

INSTITUTE OF CAPITAL MARKETS



NEWSLETTER

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MESSAGE FROM THE CEO

The last few years have seen a rapid growth in size, quality and sophistication of capital markets, because of changes in the policy and regulatory environment, the entrepreneurial initiatives of individuals and institutions, and the availability of trained manpower. The continuing growth of capital markets is further adding to the demand for well-trained professionals.



Mr. Muhammad Ali Khan

Institute of Capital Markets is dedicated to the professional development of capital markets and research on capital markets as well as the well being of capital markets by educating the professionals about the norms and ethics being practiced in the markets. ICM has had a pioneering role in meeting the demand for educated manpower. It is Pakistan's first spe-

cialized institution devoted to the education and updating of knowledge of manpower for capital markets. It will provided high-quality educational standards for all types of capital market participants; investors, brokers, mutual funds, investment banks and policy makers.

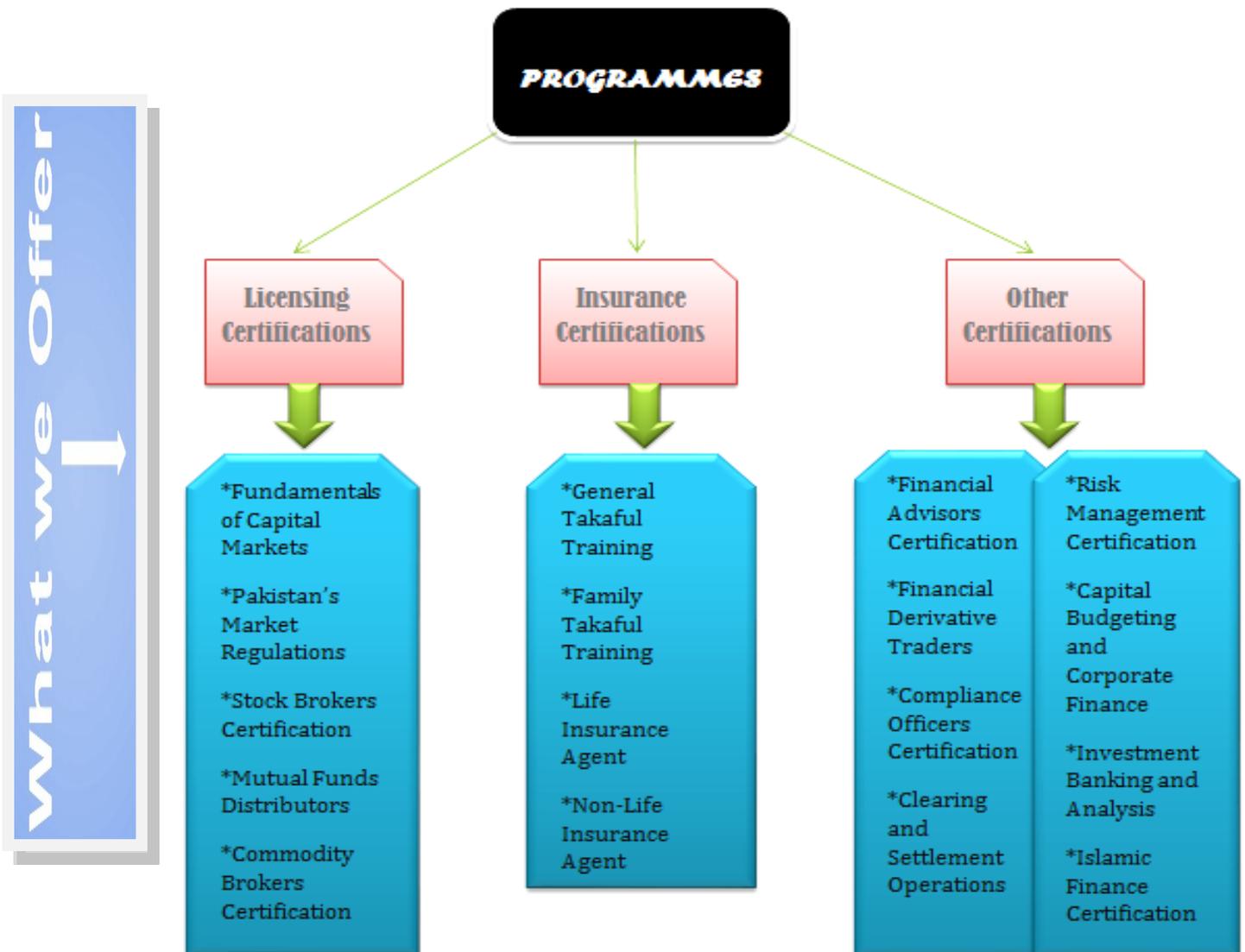
The Institute's main activities are (1) Licensing the professionals working in the capital markets by certifications. The institute's key responsibility is to educate the professionals working in different capital markets of Pakistan through examining their knowledge in their relevant field of work; (2) Studying the latest developments in the capital markets in order to discover whether there is such a thing as an ideal market economy; and (3) Contributing to the development of capital markets in Pakistan. By means of these three activities the Institute seeks to communicate its ideas to the audience both at home and overseas. The Institute's research is intended, first and foremost, to be neutral, professional and practical. Rooted in practice, it aims to contribute to the healthy development of Pakistani capital markets as well as to related policies by conducting neutral and professional studies of how these markets and the financial system are regulated and organized and how they perform.

