



Capital Markets

Capital markets are a broad category of markets facilitating the buying and selling of financial instruments. In particular, there are two categories of financial instruments in which markets are involved. These are equity securities, which are often known as stocks, and debt securities, which are often known as bonds. Capital markets involve the issuing of stocks and bonds for medium-term and long-term durations, generally terms of one year or more.

Other than the distinction between equity and debt, capital markets are also generally divided into two categories of markets, the first of which being primary markets. In primary markets, stocks and bonds are issued directly from companies to investors, businesses and other institutions, often through underwriting. Primary markets allow companies to raise capital without or before holding an initial public offering so as to make as much direct profit as possible.

Capital markets are overseen by the financial regulators all over the world and in case of Pakistan, Securities Exchange Commission of Pakistan (SECP). Though capital markets are generally concentrated in financial centers around the world, most of the trades occurring within capital markets take place through computerized electronic trading systems. Some of these are accessible by the public and others are more tightly regulated.

Capital markets are increasingly interconnected in a globalized economy. Ripples in one corner of the world can cause major waves elsewhere. The drawback of this interconnection is best illustrated by the global credit crisis of 2007-09, which was triggered by the collapse in U.S. mortgage-backed securities. The effects of this meltdown were globally transmitted by capital markets since

banks and institutions in Europe and Asia held trillions of dollars of these securities.

The capital market structure in Pakistan consists of an apex regulator of the markets, the Securities and Exchange Commission Pakistan (SECP), Pakistan Stock Exchange (emerged as a result of merging three stock exchanges during current year), Mercantile Exchanges, Central Depository Company (CDC) and a Clearing and Settlement Company. The structure further includes intermediaries or market participants such as brokers which handle the transaction of shares in the capital markets on behalf of investors.

Capital markets in Pakistan play a crucial role in mobilizing domestic resources and channeling them efficiently to productive uses, thus raising national productivity. The level of capital market development is an important determinant of level of savings, efficiency of investment and ultimately rate of economic growth.

The capital markets in Pakistan have witnessed several developments during the period; including promulgation of the new Securities Act, 2015, demutualization of exchanges and integration of three local stock exchanges into a single unified national stock exchange, the Pakistan Stock Exchange (PSX). The Securities Act 2015 has replaced the Securities and Exchange Ordinance, 1969. The new law incorporates global benchmarks such as International Organization of Securities Commissions (IOSCO) principles of securities' regulation and investor protection, and provides for implementation of advanced reforms for preventing market abuses and manipulation practices. The new law also contains provisions for promoting public confidence in the market, including full disclosure at the time of the initial offering, continuous disclosure requirements and an inclusive compliance regime, among others.

Also, the Futures Market Act, 2016 for the futures market has been approved by the parliament and is awaiting presidential assent. The law contains dedicated provisions for derivatives markets and is designed to protect public interest through a system of effective self-regulation of futures markets, clearing systems, market participants and market professionals under oversight of the SECP.

PSX as a single national stock exchange

Pakistan has entered a new era of equity trading after merger of all the three stock exchanges into Pakistan Stock Exchange (PSX), a vital step towards demutualization of the shares market in the country. During current financial year, as a second phase of the Stock Exchanges Demutualization and Integration Act 2012, the three stock exchanges of the country i.e Karachi Stock Exchange (KSE), Islamabad Stock Exchange (ISL) and Lahore Stock Exchange (LSE) formally merged into single stock exchange on January 11, 2016 to become the Pakistan Stock Exchange (PSX). The integration is expected to help reduce market fragmentation and create a strong case for attracting strategic partnerships necessary for providing technological expertise and assistance. Predictions and basic idea is that with this action, Pakistan would be honored as a rising capital market.

The owners of the three stock exchanges held several meetings and the Securities and Exchange Commission of Pakistan (SECP) facilitated the process throughout. Finally, a Memorandum of Understanding (MoU) was signed between the Demutualization Committee of KSE, ISE and LSE to integrate the operations of LSE and ISE into KSE and rename KSE as Pakistan Stock Exchange Limited (PSX). Subsequently, the SECP approved the integration which was also approved by Competition Commission of Pakistan (CCP).

Its basic purpose is to enhance operating efficiency of Pakistan's Capital Market, provide investors, listed companies and trading right entitlement certificate (TREC) holders with a single, deep liquidity pool and fully integrated national trading platform, raise profile of Pakistan Capital Market internationally, encourage cross listing and global capital raising by Pakistani

companies, enhance systems and operations towards global best practices.

