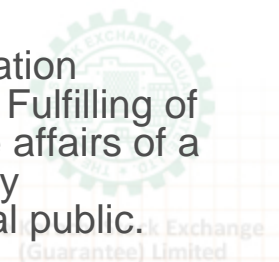


Securities & Exchange Commission of Pakistan

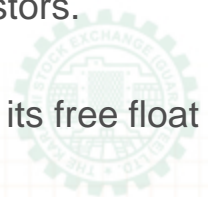
Actively Monitor The Stock Market

- The Securities and Exchange Commission is the regulatory authority in Pakistan which vigilantly monitors and control the market.
- The mission of SECP is to develop a fair, efficient and transparent regulatory framework, based on international legal standards and best practices for the protection of investors and mitigation of systemic risk aimed at fostering growth of a robust corporate sector and broad based capital market in Pakistan.
- SECP has successfully developed its management structures, technical expertise, technology and enforcement capacity compatible with international best practices.
- Besides on-site inspections, the SECP annually analyzes the compliance of brokers and agents while renewing their registrations. Brokers and agents are required to provide net capital balance, change in directors, and change of address or any other information to the SECP from time to time.
- CDC and National Clearing Company have to file annual returns as per Companies Ordinance, 1984.
- All companies registered with the SECP are required to fulfill certain post incorporation statutory and legal requirements to stay compliant with their corporate obligations. Fulfilling of these post incorporation requirements not only bring transparency in the corporate affairs of a company, but also enhance the SECP's regulatory capabilities. Besides, necessary information is readily available to shareholders, investors, creditors and the general public.



Foreigners Acquiring 100% Ownership

- There are no restrictions of acquiring 100% ownership of a company by foreigners. All sectors are open to FDI with equal treatment of local and foreign investors.
- 100% foreign equity allowed, and royalties, franchise fees, capital, profits, dividends etc all fully repatriable.
- World Bank in its report “Doing Business 2007” has ranked Pakistan at 74th, for ease of doing business whereas; India and China are at 134th and 93rd respectively.
- More than 700% growth in FDI over a period of just 4 years affirms the exponentially growing foreign interest in Pakistan as a developing economy offering exceptional returns.
- Pakistan has had considerable success in attracting FDI in FY06, a large part of the FY06 FDI comprised receipts from privatization of public sector assets.
- The Government of Pakistan, in the cases of dis-investments and privatization of govt. owned companies, dis-invested the shares with change of management in favour of foreign investors.
- Share of foreign portfolio investment is approx. 6% of KSE total capitalization and 21% of its free float capitalization.



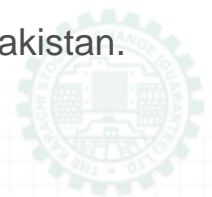
The Karachi Stock Exchange
(Guarantee) Limited

Repatriation of Capital and Income is Allowed

- Pakistan has one of the most liberal foreign investment regulations in the world; it is open to foreign investment and offers a package of incentives to attract foreign investors.
- As part of an integrated investment promotion strategy, the government undertook a comprehensive program of radical economic reforms including liberalization, privatization, and deregulation to bring the economy into a fully market-oriented system. This was aimed at capturing the potential of the private sector in all areas of economic activity. Foreign investment is generally subject to the same rules as domestic investment.

As per the Foreign Private Investment (Promotion & Protection) Act 1976,

- A foreign investor may at any time repatriate in the currency of the country from which the investment was originated, to the extent of original investment, Profits earned on such investment; and any additional amount resulting from the reinvested profits or appreciation of capital investment.
- A creditor of an industrial undertaking may repatriate foreign currency loans approved by the Federal Government and interest thereon in accordance with the terms and conditions of the said loan.
- Equal Treatment , Industrial undertakings having foreign private investment shall be accorded the same treatment as accorded to similar industrial undertakings, having no such investment in the application of laws, rules and regulation, relating to importation and exportation of goods.
- In the past year approx. US\$ 1. Billion was repatriated by foreign investors operating in Pakistan. Further information can be accessed from the Board of Investment (www.pakboi.gov.pk)



