INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN

(Formerly Institute of Capital Markets)

NEWSLETTER | SEPTEMBER 2016

The name of the institute has been changed from Institute of Capital Markets (ICM) to **Institute of Financial Markets of Pakistan (IFMP).**

IFMP's New Address and Telephone Number:

Park Avenue Building, Suite No. 1009, 10th Floor,
P.E.C.H.S Block No. 6, Shahrah-e-Faisal, Karachi.

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00 CONTENT

01

Message from the Chief Executive Officer

Mr. Muhammad Ali Khan

The last few years have seen a rapid growth in size, quality and sophistication of financial 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 financial markets is further adding to the demand for well-trained professionals.

Institute of Financial Markets of Pakistan is dedicated to the professional development of financial markets and research on financial markets as well as the well being of financial markets by educating the professionals about the norms and ethics being practiced in the markets. IFMP has had a pioneering role in meeting the demand for educated manpower. It is Pakistan's first specialized institution devoted to the education and updating of knowledge of manpower for financial markets. It will provide high-quality educational standards for all types of financial market participants; investors, brokers, mutual funds, investment banks and policy makers.

The Institute's main activities are (1) Licensing the professionals working in the financial markets by certifications. The institute's key responsibility is to educate the professionals working in different financial markets of Pakistan through examining their knowledge in their relevant field of work; (2) Studying the latest developments in the financial markets in order to discover whether there is such a thing as an ideal market economy; and (3) Contributing to the development of financial 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 financial 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 financial markets as well as of the economy itself.

02

Introduction To The Organization

The **Institute of Financial Markets of Pakistan (IFMP)** (Formerly Institute of Capital Markets), 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 financial 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 financial markets. In addition, IFMP will also provide a platform for research & development, exchange of ideas and consulting services on financial markets issues.

-FEE STRUCTURE-

Candidate Registration Fee (One-Time)	Rs.10,000
Examination Registration Fee	Rs.7,000
Membership Fee (Annual)	Rs.5,000

-EXAMINATION SCHEDULE- (2016-2017)

- Sunday, 27 November, 2016
- Sunday, 29 January, 2017
- Sunday, 26 March, 2017
- Sunday, 28 May, 2017

PROGRAMMES

LICENSING CERTIFICATIONS

- ⇒ Fundamentals of Capital Markets
- ⇒ Pakistan's Market Regulations
- ⇒ Stock Brokers Certification
- ⇒ Mutual Funds Distributors
- ⇒ Commodity Brokers Certification

INSURANCE CERTIFICATIONS

- ⇒ General Takaful Training
- ⇒ Family Takaful Training
- ⇒ Life Insurance Agent
- ⇒ Non-Life Insurance Agent

OTHER CERTIFICATIONS

- ⇒ Financial Advisors Certification
- ⇒ Financial Derivative Traders Certification
- ⇒ Compliance Officers Certification
- ⇒ Clearing and Settlement Operations Certification
- ⇒ Risk Management Certification
- ⇒ Capital Budgeting and Corporate Finance Certification
- ⇒ Investment Banking and Analysis Certification
- ⇒ Islamic Finance Certification

For more information, please visit our website: www.ifmp.org.pk

03

Debt Markets in Asia

By: Dr. Hameedah Sayani

Corporations, financial institutions, and governments require capital to fund long-term investments such as the purchase of new machinery, plants and equipment, research and product development, and infrastructure projects. While governments have the option to fund the projects through taxes and other sources of revenue, they often resort to debt markets to raise capital for various kinds of government -funded projects. On the other hand, corporate entities can raise funds either through equity (retained earnings and issuing new shares) or through debt. The process of raising equity or debt from retail investors is tedious and costly. Accordingly, many entities opt for private placement of equity and/or debt, which is relatively less regulated and cheaper than public offerings.

Debt markets provide an alternative to listed and unlisted companies to raise capital for long-term investments and projects without diluting shareholders' equity. However, increased debt in the capital structure exposes companies and investors to default risk. The cost of debt is lower in comparison to the cost of equity for several reasons. First, debtholders are entitled to periodic cash flows in the form of interest payments. Second, in the event of bankruptcy, debtholders receive their funds prior to disbursements to shareholders. Lastly, the interest paid on debt is considered to be an expense, which reduces the rate of corporate tax. On the contrary, shareholders demand higher returns as they bear maximum risk while investing into a company.

