



## **SAARC Colloquium on Management of Stock Exchange Systems and Regulation of Securities Markets**

**SAARC Secretariat, Kathmandu  
21-22 April 2008**

---

### **REPORT**

It may be recalled that the Second Meeting of SAARC Finance Ministers (New Delhi, 15 September 2007) approved the recommendation of the Second Meeting of SAARC Finance Secretaries (New Delhi, 14 September 2007) that the SAARC Secretariat would organize a Colloquium in order to facilitate sharing of experiences in the:

- (i) Management of Stock Exchange systems and regulation of Securities Markets;
  - (ii) Regulation and Management of involvement of private operators in the Securities Market; and
  - (iii) Improvements in the functioning of the Banking systems.
2. In order to facilitate institutional cooperation aimed at development of Capital Markets in the region, the Meeting had also recommended the following:
- (i) Formal Agreements among regulators and Ministries of Finance of SAARC Countries aimed at information exchange in the field of development of bonds market for financing of infrastructure, and development of effective platforms for raising equity capital for Small and Medium Scale enterprises could be negotiated.
  - (ii) Harmonization of Securities Market regulations relating to accounting and corporate governance standards; and
  - (iii) Member States may examine the feasibility of cross-border transactions of capital.
3. The Finance Ministers also decided that an Expert Group on Development of Capital Markets in South Asia may be established to examine various elements of implementing cooperation in this area and make its specific recommendations for consideration of the Third Meeting of Finance Secretaries.

4. Accordingly, a Colloquium on Management of Stock Exchange Systems and Regulation of Stock Markets was organised at the SAARC Secretariat, Kathmandu on 21-22 April 2008. The list of participants is at **Annex-I**.

5. The Colloquium was opened by Director, SAARC Secretariat, Mr. Vinay Kwatra on behalf of Secretary General of SAARC, Dr. Sheel Kant Sharma. In his welcome remarks, Mr. Kwatra underlined the mandate of the Colloquium as given by the SAARC Finance Ministers and hoped that the deliberations of the Colloquium would facilitate the commencement of cooperation among the stock exchanges of the Member States. A copy of the introductory presentation made by Mr. Kwatra is at **Annex-II**.

## **II. Adoption of Agenda**

6. The Agenda adopted by the Meeting is at **Annex-III**.

## **III. Election of Chairperson**

7. Mr. Niraj Giri, Director, Securities Board of Nepal and the leader of the delegation of Nepal was elected the Chairperson unanimously.

## **IV. Discussions on the Management of Stock Exchange Systems and regulation of Securities Markets in the SAARC Member States: Country presentations by the delegations.**

8. The participating delegations from the Member States made presentations on the current status of Management of Stock Exchanges and regulation of Securities Markets in their respective Countries. The presentations were followed by discussions and a question-answer session.

9. Some of the salient features mentioned in the presentations are given below:

- a. The existing regulatory framework of the securities market in individual SAARC Member States;
- b. Settlement and clearing mechanisms being used by different stock exchanges in the Region;
- c. Measures in place to protect investors and credibility of the securities market in the region;
- d. Agenda for future development of stock markets in each of the SAARC Countries;
- e. Investor awareness mechanisms promoted by individual stock exchanges as well as the respective regulators; and
- f. need for a platform for SME sector.

10. The copies of presentations made by Bangladesh, India, Maldives and Pakistan are given at **Annex-IV**.

## **V. Presentation by the representative (s) of South Asian Federation of Exchanges (SAFE) – a SAARC Recognised Body.**

11. The Colloquium welcomed the decision of the Twenty-ninth Session of the Council of Ministers to grant recognition to the South Asian Federation of Exchanges (SAFE) as a SAARC Recognised Body.

12. Mr. Aftab Ahmad Ch., Secretary General, SAFE and Ms. Sanam Shadani, Deputy Secretary General, SAFE attended the Colloquium. Mr. Ahmad made a presentation on the issues before the Colloquium. A copy of the presentation is given at **Annex-V**. He emphasised on the need to promote cooperation among the stock exchanges of SAARC Member States. In his presentation, Mr. Ahmad informed inter-alia that SAFE proposes to launch Dow Jones – SAFE Index in May 2008 which would comprise of selected stocks listed on SAFE member exchanges. This Index would provide an overview of the performance of regional equity markets and would provide an indication of investment potential in the region. He informed that initially, data for the Dow Jones – SAFE Index would be provided by its member exchanges. He further informed about some of the other current initiatives of SAFE as given below:

- Preparation of model Cross Border Listing Regulations
- Enlargements of memberships
- Capacity Building Initiatives
- Thematic Conferences
- Publications

### **Future Agenda of SAFE:**

- Listing & Trading of Dow Jones-SAFE Index in all regional Countries.
- Launching of an ETF in cooperation with an internationally acclaimed Asset Management Company.
- Establishment of a SAFE Mutual Fund.
- Establishment of SAFE Data Center to pave the way for the provision of standardized regional market statistics/data to global investors.
- Establishment of South Asian Institute of Capital Market Studies for the professional training of human resource in the securities market and capacity building for front-line and apex regulators.
- To work closely with SAARC & South Asian Securities Regulators Forum (SASRF) for bringing standardization of the regulations governing our regional markets.
- Establishment of ECN's for cross border trade.
- To lobby for facilitating capital and regulatory regimes in the region for cross border trade and Investment
- To obtain Affiliate Status with other International Capital Market Organizations for exchange of ideas.
- To obtain recognition of SAFE as an international NGO along the lines of other international organizations such as Asia Foundation, OXFAM etc.