The Karachi Stock Exchange
(Guarantee) Limited

Free and Well-Developed Equity Market

- The equity market is well developed and totally free & restriction-less for all investor local as well as foreigners to participate equally.
- Having fully automated trading system, the Central Depository Company of Pakistan Limited and a separate clearing company namely: National Clearing Company of Pakistan Limited.
- The Karachi Stock Exchange has introduced a state-of-the-art computerized trading system known as Karachi Automated Trading System (KATS) to provide a fair, transparent, efficient and cost effective market for the investors. Each and every order/ trade is duly logged & recorded, with pre-trade client-wise margins verification system effective at order level.
- KSE is highly liquid bourse with last 12 months average turnover of US\$700mn / day.
- Turnover/Market Cap ratio of 300% in last 12 months is one of the highest in Asia.

• KSE Market Capitalization (Rs. bn)	4,753.24
• KSE Market Capitalization (US\$ bn)	74 .82
• Total Volume (Shares mn)	485.31
• Total Value traded / day (Rs. bn)	48.08
• Total Value traded /day (US\$ mn)	792.72



The Karachi Stock Exchange
(Guarantee) Limited

Free and well-developed equity market

- Total Volume Future /day (Shares mn) 94.51
 - Total Value Futures traded/ day (Rs. bn) 15.47
 - Total Value traded /day (US\$ mn) 255.10
 - Total Leverage Volume/ day (Shares mn) **702.22**
 - Total leverage Value/ day (Rs. bn) 67.75
 - **Total Value traded all markets/day(US\$ mn) 1,117.04**
-
- Approx. 22% free float in Pakistan on an average. This is increasing as Government is selling its shares under privatization program.
 - Average annual gain in last 4 year was 68% (68% in US\$). Last 5 year (2001 - 2005) return arrived at 51% (51% in US\$).
 - Contrary to the popular perception, volatility in Pakistan market has not gone up significantly. Volatility levels of Pakistan Market are almost identical with other regional markets. Pakistan Market has posted high return with controlled volatility over the years. It may be reasonable to conclude that volatility in Pakistan exhibits symmetry with the regional markets but offers high return.
 - Last 4 years' broad-based rally will continue, with Positive outlook. Market Cap expected to cross US\$100bn by 2008..



The Karachi Stock Exchange
(Guarantee) Limited

Free and well-developed foreign exchange market

- Banks and leading Brokerage Houses are active players in the “inter-bank foreign exchange market”, quoting competitive prices in USD/PKR spot as well as forward. They provide comprehensive foreign exchange products and services through their network. They also help their customers in managing of Foreign Exchange Risks, like the risk exposures in invoicing imported and exported goods. These risks are minimized by clients using a range of products available to develop a suitable hedging strategy. There is a spot market, forward contracts and products such as option forwards, which offer additional flexibility to their clients.
- Foreign exchange business in Pakistan is governed / regulated under Foreign Exchange Regulations. Foreign Exchange Manual outlines the rules and regulations governing foreign exchange business in the country for the guidance of Authorized Dealers (ADs), Exchange Companies (ECs) and general public including local/foreign investors as well as other stakeholders.
- Exchange Policy Department (EPD), one of the core departments of the **State Bank of Pakistan** is responsible for overall stability of the foreign exchange market and is engaged in the process of policy formulation and implementation. These activities are carried out in close coordination with other the Field Offices of SBP-BSC and concerned government functionaries etc. It also organizes training and development activities for the respective financial institutions and concerned bodies.



The Karachi Stock Exchange
(Guarantee) Limited

Fair and non-prejudicial treatment of minority shareholders

The right and privileges of minority shareholders are sufficiently protected under various provisions of the Companies Ordinance, 1984 and Listing Regulations of the Karachi Stock Exchange, such as:

Companies Ordinance, 1984:

Under **section 290(1)**, “the shareholders holding 20% of the issued share capital of a company may file complain with the registrar of companies and if the registrar is of the opinion that the affairs of the company are being conducted, or are likely to be conducted, in an unlawful or fraudulent manner, or in a manner not provided for in its memorandum, or in a manner oppressive to the member or any of the members or are being conducted in a manner **prejudicial** to the public interest; the registrar may make an application to the Court by petition for an order of winding up of the company”.

