

سیورٹیز اینڈ ایکسچینج



Capital Market Reforms in Pakistan

Institutional, Legal and Regulatory Reforms for Strengthening Capital Market Institutions



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SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

A presentation for CAREC Capital Market Regulators Forum on August 29-30, 2019 in Islamabad, Pakistan

SECP Capital Market Reform Agenda ^{8/29/2019}

Strengthening capital market infrastructure institutions

Upgrading legal and regulatory framework

Facilitating fund raising through capital market

Expanding market outreach and ease of doing business

Building confidence through investor protection measures

Creating awareness for enhanced financial inclusion



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Pakistan's Experience MAJOR MARKET REFORMS



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Legal & Regulatory

- } Enactment of Securities Act, 2015; Futures Market Act, 2016; Companies Act, 2017
- } Promulgation of Anti Money Laundering Regulations for market intermediaries
- } Regulations for Islamic finance; Morahaba Share Financing; Commodity Morahaba



Structural

- } Corporatization, Demutualization and Integration of 3 stock exchanges to form national level trading platform, Pakistan Stock Exchange Ltd (PSX)
- } Divestment of PSX's 40% shares to Chinese Consortium (China Financial Futures Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, local FIs) and self-listing of PSX
- } Creation of a Central Counterparty and a Settlement Guarantee Fund at NCCPL to protect settlement of market transactions



Market Outreach & Ease of Doing Business

- } *Jama Punji* initiatives for investor education and outreach in collaboration with academia, professional institutions and other stakeholder investor
- } Centralized calculation and collection of CGT for all securities market investors
- } Establishment of Centralized KYC Organization; eliminated requirement of in-person verification
- } Simplified account opening process; **Low** KYC accounts for retail clients



Investor Protection and Facilitation

- } Centralized Customer Compensation Fund established with per client compensation limit
- } Direct Settlement Services and National Custodial Services at CDC and NCCPL
- } Technology penetration through e-IPO, e-Voting, e-Dividend, e-Services and e-Alerts
- } Web-based online investor complaints management system



Future Plans

- } Law for Collateral Management Services
- } Framework for Equity Crowdfunding
- } Review of Securities Act and Futures Markets Act
- } Establishment of Bond Pricing Agency
- } Online account opening with intermediaries
- } Facilitating introduction of new product (ETFs, options, market makers)
- } Rationalization of inspection regime



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REGIONAL APPROACH



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Main Goal

Harmonizing capital markets of CAREC region a key step towards substantive integration of these capital markets



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Major Barriers

- } Lack of forums and structures through which CAREC markets can learn from each others' experiences
- } Absence of any policy objective and common standards for harmonization
- } Difference in regulatory and enforcement capacity among CAREC members acts as a deterrent to cross-border investments
- } Barriers on movement of capital within CAREC region has a stifling effect on regional prospects for integration



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Way Forward

- } Initiation of a special program for information exchange
- } Making harmonization a policy aim of CAREC markets by setting basic standards among member countries
- } Formulation of a common policy on addressing movement of capital
- } Supporting each other for improvements in enforcement capacity

Need for setting up a regional body to implement the above for promoting harmonization and development of CAREC capital markets

THANK YOU



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