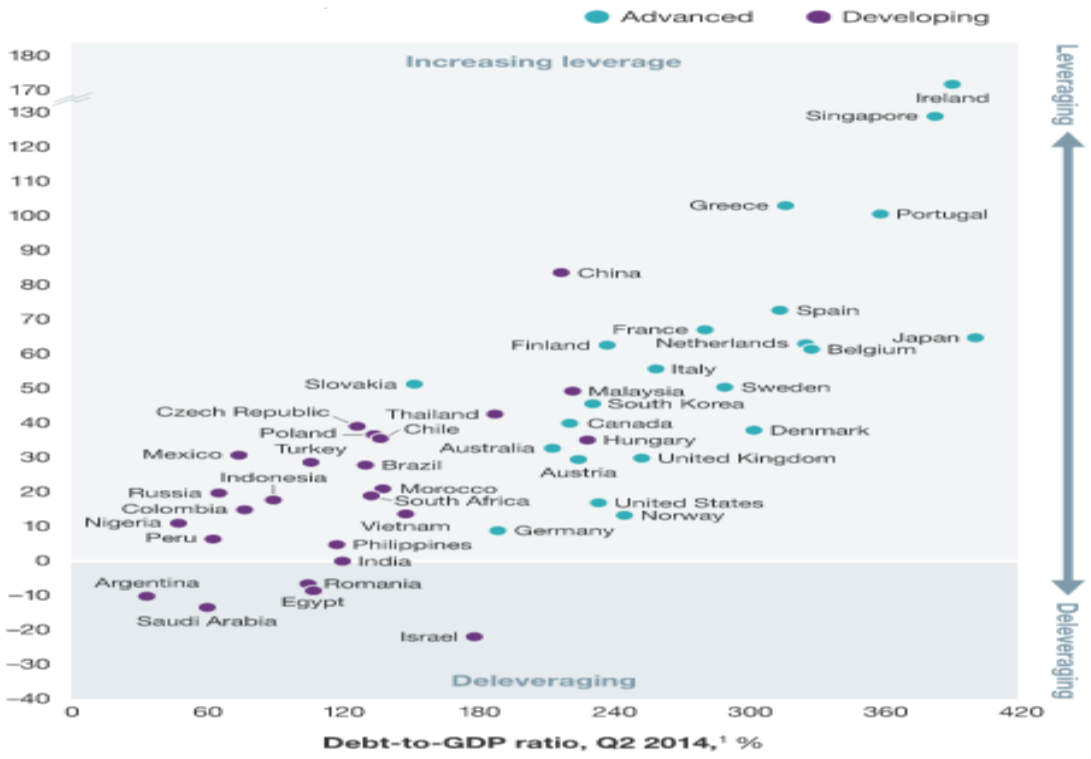
Global Debt Markets

The global debt markets have experienced phenomenal growth after the financial crisis in 2008, mostly spurred by government borrowings. According to the McKinsey & Company (2015) report, global debt increased by US$57 trillion since 2007 as all developed countries have constantly maintained high levels of debt-to-GDP ratio post-crisis.

The Compounded Annual Growth Rate (CAGR) for global government debt securities stood at 9.8% during the period 2007-2014 as compared to 5.8% during the period 2000-2007. On the other hand, corporate debt securities grew at a rate of 5.7% and 5.9% during 2000-2007 and 2007-2014 respectively. The CAGR in the later period for the government debt securities was approximately 40% higher than that of corporate debt securities.

Figure 1 clearly indicates that most developed and developing economies have increased leverage significantly, while very few developing economies have deleveraged.

Figure 1: *Change in Debt-to-GDP Ratio (2007-2014)*



Source: McKinsey & Company (2015)

Note: Household, Non-Financial Institutions and Governments

Q4 2013 Data for developing economies

Q2 2014 Data for Developed Economies and China

Asian Debt Markets

While the global debt markets appear to be very active, primarily driven by government debt securities in developed economies, the debt markets in Asia in general appear to be under-developed with respect to corporate debt despite their evolution post the Asian financial crisis. Table 1 presents the details of amount outstanding (US$ billions) of domestic and international debt securities in selected Asian markets. The table classifies these markets into South Asian, GCC, and South East Asian markets and presents the data for the last quarter of 2015. It is evident that the Asian governments are active borrowers in domestic as well as international markets.

