengthening SAFE member's listing regimes and exploring the scope for greater harmonisation of listing standards – particularly with a view to encouraging cross border listings between member jurisdictions. SAFE member stock exchanges are situated in Bangladesh, Bhutan, India, Mauritius, Nepal, Pakistan and Sri Lanka.

The purpose of the Questionnaire is to gather information for a Report on Cross Border Listings for SAFE and to identify for SAFE:

2. any regulatory or other obstacles to cross border listing;
3. potential demand from issuers to list their shares in other countries in SAFE; and
4. potential demand from investors to trade securities from another SAFE country.

Important Notes for Respondents

- Submission should be in a Microsoft Word document file sent by e-mail to the SAFE Secretariat (info@safe-asia.org) and copied to Mr. William Woods (www@wwwoods.com) by no later than [30 October], 2005.
- ISC and SAFE would like to thank respondents in advance for their time and assistance in this important project. If you have any questions on what is required please contact SAFE or Mr. William Woods (www@wwwoods.com).
- Please supply written responses to each of the questions set out in the questionnaire.
- When answering please make specific reference to sources of information (e.g. pieces of legislation, regulations, rules or other documents). In cases where documents are accessible through websites, include URL references (e.g. securities commission, stock exchange's websites).

Forms of Cross Border Listings

Cross border listings come in two forms. A company can engage a foreign depository to establish a depository receipt program in the depository's home market, or the company can list its shares directly on a foreign stock exchange.

Direct Listings

An issuer may take a direct listing for its securities on the foreign market. In such cases the securities will trade in all respects like the securities of a domestic company in that

market. However, the issuing company must meet all the regulatory and disclosure requirements of each of the markets where it lists securities.

In 1998, DaimlerChrysler pioneered a new form of security called a Global Registered Share (GRS). DaimlerChrysler's GRS were simultaneously listed on 21 stock exchanges around the world and took cross border listings to a new level. Companies such as UBS and Deutsche Bank have subsequently followed DaimlerChrysler's lead. GRS require electronic links between the relevant CDS, close co-operation between transfer agents and a global share register, in order to enable trading, settlement and seamless, fungible transfer between markets.

Depository Receipts

The most common structure for a depository receipt is for a depository bank to acquire the shares of a foreign company (either in the local market for those shares or directly from the issuer), deposit those shares in a custodian, and then issue certificates to investors in the depository bank's home jurisdiction which certificates represent a contractual interest in the underlying shares.

The majority of all non-US companies that list their shares on US exchanges do so through depository agreements with US banks. Depository receipts facilitate low-cost investment in companies that trade on an overseas stock exchange without the inconvenience of accessing the overseas stock exchange directly. Depository receipts can be traded and settled in the domestic market, in the investor's domestic currency.

Pros and Cons of Cross Border Listings

The main benefits of pursuing a cross border listing are access to a broader investor base and increased marketability of an issuer's securities. A cross-border listing can help a company target new shareholders for fresh capital. The primary objective of a cross border listing, therefore, is the financial goal of reducing the cost of equity capital for the issuer. On this criterion, whether the benefits outweigh the costs involved depends on whether total trading volume increases and/or the share price increases after the cross border listing.

In addition some issuers may use a cross border listing to enhance the company's prestige or increase the visibility of its products in another country.

The diversification of a company's shareholder base can also spread the financial risk in the same way that diversifying a portfolio can spread investment risk. This can lower volatility in the price of the company's shares.

Compliance with foreign reporting requirements can impose major additional costs and is perhaps the greatest disadvantage of a cross border listing. In addition, a company with multiple listings will have multiple listing fees.

Questionnaire for Issuers of Securities

No.	Question	
Part 1: Company Background		
C1.	Please provide some background on your company (e.g. home country, head office address, main business operations, turnover, profits, net assets).	
C2.	Does your company have any physical presence (factories, offices, etc) in another country? If so, please name the country/ies.	
Part 2: Demand for Cross Border Listings		
C3.	Does your company currently have a cross border listing on two or more stock exchanges in SAFE member countries? (Bangladesh, Bhutan, India, Mauritius, Nepal, Pakistan and Sri Lanka) If so, are they direct listings or depositary receipt programs?	
C4.	Do the securities of your company currently trade in an over-the-counter market in another SAFE member country? In the past, have you actively considered listing your shares in another country? If so, which country/ies? If you have not proceeded, why not?	
C5.	Is your company currently contemplating making a cross border listing? If so, are you contemplating a direct listing or a depositary receipt program?	
C6.	Is your company likely to contemplate making a cross border listing in the next 2 years?	
C7.	Which SAFE countries/stock exchange(s) would be your preferred choice for listing your company's shares?	
C8.	If you had a choice to raise equity capital in another country, would you prefer to do so: c. on a western stock exchange (eg London, New York)? d. On another regional stock exchange?	
C9.	If you were contemplating raising capital on an overseas stock market, how would you rank the features for your choice:	Ranking (1 most important, 5 least important)
C9a.	The size of the market?	
C9b.	The costs of raising capital in that market?	
C9c.	The proximity to your existing country?	