The economy is changing all the time. The Institute hopes that, by responding to these changes positively, it can contribute to the dynamic development of the country's capital markets as well as of the economy itself.



INTRODUCTION TO THE ORGANIZATION

The **Institute of Capital Markets (ICM)**, Pakistan's first securities market institute, has been established as a permanent platform to develop quality human capital, capable to meet the emerging professional knowledge needs of capital markets and create standards among market professionals. The Institute has been envisioned to conduct various licensing examinations leading to certifications for different segments of the capital markets. In addition, ICM will also provide a platform for research & development, exchange of ideas and consulting services on Capital Markets issues.





EXCHANGE-TRADED FUNDS

An exchange-traded fund (ETF) is a marketable security that is similar to a closed-end mutual fund. It tracks an index, a commodity, a sectoral fund, etc. ETF pools investors' funds and invests them in different assets like bonds, commodities, stocks, etc. It is an investment fund that has the features of both mutual funds and stocks.

TYPES OF EXCHANGE-TRADED FUNDS

There are various types of exchange-traded funds available:

◆ Liquid ETFs

Liquid exchange-traded funds invest in money market instruments such as treasury bonds and government bonds because these instruments are easily converted into cash. This fund offers moderate return with low risk for the investors.

◆ Currency ETFs

These funds invest in a wide range of currencies or a number of currency-denominated debt instruments. By investing in currency ETFs, investors can gain exposure to the currency markets. This market is the most volatile market so it can help investors benefit from the price movement.

◆ Equity Index ETFs

Equity Index ETFs invest in a number of equity securities which recreate the performance of an index. The benefit of diversification like an in-



index is offered by these funds. The units of this fund can be bought or sold as a share.

◆ Commodity ETFs

These funds invest in a specific commodity or in a commodity index like gold ETFs. Investors don't need to invest in the commodity directly if they are investing in these instruments. The gold ETFs units can be accumulated and sold by the investors while purchasing gold jewelry items, etc.