Table 1: *Domestics and International Debt Securities in Asia*

	Domestic Debt Securities				International Debt Securities			
	Amounts outstanding – US$ Billions				Amounts outstanding – US$ Billions			
	Financial Corporations	Non-Financial Corporations	General Government	Total	Financial Corporations	Non-Financial Corporations	General Government	Total
	Q4 2015	Q4 2015	Q4 2015	Q4 2015	Q4 2015	Q4 2015	Q4 2015	Q4 2015
South Asia								
India	...	...	651	651	11	20	...	31
Pakistan	...	...	123	123	–	–	5	5
Sri Lanka	...	...	...	0	2	0	7	9
Bangladesh	...	...	...	0	...	...	...	0
GCC								
UAE	...	...	...	0	55	35	5	95
Saudi Arabia	...	...	38	38	1	6	...	7
Qatar	...	...	...	0	9	5	14	28
Bahrain	...	...	...	...	12	4	1	17
Oman	...	...	...	0	4	...	1	5
Kuwait	...	...	...	...	2	2	0	4
South East Asia								
China	2,909	2223	2,380	7,512	70	10	13	93
Japan	2,087	496	8,343	10,926	195	53	6	254
Korea	439	491	501	1,431	114	53	7	174
Thailand	109	60	108	277	3	6	0	9
Malaysia	41	98	138	277	36	3	5	44
Indonesia	15	7	108	130	17	13	48	78
Vietnam					1	1	3	4
Philippines	...	1	82	83	8	11	29	48
Singapore	...	...	75	75	85	26	–	111
Hong Kong	...	...	...	0	184	32	1	217

Source: Bank for International Settlements (2016)

The table draws attention to several important points regarding debt markets in Asia:

(a) It appears that the Indian government raises all the debt capital domestically, while financial and non-financial Indian companies opt to raise funds from international markets. On the other hand, the government of Pakistan has raised debt both domestically as well as internationally, though the latter is a mere 4% of the total outstanding debt. Domestic debt markets in Sri Lanka and Bangladesh are non-existent. The Sri Lankan government and some financial corporations have opted to raise debt capital internationally.

(b) In the GCC economies, only the Saudi Arabian government has issued domestic debt securities. The UAE-based financial and non-financial corporations have raised a significant amount internationally, while the government's debt is only 5% of the total outstanding international debt. Both these countries are oil producing nations with their respective currencies pegged to the US dollar.

(c) In the South East Asian economies, China appears to have the most active debt markets with domestic debt being nearly equally divided amongst financial and non-financial entities and the government. However, the international borrowing is a fraction of domestic borrowing. Figure 1 exhibits that China has increased its leverage extraordinarily during 2007-2014, whereby the Debt-to-GDP ratio in Q2 of 2014 stood at nearly 240%. Japan's total domestic debt is nearly 30% higher than that of China, but the Japanese govern-

ment's debt is at least four times greater than that of the Chinese government.

(d) In contrast to the South Asian and the GCC markets, Thailand, Indonesia, and Malaysia appear to have relatively active domestic debt markets. In contrast, Hong Kong and Singapore have opted for international debt securities.

(e) It is also evident that most Asian governments have chosen to issue debt securities domestically to avoid foreign exchange risks, especially when the currency is not pegged to the USD.

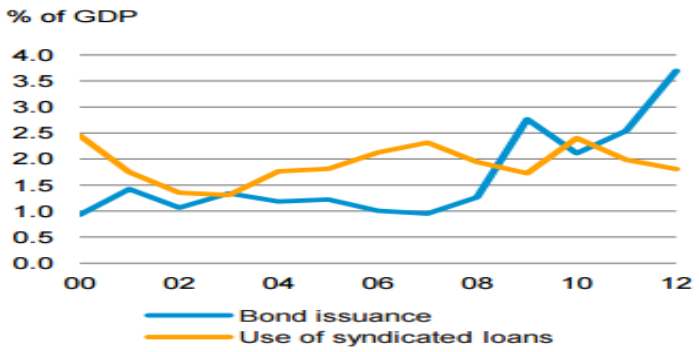
The Asian Financial Crisis and its Role in the Development of Asian Debt Markets