Merger of stock markets is not a new phenomenon in the world as many developing countries like India, Philippines, Turkey and Thailand have already done it. Malaysia, Singapore, USA, UK, Germany, Australia, Hong Kong and many other developed countries also run their equity markets on the same lines.

In the later stage the unified Pakistan Stock Exchange would be offered to a "strategic investor" that must be a stock exchange, a depository company, a derivative exchange or a clearing house meeting a certain criteria approved by Securities and Exchange Commission of Pakistan (SECP).

Besides this, integration process was not a new concept as many relatively developed economies like Hong Kong, Singapore and Malaysia has one capital market and India has also merged its 23 stock exchanges into single stock exchange. It is expected that it will prove beneficial for our country and could pave the way for more foreign investment in the financial sector.

Performance of Stock Exchange

The year FY2016 witnessed a significant and an overall steady rise in the stock market indices with historic and unprecedented levels being reached. The PSX (formerly KSE)-100 share index which began the year at 34,398.86 points reached 36,266.23 points by close of trading on May 11, 2016, i.e., an increase of about 5.4 percent since the inception of the year. Market capitalization stood at Rs.7,435.68 billion against Rs.7,421.03 billion as of June 30, 2015 reflecting no considerable change. Foreign investment in the stock market exhibited net inflow of \$38.54 million during the year, which reflects a decrease of 85 percent over last year. Some of the more important developments that have contributed to this relatively exceptional performance of the Pakistani stock market are: stable political environment, investment projects backed by CPEC; stable exchange rate against the dollar; improving security and law enforcement situation; renewed foreign interest in stocks; increased confidence shown by the multilateral donor

agencies such as the IMF, World Bank and Asian Development Bank’s allocation for energy sector development; etc.

The market witnessed lackluster activity during first three quarters of the current fiscal year but all the gains in index has been witnessed since start of last quarter where the PSX index is breaking previous records.

The first nine months of current financial year, 2015-16 (Jul-Mar) could be termed as a turbulent period for the stock market in Pakistan. The PSX – 100 Index demonstrated an overall average performance during this period from July 2015 – March 2016. The index touched its highest point at 36,228.88 on August 6, 2015 whereas, its lowest point was at 30,276.25 on February 23, 2016 which suggests that the index suffered decline during the nine months period ended March 31, 2016. The decline during the period could be attributed to a number of factors including recession in oil prices internationally and stringent enforcement policy by the regulators of capital markets.

The fall in the index can be accounted for mostly by the sharp reduction in the prices of energy sector stocks as well as to a lesser extent the

banking sector stocks as both those sectors make up a significant component of the index. Those blue chip heavyweights came under selling pressure mainly due to sale by foreign portfolio investors as part of their global equity sell-off in the emerging and frontier markets. Other sectors have not seen much selling pressure. For example cement sector has held up well along with the auto sector due to their strong fundamentals. But since the sectors that are doing fine have relatively small weightage in the index and are not able to neutralize the bigger fall. Roughly, cements have around 12 percent weightage; automobile 3 percent and pharmaceuticals just 2 percent in the index. According to a rough estimate, among the 30-odd sectors listed on the PSX, only around eight accounted for 80 percent of market activity. Those included banks, oil and gas exploration, fertilizers, cements, textiles, automobiles, food and pharmaceuticals. It meant that index could sink or swim based on the performance of those sectors which could be counted on the finger tips.

The foreign selling is not Pakistan-specific and has been witnessed globally. In regard to the local market, except for those two sectors and some slow down in textiles, most sectors did not perform badly due to their strong fundamentals.

Table 6.1 Profile of Pakistan Stock Exchange

Description	2011-12	2012-13	2013-14	2014-15	2015-16 (end March, 2016)
Total Listed Companies	591	569	557	560	560
New Companies Listed	3	4	5	9	6
Total Listed Capital (Rs. in million)	1,069,840.0	1,116,005.0	1,100,340.9	1,189,518.9	1,288,777.7
Total Market Capitalization (Rs. in million)	3,518,140.0	5,154,738.0	6,655,294.8	7,421,031.6	6,915,684.0
Total Shares Volume (Million)	38,100.0	54,319.0	56,580.6	64,617.2	51,811.8
Average Daily Shares Volume (Million)	150.0	221.0	229.1	261.0	248.8