◆ Sector ETFs

Sector ETFs particularly invest in the securities of a specific sector and track sectoral indices. These funds provide exposure to the entire sector and



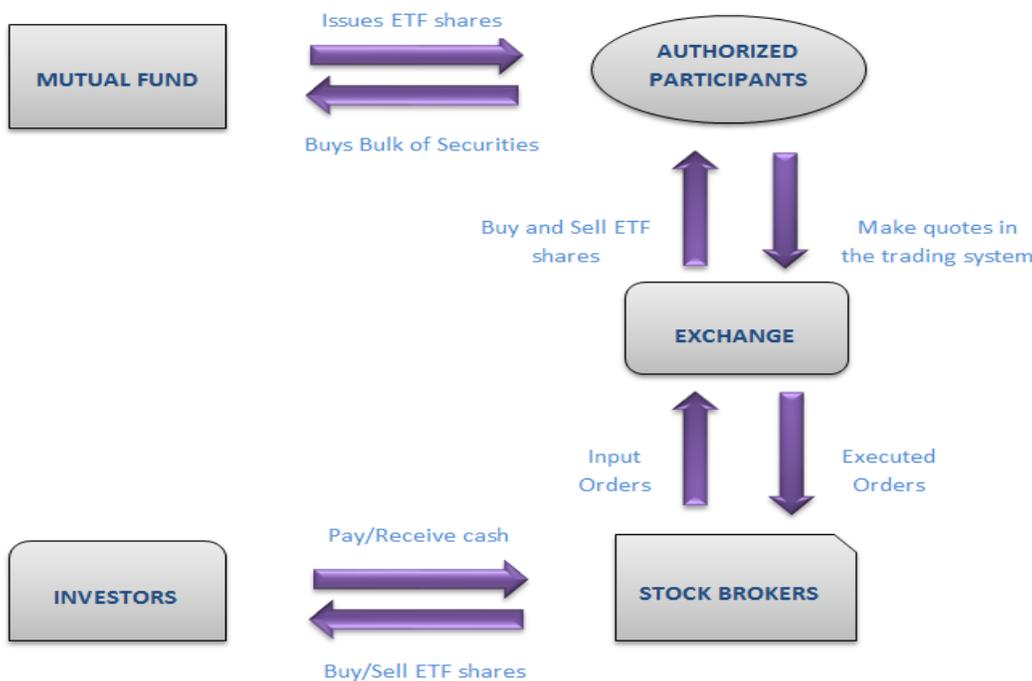
EXCHANGE-TRADED FUNDS

help investors hedge price risk related to investments in the given sector. If a sector is performing in a good way compared to other sectors then the investors can invest in sector-based ETFs with a certain amount of capital and benefit from the returns provided by that sector.

◆ Global ETFs

These funds track the index of a particular country and manage broad portfolios by making investments in a number of securities of the country. Investors can gain exposure to the securities by investing in this ETF.

STRUCTURE OF ETF



Units of ETF are issued by mutual funds in exchange for a bulk of securities. The sponsor of mutual funds sets investment objective to create ETF and selects a list of underlying securities that can be exchanged in return for ETF shares. The authorized participants can invest in ETFs directly with the fund house by depositing large number of securities with the mutual fund. These participants are appointed by the fund house to serve as market makers for ETFs. They put in two-way quotes on the exchange to create liquidity for ETF units and also purchase units from mutual fund at applicable NAV and transaction charges by depositing bulk of securities. For redemption of units, authorized participants exchange fixed number of

units for the portfolio deposit and the cash component. Quotes from the authorized participants and stock brokers are accepted by the exchange and the orders are matched and executed. Retail investors pay cash to purchase ETF shares and in return, they receive funds on selling ETF shares.

COMPANIES E-VOTING REGULATIONS 2016

Securities and Exchange Commission of Pakistan (SECP) issued Companies E-Voting Regulations 2016 for providing voting right to shareholders through electronic means. The regulations are applicable to general meetings of listed companies in which shareholders will be provided with an option to vote in meeting from a remote location by using the Internet.

According to the eligibility requirement for Intermediary and its appointment, a balloter or transfer agent as registered under the Balloters and Transfer Agents Rules, 2015 is eligible to perform the functions of an Intermediary if an agent fulfills the eligibility requirements. A person is not allowed to act as Intermediary of more than hundred companies at a time.