Under Section 178, “the shareholders / acquirer, holding atleast 12.5% voting shares, may request SECP for holding fresh election of directors, which can be held by the permission of the SECP”.

Under Section 179, “On the application of members holding not less than 20% of the voting power in the company the Court may within thirty days of the date of election, declare election of all directors or any one or more of them invalid if it is satisfied that there has been material irregularity in the holding of the elections and matters incidental or relating thereto”.

Listing Regulations:

- (i) Under the Code of Corporate Governance of the Listing Regulations of the Exchange, the representation of minority interest on the Board of Directors of the companies is encouraged so that the Board as a group includes core competencies considered relevant in the context of each listed company. For this purpose, minority shareholders as a class are facilitated to contest election of directors by proxy solicitation.”
- (ii) At the time of listing of new companies / securities, the Exchange ensure sufficiency of public interest and also the minimum requirement of listing / public offer of shares is fulfilled, which at present ranges in between 25% to 50% of the paid up capital of the companies.



The Karachi Stock Exchange
(Guarantee) Limited

High Quality Custodian Services

- In Pakistan, we have only a Single Depository Company i.e. Central Depository Company CDC, which meets the international standards.
- Experts of the renowned international firm Price Waterhouse conducted a study in 1993 to develop a conceptual framework for the depository. The study was sponsored by the United States Agency for International Development (USAID) and their report laid the foundation of depository design.
- CDC is committed to provide secured and dependable services to the capital and financial markets in an efficient and cost-effective manner comparable to best international practices. The Company's aim is to be the centre of excellence by continuously employing the state-of-the-art technology available and best talent in the country while maintaining good corporate governance in its working. It is committed to provide its employees an environment of professional and personal growth.
- The Central Depository Company of Pakistan Limited takes security of Central Depository System extremely seriously and is committed to provide a complete and secure system to its clients so as to ensure smooth and risk free settlement of security transaction.
- CDC is constantly looking into the possibilities to further enhance the security of the system and are committed to make CDS an exemplary system in this regard. Following are some of the features implemented so far:
 1. CDS IDs and Passwords: All CDS elements are allocated unique IDs and Passwords through which to enter the system.
 2. Dial-in IDs and Passwords: This feature is an additional layer of security for those clients who are connected to us through telephone lines.
 3. Terminal Authentication: CDS elements can only get connected to us through their designated terminals.



The Karachi Stock Exchange
(Guarantee) Limited

DEALING LANDSCAPE

Brokerage – Sufficient competition to ensure high quality broker services

- 155 active Exchange Members / brokerage houses offer highly competitive services to investors/clients world wide.
- Many providing a comprehensive range of investor focused services, including equity brokerage, economic and securities research, investment banking and financial advisory services, through their local out-lets and online trading platforms.
- Good corporate governance, professionalism, and comprehensive code of ethics are overseen in many firms by an independent compliance manager
- Brokers' commissions on transactions are freely negotiable between the brokers and clients.
- Transaction costs have been significantly lowered after on-line trading was introduced. Due to the price competition, brokerage commissions for on-line trading continued to be lowered. Currently, the brokerage commissions for trading are around, 0.1 percent with broking-only securities firms. The low fee strategies of these securities firms further accelerated price competition.
- Stamp duty: There is no stamp duty for transfer settled through the Central Depository System, however, there is a one-time stamp duty at the rate of One Paisa per share at the time of deposit of securities in the CDS.



The Karachi Stock Exchange
(Guarantee) Limited

Transaction costs – implicit and explicit costs to be reasonable and competitive

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The Karachi Stock Exchange
(Guarantee) Limited

Short sales permitted

Short selling is permitted under the regulations for short selling Under ready market, 2002, of the Karachi Stock Exchange (guarantee) Limited

Off-exchange transactions permitted

Off- Market transactions are permitted. However, same-day reporting to the exchange of these off-market trades is mandatory.

Transparency – market depth information/ visibility and timely trade reporting

- Market depth information is available to all KATS terminal, showing the list of best bids and offers and full depth of the order book without disclosing the market participants.
- KATS provide three distinct windows to the market participants to gauge the depth of the order book, namely Market by Price (MBP), Market by Order (MBO) and Market by Symbol (MBS).



The Karachi Stock Exchange
(Guarantee) Limited