Source: Pakistan Stock Exchange

After almost nine months of bearish trends in the stock market mostly due to foreign investors pulling out their investments in the wake of a global meltdown in equity markets, the PSX- 100 index started its upward trend since April 2016 and trading at its all time high of above 36,000 levels. It is believed that the recent bullish trend in stock prices is a result of Pakistan’s possible reclassification from a frontier market to an emerging market by MSCI, an international firm that provides investment decision support. MSCI

will possibly announce its decision in June, 2016 whether Pakistan meets the criteria for its emerging market status. Global institutional investors use different MSCI indices — such as frontier, emerging, China and US markets – to create balanced portfolios to generate maximum returns while keeping in view their overall risk appetite. Although the actual reclassification of Pakistan will take effect a year after the announcement, global investors tend to start factoring in the reclassification ahead of the actual

Pakistan Economic Survey 2015-16

change, prompting massive inflows of global funds in case of a favourable decision. Other factors which contributed in bullish trend of PSX index include rebound in crude oil prices, better

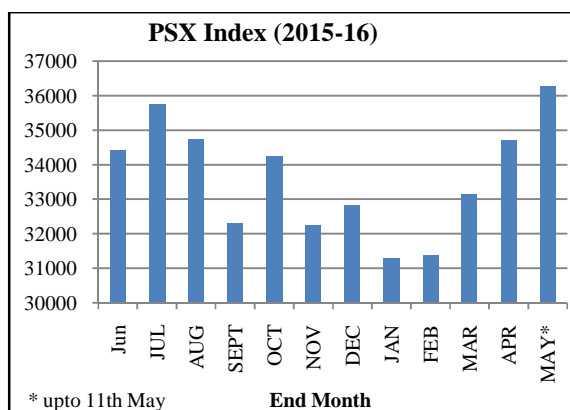
macroeconomic indicators, initiation of development projects in power and infrastructures sectors, enhanced PSDP allocations, etc.

Table 6.2: Leading Stock Market Indicators on PSX (PSX-100 Index: November (1991=1000))

Months	2014-15			2015-16		
	PSX Index (End Month)	Market Capitalization (Rs Billion)	Turnover of shares (Billion)	PSX Index (End Month)	Market Capitalization (Rs Billion)	Turnover of shares (Billion)
July	30,314.07	7,120.67	2.6	35,741.52	7,701.71	9.9
August	28,567.74	6,726.93	3.1	34,726.51	7,535.84	7.1
September	29,726.39	6,914.10	4.0	32,287.41	6,952.85	4.5
October	30,376.53	7,033.70	4.1	34,261.60	7,284.24	4.5
November	31,197.98	7,152.18	5.2	32,255.20	6,867.98	4.3
December	32,131.28	7,380.53	6.3	32,816.31	6,947.36	4
January	34,443.87	7,798.41	7.6	31,298.60	6,699.11	3.8
February	33,632.19	7,615.59	6.2	31,369.51	6,587.38	3.4
March	30,233.87	6,760.76	4.3	33,139.00	6,915.68	4.2
April	33,729.96	7,305.81	7.3	34,719.29	7,205.96	6.1
May	33,056.79	7,179.85	4.2	36,266.23*	7,435.68*	-
June	34,398.86	7,421.03	9.8	-	-	-

Upto 11th May

Source: Pakistan Stock Exchange



Major sector wise performance

Performance in Pakistan Stock Exchange during current fiscal year was driven by some major sectors of the economy including Oil and Gas, Banking, Pharmaceutical, Auto etc. Performance of some of the major sectors is mentioned below:

Oil & Gas exploration Companies

In this sector 4 companies are listed at Pakistan Stock Exchange with total paid up capital of Rs.66,194.40 million and market capitalization of Rs.886,007.20 million. The profit after tax of this sector is Rs.135,611.67 million. Though it is a dominant sector as far as index is concerned, it

could not perform well due to continued fall in oil prices as compared to previous years.

Oil & Gas Marketing Companies

In this sector 7 companies are listed at the Pakistan Stock Exchange with the paid up capital of Rs.21,199.44 million. The market capitalization of this sector is Rs.224,741.37 million. The profit after tax of this sector is Rs.3,477.61 million. The sector also could not performed well

Refinery Companies

In this sector 4 companies are listed with the paid up capital of Rs.11,781.183 million with market

capitalization of Rs.71,281.716 million. The profit after tax of this sector is Rs.4,413.872 million.

Cement

This sector comprises of 21 companies, with total listed capital of Rs.71,893.34 million and the market capitalization of Rs.618,375.90 million. On the back of higher local consumption, decent growth in exports, fall in fuel costs of the plants, CPEC projects' activities and construction boom, the sector showed tremendous growth which translated into good financial results. The sector recorded the profit after tax of Rs.49,954.58 million.