13. The Meeting appreciated the presentation made by Mr. Ahmad and hoped that the South Asian Federation of Exchanges (SAFE) would be successful in meeting all its objectives with the cooperation of stock exchanges and of all relevant bodies in the SAARC Member States.

**VI. Discussion on the Regulation and Management of involvement of private operators in the Securities Market in the SAARC Member States: Country presentations by the delegations**

14. The delegates briefed the Meeting on the legal regimes and practices regarding the activities of market players including private operations in the Securities Markets in their respective countries. The copies of presentations made by Bangladesh and India are at **Annex-VI**. Information in this regard relating to Pakistan is given in the presentation made by the delegation of Pakistan at Annex-IV.

**VII. Discussions on the functioning of the Banking systems.**

15. The delegations briefed the Meeting with regard to the functioning of the Banking systems in their respective countries. The copies of presentations made by Bangladesh and Pakistan are given at **Annex-VII**. The Meeting noted the importance of vibrant and strengthened banking system for the efficient and effective functioning of the securities markets.

**VIII. Consideration of issues and areas aimed at promoting Regional Cooperation the field of Capital Markets.**

**IX. Consideration of steps to be taken and modalities and approaches to be adopted by the SAARC Member States to promote Regional Cooperation in the field of Capital Markets.**

16. The Meeting held extensive discussions with regard to measures that need to be taken and policy approaches that need to be framed regionally in the field of development of Capital Markets in the SAARC Countries, including a comprehensive capacity building initiative. The Meeting assessed that for the steps aimed at promoting regional cooperation in this field to be meaningful, they need to factor in the existing differing levels of Capital Markets in all its aspects among the SAARC Member States. The Meeting made the following important recommendations:

(a) Variations in the level of development of Capital Markets in SAARC need to be clearly codified in detail with reference to existing international benchmarks of G-30 recommendations and IOSCO principles. In order to enable such codification, a study with the appropriate financial and technical support of relevant international organizations, including ADB, is a prerequisite. The Secretariat may explore suitable funding for the Study. The detailed Study, against the above mentioned reference points may include:

- Current status of framework for trading, clearing and settlement systems, including relevant institutional framework;

- Regulatory Architecture, including rules, regulations, accounting standards etc; and
  - Guidelines for Initial Public Offering (IPO) and continued corporate governance.
- (b) Based on the above study, SAARC Member States may undertake the process of harmonization of Laws and regulations in different aspects of Capital Markets including accounting and corporate governance standards;
- (c) Member States may consider undertaking Standardization and Harmonization of Securities Industries Classification with reference to international best practices;
- (d) Within their national jurisdictions, or through bilateral, sub-regional or regional arrangements, the Member States may promote programmes related to education, awareness and certification; and
- (e) There is a need for greater interaction and cooperation between South Asian Securities Regulator Forum (SASRF), SAFE and relevant stock exchanges in the region in order to undertake concrete steps to harmonize rules, regulations and by-laws.

17. There needs to be short term, medium term and long term goals in the field of Capacity Building. In this regard, each Member State may convey a listing of its capacity building requirements which could be submitted for the consideration of the Inter-governmental Expert Group which would meet in the second half of 2008.

**Short term goal:** A regional programme for “training the trainers” who would be trained for providing standardized training in their respective countries. The Meeting recognized that India would design such a regional programme and forward it to the Secretariat along with recommended funding modalities preferably within a period of three months.

**Medium and Long term goals:** Encourage SAARC Member States to establish and strengthen their respective capital market training institutes. Alongside the strengthening of the national capacities, the Member States could in parallel explore the possibility of setting up of a Regional Training Institute.

18. Member States may encourage setting up of suitable Self-Regulatory Organisations (SRO) for the intermediaries and market players in their respective jurisdiction.

19. Member States may also encourage registering investors associations to spread the equity culture, to educate investors etc.

20. All the Member States may convey a listing of their well-known consultants in the field of Capital Markets to the Secretariat **by 30 May 2008** at [dirind@saarc-sec.org](mailto:dirind@saarc-sec.org). The list could be maintained on the websites of SAARC Secretariat and SAFE.

21. In order to make the markets more modern and of international standards, product innovation, product expansion, product diversification may be suitably studied and incorporated in the respective jurisdictions including through the expertise available within the region.

22. As an ultimate goal, SAFE and the Stock Exchanges in the region may aim at facilitation of cross border transactions and related capital movement in the region.

**X. Any other matter**

23. No other matter was discussed under this agenda item.

**XI. Adoption of the Report**

24. The Meeting adopted its Report unanimously.

**XII. Closing of the Meeting**

25. On behalf of all the delegations, Mr. C.K.G. Nair, Director (SM), Ministry of Finance, Government of India and the leader of the delegation of India proposed a vote of thanks to the Chairman for the smooth conduct of the deliberations of the Colloquium and also expressed appreciation for the support and guidance provided by the SAARC Secretariat.

---