The literature provides evidence (Bhattacharyay, 2013) that the Asian financial crisis in 1997-98 was a product of three factors in particular. First, excessive reliance on commercial banks for domestic financing due to underdeveloped debt markets in the region. Second, the fixed exchange rate regime, whereby the currencies of the East Asian economies were pegged to the USD and in turn encouraged borrowers to borrow in USD without having substantial exposure to currency risk. Finally, considerable differentials between the domestic and USD interest rates, which made it cheaper for borrowers to borrow in USD and the lenders to receive attractive returns on their investments.

Besides the causes discussed above, an IMF report authored by Berg (1999) highlights the following causes of the crisis:

- ◊ Weak macroeconomic indicators, such as unsustainably large current account deficits and high short-term external debt-to-GDP ratios.
- ◊ Currency and maturity mismatch of borrowings.
- ◊ Poor regulation of the banking institutions after the liberalization of domestic financial markets in the early 1990s.
- ◊ Weak corporate governance such as powerful majority shareholders, lack of code of conducts for the boards, ineffective oversight of management, and political interference.
- ◊ The fixed rate regime and the peg to the USD, resulting in substantial over-valuation of the currencies of the countries under discussion, with respect to their weak macroeconomic fundamentals.

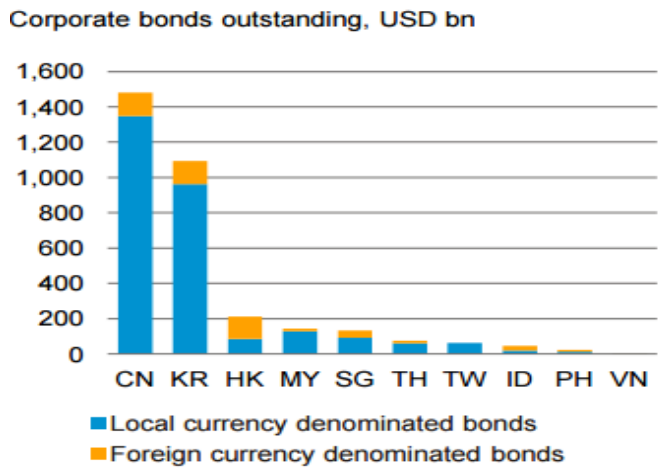
Figure 2: *Issuance of Corporate Bonds vs. Use of Syndicated Loans in Asia*



Source: Deutsche Bank Research (2014)

Notes: The sample includes India also in the Asian Markets

Figure 3: *Issuance of Corporate Bonds vs. Use of Syndicated Loans in Asia*



Source: Deutsche Bank Research (2014)
Notes: CH=China; KR=Korea; HK=Hong Kong; MY=Malaysia; SG=Singapore TH=Thailand; TW=Taiwan; ID=Indonesia; PH=Philippines; VN=Vietnam

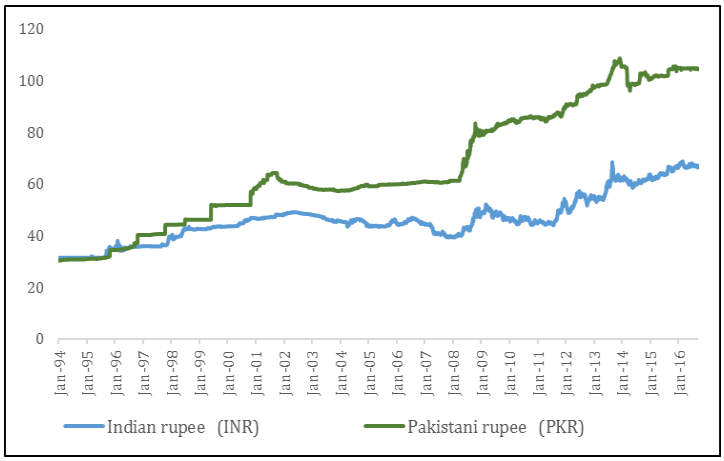
Besides structural and financial reforms and effective monetary and fiscal policy management (IMF, 1999), one of the policy responses to the Asian financial crisis was to establish, develop, and promote local debt markets (Bhattacharyay, 2013). The development of local currency denominated bond markets provided debt issuers an opportunity to raise funds in the local currency and avoid foreign exchange risk, particularly in a fully or partially free-floating regime. According to a report by the Deutsche Bank (2014), a major shift from syndicated loans to corporate bonds has been observed in most of the Asian markets since 2000 (Figure 2). With respect to the issuance of corporate bonds, China and Korea are the most active markets in 2013 as presented in Figure 3.