Power Generation and Distribution:

The sector comprises of 19 companies with the listed capital of Rs.147,500.675 million and market capitalization of Rs.301,499.33 million. The profit after tax of this sector was Rs.59,126.557 million.

Chemicals:

In this sector 27 companies are listed having total paid up capital of Rs.34,434.65 million and the market capitalization of Rs.179,548.75 million. The profit after tax was Rs.2,836.408 million. The sector also witnessed good performance during current year due to boom in construction activities and growth in industrial sector.

Automobile Assembler:

The sector comprises of 12 companies with the total paid up capital of Rs.7,357.964 million and the total market capitalization was Rs.259,754.34 million. The profit after tax of this sector was Rs.26,170.217 million. This sector continued to perform outstandingly on the back of surge in auto sales due to low interest rates, Punjab Government taxi scheme and other economic factors.

Technology & Communication:

The sector comprises of 10 companies which includes PTCL with capital of Rs.51,000 million. The market capitalization of this sector was Rs.99,106.018 million and the profit after tax was Rs.9,888.218 million.

Commercial Banks

The sector comprises of 21 listed banks with the

listed capital of Rs.415, 241.16 million & market capitalization of Rs.1,241,511.126 million. The profit after tax of this sector was Rs.174,826.183 million.

Pharmaceuticals

The sector comprises of 9 listed pharmaceutical companies with the paid up capital of Rs.6,175.181 million and Rs.243,948.20 market capitalization. This total profit after tax of this sector was Rs.8,945.957 million. This sector also performed well with good earnings during current year as compared to last years.

Textile Spinning:

In this sector 86 companies are listed at Pakistan Stock Exchange, having a total paid up capital of Rs.20,801.629 million and the market capitalization of Rs.49,795.175 million.

Textile Weaving:

In this sector 14 companies are listed at Pakistan Stock Exchange, having total paid up capital of Rs.6,157.403 million and the market capitalization of Rs.39,072.09 million.

Textile Composite:

In this sector 52 companies are listed at Pakistan Stock Exchange, having total paid up capital of Rs.25,244.602 million and the market capitalization of Rs.143,747.768 million.

Sugar & Allied:

The sector comprises of 32 companies with the total paid up capital was Rs.8,980.481 million and market capitalization of Rs.87,959.408 million. The profit after tax of this sector was Rs.2,499.312 million.

Corporate Profitability

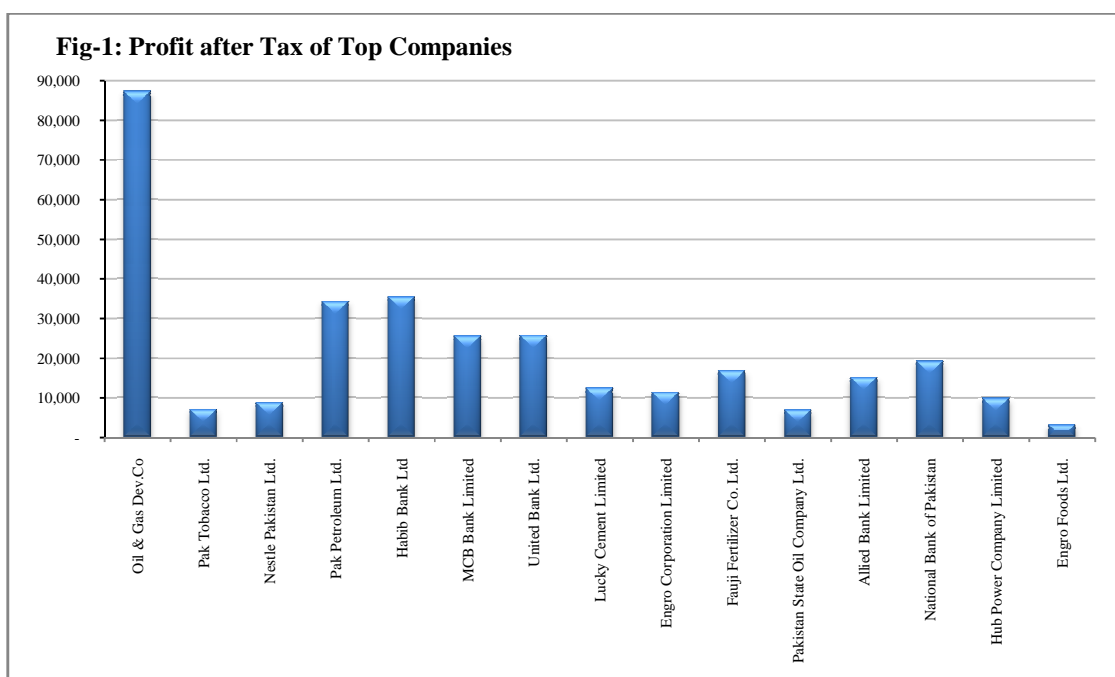
Corporate profitability is expressed by the Earning Per Share (EPS) of the company. During FY2016 corporate profitability increased in case of the most blue chips companies. However, for oil & gas exploration sector, this profitability remained subdued due to unfavorable oil and gas prices internationally. Banking sector profitability also witnessed some mixed trend despite declining spreads. Cement, Auto, Pharma sectors remained bullish on this front. (Table: 6.3)