It's a general requirement for a company to mention in the articles of association that in case of e-voting both members and non-members can be appointed as proxy. The regulations also state that notice of meeting and e-voting should be placed on the website of the company in which it should be clearly specified that members can also exercise their right to vote through e-voting by giving their consent in writing on the appointment of the execution officer by the Intermediary as a proxy.



The members opting for e-voting are required to communicate their intention for e-voting and demand of poll for resolutions through an instrument of e-voting to the company at least ten days before holding of a general meeting, through regular mail or electronic mail at the registered address/email of the company. If a company receives demand for poll from at least five members or by any member or members having not less than one tenth of the voting power then it will have to arrange for e-voting.

The voting outcome on resolutions will be announced by chairman of the meeting and will also

COMPANIES E-VOTING REGULATIONS 2016

be published on the web portal of the Intermediary at the earliest but not later than twenty four hours from the conclusion of the general meeting. If a resolution is passed at an adjourned meeting then it will be treated as having been passed on the date on which it was in fact passed. The chairman or his nominee after the conclusion of voting at the general meeting is required to count the votes cast and thereafter check the result of e-voting in presence of two witnesses who are not the employees of the company.

It is the responsibility of an intermediary to provide the details of execution officer to the company before issuance of notice of general meeting or at least five days prior to holding of the meeting. The intermediary and execution officer are also required to keep the result confidential and provide execution report on e-voting to the chairman of the meeting within three working days of the meeting. The facility for e-voting will remain open for not less than three days and will close at 1700 hours on the date preceding the date of the general meeting for participation in the meeting through e-voting.

In order to ensure that the members do not vote

again at the general meeting, the chairman of the meeting has been given access to details of the members who have cast votes through e-voting. The company has to maintain an execution report provided by the intermediary along with minutes of the general meeting. If a person fails to comply with the requirements will be penalized with a fine.

This step has been taken by SECP to encourage corporate democracy and promote good corporate governance by making use of technological advances. This facility will also help shareholders to take part in the decision-making process of the company.



QUOTE

“The underlying principles of sound investment should not alter from decade to decade, but the application of these principles must be adapted to significant changes in the financial mechanisms and climate.”

–Benjamin Graham

INVESTORS' TERMS OF THE MONTH

Abridged Prospectus

The condensed form of the full Prospectus.

Bank Challan

An original receipt issued by one of the several bank branches which are for the time being authorized by the Commission for collection of receipts or other services to the account of the Commission.

Pension Fund

A fund made up of sub-funds created from the contributions paid by the participants and would consist of all the assets for the time being held or deemed to be held by sub-funds and includes all income or investment returns thereon but excludes fees, charges and expenses related to the manage-

ment of the investments of sub-funds.

Risk Assets

Marketable securities and other assets held by a Non-Banking and Finance Companies in the ordinary course of its business.

Venture Capital Company

A company which is engaged in financing any venture project, through equity or other instruments whether convertible into equity or not and provides managerial or technical expertise to venture projects, or acts as a management company for management of venture capital fund.

Wakala Based Contract

A Takaful contract based on the principle of Wakala.



Glossary

Accessible

قابل رسائی

Bail Bond

وثیقہ ضمانت

Capital Flight

سرمائے کی منتقلی

Table of Cases

فہرست مقدمات

Ultra Vires

ماورائے اختیار، ماورائے قانون

Validation

توثیق

Waiting List

انتظاری فہرست

Yield

پیداوار، منافع، حصالہ



BUSINESS AND ECONOMIC NEWSFLASH

DOMESTIC NEWSFEED



Pakistan Stock Exchange may get Strategic Partners

PSX is expected to attract one or more large global exchanges in six months to take over strategic stake. According to PSX Chairman, Pakistan will be upgraded in MSCI Index because of its improved qualitative and quantitative parameters. The listing of large state entities would broaden the investor base so local investors should be encouraged in China-Pakistan Economic Corridor (CPEC) projects. The government would not have any negative impact on its revenue targets if it maintains the long term policy and accepts the PSX budget proposals in aggregate. The CEO of PMEX also presented some proposals to improve the commodity market.