Comparison of the Indian and Pakistani Debt Markets

While Southeast Asian economies have made significant progress in shifting their reliance on bank loans to bond markets, South Asian economies are still struggling in this regard. The debt markets in India have shown some activity in raising corporate debt from international debt markets; however, corporate entities in Pakistan have opted to raise funds domestically. The following reasons perhaps explain the differences between the practices of Indian and Pakistani companies:

A) *Exchange Rate Fluctuations:* As Figure 4 indicates, the gap between in representative currency rates of Indian and Pakistan Rupee relative to the USD has been widening since 2001 and has become more prominent in the recent years.

Figure 4: *Daily Representative Rates INR and PKR to USD*
January 1994 – August 2016



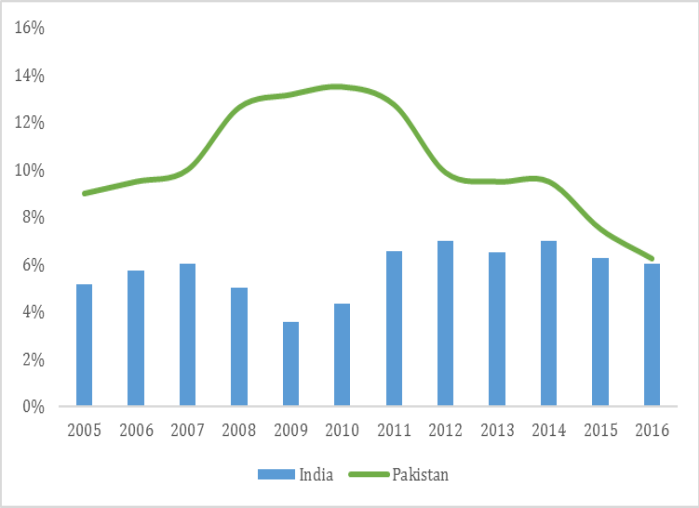
Source: IMF (2016)
Notes: Representative rates are quoted as currency units per U.S. dollar and are reported daily to the Fund by the issuing Central Bank

B) *Accessibility to Foreign Markets:* According to the Top Foreign Stocks (2016), Global Depositary Receipts (GDRs) of around 120 Indian companies are listed on Luxembourg, London, and Singapore stock exchanges, and American Depositary Receipts (ADRs) of 14 Indian companies are listed on the New York Stock Exchange, NASDAQ, and the US Over-the-Counter (OTC) markets. In comparison, 13 GDRs of 7 Pakistani companies (2 GDRs each issued by 6 companies) are listed on the European exchanges and only 2 Pakistani ADRs are listed on the US OTC markets. The listing of equity and debt instruments on foreign markets increases the visibility of such companies and allows investors to invest in foreign companies without assuming exchange rate risk. Indian debt markets have benefitted from this.

C) *Target Policy Rates:* The policy rates measured by the annual average reverse repo rates here have been high in Pakistan historically. This indicates that the Pakistani government had been borrowing at a much higher rate in comparison to its Indian counterpart. This created a crowding-out effect whereby private investment declined in Pakistan due to government borrowing at higher rates. The policy rates in the two countries have converged in 2016 and this may provide an impetus for corporate entities in Pakistan to raise debt capital locally.

On the other hand, the Indian corporations seem to prefer issuing international debt securities as compared to domestic ones. This could be explained by the lower interest rates prevalent in Europe and the USA (Global Rates, 2016), the large number of foreign currency denominated transactions and long-term investments, and access to a large number of non-resident Indians through international debt markets.