Pakistan Economic Survey 2015-16

Table 6.3: Price Earning Ratio of Top Fifteen Companies

	Paid up Capital (Rs. billion)	Profit After Tax in (Rs. billion)	EPS	Market Price (Rs) April 30, 2016	PE ratio	Market Capitalization (Rs. billion)
Oil & Gas Dev.Co	43.01	87.25	20.29	131.34	6.47	565
Pak Tobacco Ltd.	2.55	7.05	27.58	1309.35	47.48	335
Nestle Pakistan Ltd.	0.45	8.76	193.19	7165.00	37.09	325
Pak Petroleum Ltd.	19.72	34.25	17.37	146.18	8.41	288
Habib Bank Ltd	14.67	35.47	24.18	188.93	7.81	277
MCB Bank Limited	11.13	25.55	22.96	211.53	9.21	235
United Bank Ltd.	12.24	25.73	21.02	163.94	7.80	201
Lucky Cement Limited	3.23	12.43	38.44	550.91	14.33	178
Engro Corporation Limited	5.24	11.37	21.71	312.88	14.41	164
Fauji Fertilizer Co. Ltd.	12.72	16.77	13.18	107.21	8.14	136
Pakistan State Oil Company Ltd.	2.71	6.94	25.53	353.59	13.85	96
Allied Bank Limited	11.45	15.12	13.20	89.66	6.79	103
National Bank of Pakistan	21.28	19.22	9.03	55.52	6.15	118
Hub Power Company Limited	11.57	9.85	8.51	108.63	12.76	126
Engro Foods Ltd.	7.67	3.16	4.13	155.81	37.77	119

Source: Pakistan Stock Exchange



Leading Global Stock Markets Trends

During July- April, 2015-16 most of the leading stock markets of the world demonstrated downward trend led by China Shanghai Composite index which declined by 31.3 percent followed by Hong Kong Hang Seng (19.7), Japan's NIKKEI (17.6), Taiwan (10.1), India Sensex (7.8), UK FTSE (4.3), US NASDAQ (4.2)

and other markets. S&P however, remained almost flat during this period. Among this global scenario, Pakistan's PSX 100 index performed restively better and improved by just around one percent during Jul-Apr , 2015-16 period. PSX performance during May, 2016 is more encouraging as till 11th May, 2016 it improved by 5.4 percent over last year and was trading at its all-time high.(Table. 6.4)

Table 6.4: Global Stock indices during July-April 2015-16

Sr.No	Country	Stock Name	Date		Change July –April 2015-16	
			30th June,2015	30th April, 2016	Points	%
1	Pakistan	PSX-100	34,398.86	34,719.29	320.4	0.9
2	S&P	SPX index	2,063.11	2,065.30	2.2	0.1
3	US	Nasdaq Composite	4,986.87	4,775.36	-211.5	-4.2
4	Indonesia	JCI index	4,910.66	4,838.58	-72.1	-1.5
5	India	Sensex	27,780.83	25,606.62	-2,174.2	-7.8
6	Australia	AORD	5,451.20	5,316.00	-135.2	-2.5
7	New Zealand	NZX 50	5,726.96	6,820.58	1,093.6	19.1
8	UK	FTSE 100	6,521.00	6,241.90	-279.1	-4.3
9	Taiwan	T.weighted	9,323.02	8,377.90	-945.1	-10.1
10	Hong Kong	Hang Seng	26,250.03	21,067.05	-5,183.0	-19.7
11	Malaysia	FBMKLCI	1,706.64	1,672.72	-33.9	-2.0
12	Tokyo	Nikkei 225	20,235.73	16,666.05	-3,569.7	-17.6
13	Singapore	FSSTI index	3,317.33	2,838.52	-478.8	-14.4
14	China	Shanghai Composite	4,277.22	2,938.32	-1,338.9	-31.3
15	Seoul	Composite	2,074.20	1,994.15	-80.0	-3.9
16	Thailand	Set (Bangkok)	1,504.55	1,527.00	22.5	1.5
17	Phillipines	PCOMP index	7,564.50	7,715.00	150.5	2.0
18	Srilanka	CSEALL index	7,020.80	6,516.26	-504.5	-7.2

Source: Pakistan Stock Exchange

The foreign investment in the stock market exhibited net outflow of \$341.279 million from July 2015 to March 2016.