Deferral of Auto Policy

The Economic Coordination Committee of the Cabinet has extended the period for reduced rate of 0.4 % withholding tax on bank transactions for non-filers of income tax returns, besides deferring the auto policy for more consultation. It was directed by ECC that more consultation at the inter-ministerial level on the auto policy be carried out and the policy should be brought for its ECC consideration in the next meeting. Secretary Finance gave a comprehensive briefing on the current

economic condition and said that all price indices pointed to the lowest inflation in more than a decade. He further added that low inflation was likely to persist as the government had passed on the benefits of lower prices to consumers, while the production outlook of agriculture also appeared stable. The world commodity markets' outlook also pointed in the direction of stable and low prices as rates of key commodities such as sugar, wheat, rice, tea, soybean, palm oil and crude oil have all registered significant reductions in the period of July-February.

Launching of Options Contract

Pakistan Stock Exchange aims to launch the index based options contract during the second-quarter of 2016. The development follows the approval of Futures Market Bill 2016 by the National Assembly. PSX is launching the option contracts to allow investors to leverage positions for large diversified portfolios, which was in line with international best practices. These contracts will help to create efficient, flexible and liquid markets. Under the regulations governing the index options, only the institutions, TREC holding members of the PSX and non-broker clearing members of the National Clearing Company of Pakistan Ltd (NCCPL) who meet the eligibility criteria are entitled to become Option Writers.



BUSINESS AND ECONOMIC NEWSFLASH

INTERNATIONAL NEWSFEED



Oil's Remarkable Recovery over Recent Weeks

The International Energy Agency (IEA) said that the oil price reached its low over the past 18 months and now it might be in the early stages of an upward trend. Oil had seen a dramatic drop since trading above \$110 in mid-2014 to lows seen in January of this year. It is expected that the oil market will achieve the much-desired balance in 2017. Some oil producers including Saudi Arabia, Venezuela, Qatar and Russia are expected to meet to discuss a possible output freeze with the presumed aim of pushing oil up to \$50 a barrel. IEA also said that among other factors keeping a lid on oil supply, Iran's return to the market following the lifting of Western sanctions in January has been less dramatic than the Iranians said it would be.

IMF's Action against Global Economic Slide

The International Monetary Fund (IMF) reinforced its call for joint action to pre-empt a global economic slide. According to the MD of IMF, policy-makers worldwide have completely used up their options for boosting growth or have simply lost their will so leaders must expand efforts, including fiscal and monetary stimulus and urgently make

structural reforms in order to support growth as risks have increased further, with volatile financial markets and low commodity prices creating fresh concerns about the health of the global economy. He also warned countries against trade protectionist and weak-currency tactics to boost their growth. IMF notified that world economy is highly vulnerable and called for action from the Group of 20 leading economies but G20 finance chiefs did not agree over concerted action with Germany for one rejecting further fiscal and monetary efforts to promote economic activity. The worries were supported by data from China which show sharp falls in exports and imports in the previous month.

Interest Rate Remains Unchanged

US Fed is keeping a key interest rate unchanged in light of global pressures that risk slowing the US economy. Fed officials have anticipated to raise rates more gradually in 2016 than the previous year. The economy has continued to expand at a moderate pace but that global economic developments and financial markets still pose risks. According to the economists, Federal Reserve will raise the rates twice this year as the central bank wants more time to assess the financial landscape.