Figure 5: *Comparison of Historical Annual Average Reverse Repo Rates*



Source: RBI (2016); SBP (2016)

Corporate Debt Markets in Pakistan

It is evident from Table 2 that corporate entities have opted to raise debt mostly through private placements and that fewer TFCs and Sukuks are listed on the exchange. This has resulted in an inactive, illiquid, and underdeveloped debt market, which mostly attracts institutional investors. There can be other reasons too for the preference of institutional private placements in comparison to public offerings. First, foreign parent companies may choose to invest debt capital in subsidiaries to avoid possible issues with

profit repatriation. Second, the volatility in the domestic markets may expose shareholders in particular to unprecedented systematic risk, which debtholders may be able to avoid to some extent due to periodic interest payments and priority in disbursements in the event of bankruptcy. Lastly, lower monetary cost and less stringent regulations encourage companies to opt for institutional private placements.

Table 2: *Overview of Debt Markets in Pakistan*

	Listed Term Finance Certificates (TFCs)		Privately Placed TFCs				Sukuks			
			Unlisted		Listed on OTC		Listed		Privately Placed	
	Issues	PKR billions	Issues	PKR billions	Issues	PKR billions	Issues	PKR billions	Issues	PKR billions
Total Raised *	122	134.86	83	343.52	5	10.00	5	10.00	82	693.66
Total Outstanding **	20	30.36	29	61.41	4	7.45	5	10.00	37	383.13

Source: SECP (2016)

It is evident that the debt markets in South Asia are either non-existent or are in their embryonic stages. The development of debt markets in Pakistan is of importance especially in the context of the China Pakistan Economic Corridor (CPEC), which is expected to create an economic impact much greater than initially anticipated. Not only the government but even the companies involved can raise debt capital to finance the projects and maintain the low cost of capital. Current domestic dynamics, such as gradually improving macroeconomic indicators, a flexible floating rate regime with some intervention from the State Bank of Pakistan, buoyant capital markets, improvement in regulatory frameworks and corporate governance mechanisms, and MSCI classification to emerging markets status and the subsequent visibility can all contribute greatly to the development of active and liquid debt markets in Pakistan. Most of the above mentioned factors led to the establishment and development of debt markets in Southeast Asia and enabled these countries to diversify their sources of debt capital.

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04 Performance Report: "Private Pension Funds"

A performance report of private pension funds has been released by the Securities and Exchange Commission of Pakistan. The report shows that Pakistanis are saving more for their retirement.

A private pension fund is a plan into which individuals contribute from their earnings, which will be paid to them in a form of private pension after retirement. These funds were introduced in 2007 under the Voluntary Pension System Rules 2005.

Presently, there are more Shariah-compliant pension funds than conventional pension funds. Total number of pension funds is 17 out of which nine are Shariah-compliant. These are managed by nine pension fund managers having considerable experience in managing pooled investments.

The assets of private pension funds have shown perceptible growth since these funds were set up. The total net assets of this industry are currently over Rs.18 billion. Currently, the industry has a contribution of more than 10,000 participants. Whereas in 2015, total amount of net assets was approximately Rs.13 billion, contributed by around 7,000 participants.

The participants are allowed to choose their retirement age between 60 and 70 years. They can withdraw up to 50% of the accumulated balance in lump sum and the remaining 50% in installments as a pension at the time of their retirement. Fund managers charge a fee ranging from 0.5% to 1.5% per annum.

The participants have options to invest in commodities, money market, equity and debt. Allocation policy can be chosen by them depending on their risk appetite (low, medium or high) and return preferences.

Tax credit of up to 20% of taxable income is available on the investment in pension funds. Furthermore, persons who are above 40 years of age will be given higher tax benefits under the Income Tax Ordinance, 2001.

The SECP has directed all asset management companies to provide the unit holders with the right to get a refund of their first time investment which is known as the "cooling off " right in an open-end collective investment scheme within three business days starting from the date the investment report was issued to the unit holder.

The procedure to exercise the cooling off rights is mentioned in the investment form which will be signed by the unit holder at the time of the purchase of units. Moreover, the refund amount for every unit held by the unit holder will be equivalent to the net asset value per unit applicable on the date the cooling off right is exercised. The refund has to be paid within six business days of the receipt of the written request from the unit holder.

05

Investors' Terms Of The Month

Approved Auditor

An auditor approved by the Commission for the purpose of performing the functions assigned to auditors under this Ordinance.