Approval for Equity Market:

During the period July, 2015 to March, 2016 approval was granted by the SECP to 3 companies

under Section 88(1) read with Section 87(2) of the Securities Act, 2015 i.e. 29.001 million Ordinary shares by Hi-Tech Lubricants Limited; 74.253 million ordinary shares by Amreli Steels Limited and 25.00 million modaraba certificates of Awwal Modaraba by Awwal Modaraba Management Limited to the general public.

Sr.	Name of Company	Book Building Date	Retail Portion Subscripti on Date	No. of Shares Offered (million)			Offer Price / Strike Price (Rs.)	No. of Shares Subscribed (million)			Times Subscribed	
				Book Building	General Public	Total		Book building	General Public	Total	Book building	General Public
1	Hi-Tech Lubricants Limited	Jan 6-7, 2016	Jan 25-27, 2016	21.751	7.250	29.001	62.50	48.675	3.832	52.507	2.24	Under sub.
2	Amreli Steels Limited	Oct 07-08, 2015	Oct 27-29, 2015	55.503	18.750	74.253	51	138.786	36.800	175.58	2.5	1.96
3.	Awwal Modaraba	NA	4-5 Jan 2016	NA	25.000	25.000	10	NA	25.843	25.843	NA	1.03

Debt Capital Markets

A well-developed corporate bond market is essential for the growth of economy as it provides an additional avenue to corporate sector for

raising funds for meeting their financial requirements. During the period July 2015 to March 2016 two debt securities were issued. The break-up of these debt issues are as following:

S. No.	Name of Security	No. of Issues	Amount (In billion rupees)
i.	Privately Placed Term Finance Certificates	1*	10.0
ii.	Privately placed Commercial Paper	1**	0.8
	Total	2	10.8

*(by Habib Bank Limited); **(Pak Elektron Limited)

Pakistan Economic Survey 2015-16

As of December 31, 2015 a total of 97 corporate debt securities were outstanding with an amount

of Rs.560.284 billion as per following detail:

S. No.	Name of Security	No. of Issues	Amount outstanding (in billion Rs.)
i.	Listed Term Finance Certificates (L-TFCs)	16	21.484
ii.	Privately placed Term Finance Certificates & Listed on OTC	38	133.624
iii.	Sukuk	40	403.16
iv.	Privately placed Commercial papers	2	1.3
v.	Participation Term Certificates (PTCs)	1	0.716
Total		97	560.284

Capital Market Reforms and Developmental Activities

In line with its objectives to develop a fair and competitive capital market in Pakistan, the Securities Exchange Commission of Pakistan (SECP) during the period under review, introduced various structural, legal and fiscal reforms aimed at strengthening risk management, increasing transparency, improving governance of capital market infrastructure institutions and enhancing investor protection, which are mentioned below in brief:

Book Building Regulations: The equity capital market is an important segment of our capital market and is considered a viable and efficient alternative for fund raising. In order to bring further efficiency and transparency in the book building process, SECP has reviewed the existing framework for book building and has notified the Book Building Regulations, 2015 in July, 2015.

Introduction and implementation of e-IPO: In order to facilitate the general public during IPOs, SECP has introduced the concept of e-IPO i.e. electronic submission of subscription form. The e-IPO facility will:

- ▶ Enable the investors to make application for subscription of shares via internet (e-Banking/ATMs).
- ▶ Facilitate simultaneously both the companies that intend to raise fund from the capital market through IPO and the general public applying for subscription of shares.
- ▶ Bring transparency and efficiency in the IPO process.

The e-IPO facility was first used successfully in the offer for sale of shares of Aisha Steel Mills

Ltd., whereby the United Bank Limited for the first time provided e-IPO facility to its account holders. Later the same bank has successfully offered e-IPO facility in the IPOs of Lalpir Power Limited, Engro Fertilizers Limited, Avanceon Limited, Hascol Petroleum Limited, Engro Powergen Qadirpur Limited, Saif Power Limited, Systems Limited, Synthetic Products Enterprises Limited, Allied Bank Limited, Mughal Iron and Steel Industries Limited, Habib Bank Limited, Al Shaheer Corporation Limited, Amreli Steels Limited and Hi-Tech Lubricants Limited. In last IPO of Hi-Tech Lubricants Limited the Summit Bank Limited has also provided e-IPO facility to its account holders.