REGULATORY NEWSFLASH

Futures Market Bill 2016

The Futures Market Bill 2016 was approved by the Senate Standing Committee on Finance with minor amendments and later on passed by the National Assembly. It aims to regulate the futures market and protect investors by providing them a safe environment. This bill will become an act after receiving the president's assent. Futures' trading was regulated under the Securities and Exchange Ordinance 1969 and it was felt that the law has numerous inconsistencies and gaps. The futures market bill is based on international best practices to allow for equitable, explicit and efficient futures markets and it can cater to all aspects of the futures market in detail. The introduction of the bill could also boost the trading volume at the stock market.

Registration of 490 Companies

Securities and Exchange Commission of Pakistan (SECP) enrolled 490 companies in February 2016 which shows a year-on-year increase of 7%. Around 89% were registered as private limited, while 7% as single member and 4% as public unlisted, non-profit associations and foreign companies. The trading sector took the lead with the incorporation of 68 firms, followed by services with 63, construction 50, Information Technology (IT) 47, tourism 39, power generation 24, communication, food and beverages, fuel and energy, real estate development with 14 each, education 13, corporate agricultural farming 12 and textile with 11 firms. Five foreign companies were also registered in Islamabad and Lahore. Moreover, investors from China, the US, UK, Italy, Myanmar, Afghanistan and UAE have put money in 23 new firms.

Non-Shariah Compliant Modaraba Companies

According to SECP, almost half of the 28 modarabas were not meeting the requirements of Shariah compliance. Various modaraba companies failed to perform despite availability of vast Shariah compliant business avenues. The performances of 13 out of 28 modarabas were found unsatisfactory. Their financial performance is unsatisfactory due to the presence of significant non-earning and classified assets, lack of diversification, liquidity issues, small capital base to compete and non-injection of fresh investment. SECP has initiated necessary enforcement actions against those which have not implemented proper risk management framework and which have unsatisfactory track record of dividend payouts, high classified and non-earning assets.



MARKETS IN REVIEW

Monthly Review



Crude Oil

(WTI)

Beginning	32.70
Ending	39.25
Change	+6.55



KIBOR (6 Months)

Bid % Offer %

Beginning	6.11	6.36
Ending	6.12	6.37
Change	+0.01	+0.01

Symbol	OPENING	HIGHEST	LOWEST	CURRENT	TRADE	VOLUME
PKR	2785	2780	2770	2770	00000	00000000
INR	080	085	08185	08200	00000	00000000
USD	3500	3505	3505	3505	00000	00000000
EUR	1308	1309	1308	13076	00000	00000000
JPY	8529	8540	8520	8530	00000	00000000
GBP	2007	2000	2000	2000	00000	00000000
CHF	10005	10000	10000	10000	00000	00000000
HKD	16382	16380	16380	16380	00000	00000000
SGD	16386	16380	16380	16380	00000	00000000
AUD	16387	16380	16380	16380	00000	00000000
NZD	16387	16380	16380	16380	00000	00000000
THB	2000	2000	2000	2000	00000	00000000
MYR	00000	00000	00000	00000	00000	00000000
PHP	00000	00000	00000	00000	00000	00000000
SGD	20000	20000	20000	20000	00000	00000000
INR	00000	00000	00000	00000	00000	00000000
USD	25206	25300	25200	25200	00000	00000000

Pakistan Stock Exchange

100 Index

Beginning	31,369.51
Ending	33,139.00
Change	+1,769.49



Gold

10 Grams

Beginning	Rs.41,228
Ending	Rs.42,471
Change	+1,243



Silver

10 Grams

Beginning	Rs.557.14
Ending	Rs.565.71
Change	+8.57



Foreign Exchange Rates

GBP (£)

EURO (€)

USD (\$)

	GBP (£)		EURO (€)		USD (\$)	
	Buying	Selling	Buying	Selling	Buying	Selling
Beginning	Rs.145.9	Rs.146.18	Rs.115.31	Rs.115.53	Rs.104.2	Rs.104.4
Ending	Rs.150.04	Rs.150.33	Rs.118.35	Rs.118.58	Rs.104.6	Rs.104.8
Change	+4.14	+4.15	+3.04	+3.05	+0.4	+0.4