C9d.	The fact that your company has operations in that country?	
C9e.	The fact that your company wants to raise its profile in that country?	
Part 3: Perceived Benefits of a Cross Border Listing		
	Financial	
C10.	In your opinion, would a cross border listing enable your company to access a broader range of investors?	
C11.	In your opinion, would a cross border listing increase the marketability of your company's securities?	
C12.	In your opinion, would a cross border listing lead to an increase in the market price of your company's securities?	
	Corporate Visibility	
C13.	In your opinion, would a cross border listing add prestige to your company's profile?	
C14.	In your opinion, would a cross border listing raise your company's profile with investors in the foreign market where you list?	
	Product Visibility	
C15.	In your opinion, would a cross border listing raise consumer's knowledge of your company and its products in the foreign market where you list and ultimately raise sales volume?	
	Labour Market Visibility	
C16.	In your opinion, would a cross border listing assist you to recruit and retain employees in the foreign market where you list by enabling you to create employee option programs?	
	Capital Market Visibility	
C17.	In your opinion, would a cross border listing enable your company to participate in more mergers and acquisitions in the foreign market where you list?	
	Part 4: Obstacles To Cross Border Listings	
	Foreign Exchange/Exchange Control Issues	
C18.	Are there any foreign exchange control restrictions, of which you are aware, that	

	currently prevent your company having a cross border listing?
	Legal Restrictions
C19.	Are there any legal restrictions, of which you are aware, that currently prevent your company having a cross border listing?
	Regulatory Issues
C20.	Are there any regulatory restrictions, of which you are aware, that currently prevent your company having a cross border listing?

Questionnaire for Exchanges, Regulators and Intermediaries

No.	Question
Part 1: Background on Your Organisation	
E1.	Name of your Organisation?
E2.	Country in which your Organisation is located?
E3.	Main activities of your Organisation?
Part 2: Demand for Cross Border Listings	
E4.	Are you aware of any companies that currently have cross border listings on two or more stock exchanges in SAFE member countries? If so, are they direct listings or depositary receipt programs?
E5.	Are you aware of any companies that have securities which currently trade in an over-the-counter market in another SAFE member country?
E6.	Are you aware of any companies currently contemplating making a cross border listing in a SAFE member country? If so, are they contemplating a direct listing or a depositary receipt program?
E7.	Are you aware of any companies that are likely to contemplate making a cross border listing in a SAFE member country in the next 3 years?
E8.	If the regulatory/legal and other obstacles you identify below were removed, how many new cross border listings in SAFE member countries would you anticipate: a. within 1 year; b. within 3 years?
E9.	From which SAFE member countries are new cross border listings most likely to come, in your opinion?
Part 3: Perceived Benefits of a Cross Border Listing	
	Financial
E10.	In your opinion, does a cross border listing enable a company to access a broader range of investors?
E11.	In your opinion, does a cross border listing increase the marketability of a company's securities?
E12.	In your opinion, does a cross border listing lead to an increase in the market price of a company's securities?

	Corporate Visibility
E13.	In your opinion, does a cross border listing add prestige to a company's profile?
E14.	In your opinion, does a cross border listing raise a company's profile with investors in the foreign market where it lists?
	Product Visibility
E15.	In your opinion, does a cross border listing raise consumer's knowledge of a company and its products in the foreign market where it lists and ultimately raise sales volume?
	Labour Market Visibility
E16.	In your opinion, does a cross border listing assist a company to recruit and retain employees in the foreign market where it lists by enabling it to create employee option programs?
	Capital Market Visibility
E17.	In your opinion, does a cross border listing enable a company to participate in more mergers and acquisitions in the foreign market where it lists?
Part 4: Obstacles To Cross Border Listings	
	Foreign Exchange/Exchange Control Issues
E18.	Are there any foreign exchange control restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country?
	Legal Restrictions
E19.	Are there any legal restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country?
	Regulatory Issues
E20.	Are there any regulatory restrictions, of which you are aware, that currently prevent a company having a cross border listing in your country?
Part 5: Cross Border Listings and Your Organisation	
E21.	What benefits, if any, does your Organisation stand to gain from increased cross border listings within the SAFE member countries?
E22.	What risk, if any, does your Organisation perceive from increased cross border listings within the SAFE member countries?

E23.	In what ways, if any, could your Organisation actively encourage or facilitate more cross border listings within the SAFE member countries?