Development of New Regulatory Framework: The following new Rules, Regulations and Guidelines have been formulated/revamped for the development of the capital market.

- ▶ The Book Building Regulations, 2015;
- ▶ Amendments in the Companies (Issue of Capital) Rules, 1996.

Integration of Stock Exchanges: The SECP actively facilitated a thorough consultative process amongst the stock exchanges for developing consensus regarding their integration under the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. As a result, the three former stock exchanges have integrated into a single trading platform under the name of Pakistan Stock Exchange Limited (PSX), which has become operational from January 11, 2016. Integration is expected to provide numerous benefits in terms of reducing fragmentation, enhancing true competition in terms of best price discovery and order execution, increasing efficiency, improving governance, synergies,

economies of scale, and will play a crucial role in attracting strategic investors and technological partnerships.

Improved compliance with IOSCO Principles: Significant improvement has been made with regards to the level of compliance with IOSCO benchmark principles of securities regulation, compliance percentage for Pakistan has risen up from 37 percent in the year 2004 to 62 percent in the year 2015. Pakistan has been able to achieve ‘fully-compliant’/ ‘broadly-compliant’ status in relation to 23 IOSCO principles out of 37. Efforts are being made for achieving full or broad compliance for remaining principles, by the end of FY2016.

Capital Market Hubs: The SECP is in the process of setting up Capital Market Hubs in various cities for enhancing outreach of mutual funds, stockbrokers, leasing companies, investment banks, modarabas and insurance sector to encourage investors in remote areas. The 1st hub has been established in Abbottabad.

Regulations for Research Analysts: To bring standardization and enhance integrity/accountability in research reports offered by the research analysts/research entities giving investment recommendations, the Research Analyst Regulations, 2015 conforming to IOSCO principles were introduced in 2015. The SECP has conducted the compliance check of the research entities in connection to these regulations and issued the compliant research entities unique notification numbers. List comprising the names of notified research entities have been placed at the websites of PSX & SECP. Moreover, by the end of FY2016, the SECP aims to create more awareness amongst the investors on the research reports and engaged participants.

Efforts for Pakistan upgrade to MSCI Emerging Market Index: As a result of continuous efforts of the stakeholders, MSCI Pakistan Index has been included in the 2016 Annual Market Classification Review for a potential reclassification to MSCI Emerging Markets (EM). For a successful inclusion of Pakistan in the EM Index, SECP and PSX have been continuously engaged with MSCI and a number of meetings have been held with MSCI

representatives and foreign institutional investors to highlight the recent achievements of the Pakistani capital market and the reforms in pipeline.

Reforms for the SME Board: Considering the important contribution of the Small and Medium Enterprises (SMEs) in economic development and to incentivize listings of SMEs on the SME counter at the stock exchange, reforms were introduced for the SME market whereby criteria for issue/offer of shares through book building for equity securities of SMEs has been prescribed for improved price discovery while ensuring transparency; the continuous role of advisor and consultant to the issue has been discontinued to reduce the cost burden on the SMEs; and filing requirements in respect of financial statements for the SME board have been rationalized in line with the main board requirements.

Measures for Transparency and Risk Management: To ensure risk management, amendments were made to PSX regulations to allow selection of only category A and B auditors from the State Bank of Pakistan’s Panel of Auditors by brokers for statutory audit, Net Capital Balance (NCB) and system audit. Moreover, to ensure transparency and reliability of audits, brokers have been required to ensure that the audit firm selected for statutory audits shall be the same who have conducted audit of the broker’s NCB.

Furthermore, in order to safeguard customer’s assets and to boost investors’ confidence, the PSX Regulations were amended whereby; brokers are required to submit customers’ assets segregation statement to the PSX on the prescribed format on a fortnightly basis. Moreover, PSX has put in place an appropriate mechanism to monitor compliance with the aforementioned requirement of segregation of customers’ assets by the brokers.

Also, to ensure effective implementation of AML regime and help establish clear money trail, requirement has been introduced to ensure that all proceeds of investors worth Rs.25,000 and above shall be made through a designated bank account, whereas all payments worth Rs.25,000 and above by brokers to customers must be through cross

checks in the name of the investor or his nominee only.