Closed-end Scheme

A scheme constituted by way of trust to raise funds through issue of certificates to the public for investing in securities including money market instruments for a definite or indefinite period but which does not continuously offer certificates entitling the holder of such certificates, to receive, on demand, his proportionate share of the net assets of the closed-end scheme.

Contingent Liabilities

(a) A possible obligation that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) A present obligation that arises from past events but is not recognized on the books of the Non-Banking and Finance Companies and Collective Investment Scheme because:

(I) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

Or

(II) The amount of the obligation cannot be measured with sufficient reliability and includes letters of credit, letters of guarantee, bid bonds or performance bonds, advance payment guarantees and Underwriting Commitments.

Futures Broker

A person who, by way of business, whether as principal or agent, -

(a) Makes or offers to make with any person or induces or attempts to induce any person to enter into or to offer to enter into any agreement for or with a view to the purchase or sale of a futures contract; or

(b) Solicits or accepts any order for, or otherwise dealing in, a futures contract.

Open-end Scheme

A scheme constituted by way of a trust deed that continuously offers for sale its units as specified in the Constitutive Document that entitle the holder of such units on demand to receive his proportionate Share of the net assets of the scheme less any applicable charges.

Unit

An undivided share in a sub-fund of the pension fund.

Domestic Newsfeed

Tax neutrality for Sukuk

Tax neutrality to Islamic bonds has been given by the Government by allowing certain tax exemptions that were earlier available only to conventional securitization issues.

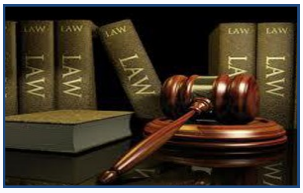
The government has already amended the tax laws through an ordinance which was issued recently. This move brings the issuance of sukuk on a par with their counterparts in terms of costs entailed. Due to high taxes on the Islamic mode of investments, the issuance of sukuk was unviable and restricted its growth.

The benefits available for launching sukuk are waivers of withholding tax at different stages during the sale or purchase proceeds and the capital gain tax on Shariah-compliant papers.

After the waivers, it is expected that a number of companies will now become Shariah-compliant, which will boost the capital markets and ensure industrialization.

The government introduced a tax concession of two per cent in the current fiscal year's budget for Shariah -compliant manufacturing companies to promote Islamic finance. The reduction is in the corporate tax from 33% to 31%.

Companies Law in the Pipeline



The Finance Minister in a ceremony said a very important Companies Law was in the pipeline. This law has been revised after 1984 to provide a boost to the capital market. We are working on it for the last one year. During the last one and a quarter years, various bills about the capital market have been passed. Three more laws are in the process, he said.

He appreciated the rapid growth of the capital market after the demutualization/ merger of the three stock exchanges as the Pakistan Stock Exchange is performing well and has won the recognition as one of the top 10 stock markets of the world.

Upon coming into power three years back, there were three main challenges that the PML-N government faced: revival of the economy, addressing the energy crisis and combating terrorism.

The economy has been revived and placed on the right track, the energy shortage has been bridged significantly and the matter would be fully addressed by 2018, he said.

Mr Dar also said the government will soon introduce a microfinance bank and list it on the stock exchange. He also stated that maximum legislation was done in the last year and a half relating to the corporate sector.

The finance minister promised that the government will focus on achieving fast economic growth in the remaining two years of its tenure.

International Newsfeed

Lifting of Travel Advisory

Pakistan's Finance Minister requested France to lift travel advisory to encourage French investors who are interested in exploring business possibilities in Pakistan. He also invited the French foreign minister to visit Pakistan and shared the automobile policy with him.

Several French companies have shown keen interest to build new partnerships in Pakistan and to boost the already existing business relations in different sectors of economy.

A business delegation from France would be visiting Pakistan in the first half of next year to explore options. Mr Pflimlin, the senior vice president corporate affairs at Total, told the finance minister that infrastructure development, railways, oil and gas, food processing and mining were identified as prospective areas for future cooperation.

The minister offered to provide assistance to French companies in setting up a special economic zone in Pakistan to cater for local markets and export to neighbouring countries in the region.

Later, Mr.Dar also held meetings with senior executives of the French company Veolia, in which he briefed them about different ongoing energy projects in Pakistan and scope for future investment in the energy sector. He invited the energy companies to invest in Pakistan, especially in the solar and wind sectors.

China Facing Debt Crisis

China`s banking sector could be facing an imminent debt crisis.

China`s credit-to-GDP gap reached 30.1% in the first quarter of 2016, its highest level ever and far above the 10% level thought to present a risk to a country`s banking system. China has been given a red signal that it could face a financial crisis in the next three years.

China`s total debt hit 168.48 trillion yuan ($25tr) at the end of last year, equivalent to 249% of national GDP. Analysts have warned that the ballooning borrowing risks sparking a financial crisis as bad loans and bond defaults increase.

China is a key driver of world growth so a crisis in its banking sector could have disastrous implications around the world. China`s credit-to-GDP gap for the period was well above all other countries in the survey, which covered 43 economies including the United Kingdom, Greece and the US.

Registration of 613 firms

613 companies were registered by the Securities and Exchange Commission of Pakistan during August, an increase of 51% over the same month last year.

Around 6% companies were registered as single member companies, 90% as private limited companies and 4% were registered as foreign companies, non-profit, trade organizations and public unlisted companies.

The trading sector took the lead with 88 companies. Foreign investment has been reported in 42 companies from different countries. The Company Registration Office, Islamabad, registered 204 companies in August followed by 186 and 121 companies at CROs Lahore and Karachi respectively. Peshawar, Multan, Faisalabad, Quetta and Sukkur registered 42, 29, 18, 8 and 5 companies respectively.

Coordination Committee Meeting

The Securities and Exchange Commission of Pakistan and the State Bank of Pakistan decided to form a committee to ensure effective regulation of the real estate sector. The draft Bond Pricing Agency (BPA) Rules, 2016 were also discussed in the quarterly meeting of coordination committee. The committee suggested that a BPA oversight committee comprising officials from the SECP and SBP should be constituted to ensure fair pricing of bonds.

The committee was briefed on the key features of the eight-point agenda items. The matter of maintaining financial stability was discussed and it was decided that the SECP would share its financial stability set-up with the SBP so that both the institutions can learn from each others` experiences. Matters regarding the Draft Netting of Financial Contract Bill were also discussed and a broad agreement on the draft was reached. However, the draft will be further reviewed by the Securities and Exchange Commission of Pakistan.

The commodity warehousing framework and collateral management will be reviewed by a committee comprising the State Bank and other stakeholders.

GLOSSARY

Affiliated Company	ملحقہ کمپنی
Capitalization	سرمایہ بندی
Derivatives	ماخوذے
Financial Market	مالیاتی بازار
Internal Audit	داخلی محاسبہ
Legal Process	قانونی عمل
Property Tax	محصول جائیداد
Recommendations	سفارشات
Surveillance	نگرانی

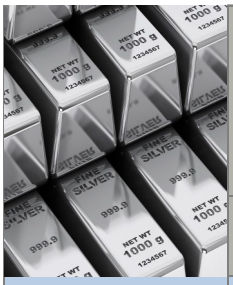
Monthly Review

	Crude Oil (WTI)
Beginning	46.44
Ending	47.80
Change	+1.36

	KIBOR (6 Months)	
	Bid %	Offer %
Beginning	5.78	6.03
Ending	5.81	6.06
Change	+0.03	+0.03

	Pakistan Stock Exchange 100 Index
Beginning	39,809.58
Ending	40,541.81
Change	+732.23

	Gold 10 Grams
Beginning	Rs.44,485
Ending	Rs.44,400
Change	-85



	Silver 10 Grams
Beginning	Rs.634.28
Ending	Rs.634.28
Change	0

Source:
forex.com.pk
sbp.org.pk

	Foreign Exchange Rates					
	GBP (£)		EURO (€)		USD ($)	
	Buying	Selling	Buying	Selling	Buying	Selling
Beginning	Rs.136.61	Rs.136.87	Rs.116.64	Rs.116.86	Rs.104.40	Rs.104.60
Ending	Rs.135.79	Rs.136.05	Rs.117.14	Rs.117.36	Rs.104.30	Rs.104.50
Change	-0.82	-0.82	+0.5	+0.5	-0.1	-0.1

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