Future Roadmap:

The SECP's future roadmap, as outlined below, envisages introduction of key structural, regulatory and developmental reforms, for improved governance, risk management, transparency and investor protection:

Capital Market Development Plan: In consultation with relevant stakeholders, a comprehensive Capital Market Development Plan (2016-18) outlining future roadmap for the capital market, including introduction of key structural and regulatory reforms, development of ready, derivative, debt, commodities markets, and measures for improving governance, risk management, efficiency and transparency in capital market operations will be implemented.

Subsidiary legislation under the Securities Act and Futures Act: A number of new rules and regulations will be framed under the Securities Act, 2015 and the draft Futures Market Bill, 2016, for implementation of the said laws. These include rules and regulations for licensing, conduct, financial resource and other aspects of securities exchanges, central depositories, clearing houses, securities brokers, securities advisers, securities managers, and accredited representatives of the regulated persons, and regulations for the futures market.

Attainment of Central Counter Party status by NCCPL and introduction of Settlement Guarantee Fund: Efforts are being made and a regulatory framework will be introduced for NCCPL to attain the status of a Central Counter Party with a Settlement Guarantee Fund of appropriate size in accordance with actuarial valuations. Also, efforts will be made for transfer of risk management from stock exchange to NCCPL.

Post Demutualization and Integration reforms: Efforts will be made for divestment of shares of the PSX by bringing in financial institutions, strategic investors and anchor investors, in line with requirements of demutualization law. Furthermore, critical governance reforms will be

pursued such as strengthening and reconstitution of board of directors of the PSX, CDC and NCCPL, their internal committees and limits on their shareholding etc.

Revised Brokers' Regime: A revised broker regime will be introduced which will provide for categorization of brokers according to their financial strength and capacity to undertake different functions such as trading, clearing, custody and settlement. Eligibility criteria for each such class will be specified to improve entry barriers to ensure protection of clients' assets and interest. The revised regime will also aim at improved capital adequacy regime and conditions for financial solvency of brokers.

Establishment of Centralized Know Your Clients (KYC) Organization: To facilitate the securities market investors, a centralized KYC Organization shall be established whose objective will be to register and maintain investors' KYC records in line with international best practices pertaining to KYC and CDD policies. The said KYC records will be available for access by all market intermediaries and this measure will assist in removing the duplication presently faced in the KYC process by bringing uniformity to the same.

Widening of Circuit Breakers, Introduction of Market Halts: Considering the need to strike a balance between risk and efficiency in the market, the matter of phased introduction of index based market halts and widened circuit breakers is being discussed with the stakeholders for efficient price discovery of listed securities.

Public Offering and Disclosure Regulations: Pursuant to promulgation of the Securities Act, 2015 (the Act), section 53 of the Companies Ordinance, 1984 which refers to the second schedule (Contents of the Prospectus) has been repealed. It, therefore, becomes imperative that regulations under the Act are promulgated for specifying the contents of the prospectus, abridged prospectus, supplement to the prospectus under shelf registration, advertisement for public offer of securities and prospectus in case of right issue. The draft Regulations have been published for eliciting public opinion on November 16, 2015.

Guidelines for Preparation of Prospectus: In order to improve the level of quality of the contents of the prospectus through standardization; and to provide full, true, and fair disclosure of all material information to common investors and also to facilitate the issuers, the offerers, and the consultant and advisors to the issue, the guidelines for preparation of prospectus has been drafted. The draft guidelines have been shared with stakeholders for seeking their comments/opinion.

The Public Offering of Securities Rules: In order to appropriately regulate the public offering of securities, the SECP has prepared the draft Public Offering of Securities Rules under Section 175 of the Securities Act, 2015.

The Private Placement of Securities Rules: At present, private placement of shares is made by companies through issuance of additional capital under Section 86(1) of the Companies Ordinance, 1984 (the Ordinance), whereas debt securities are issued under Section 120 thereof. Currently, no specific secondary/detailed/comprehensive regulatory framework exists to regulate private placement of securities. Keeping in view that investors in securities include companies managing public funds like mutual funds, pension funds, employees' funds, listed companies, banks, insurance companies. It is imperative that private placement of securities be properly regulated. Therefore, private placements of Securities rules have been drafted by the SECP under Section 175 of the Securities Act, 2015. The draft rules have been published in the official Gazette of Pakistan on March 31, 2016 for eliciting public opinion.

The Bankers to an Issue of Securities Rules: The bankers to the issue of securities play a vital role in public offering of securities. They not only facilitate investors but also help broaden the investor base. Keeping in view the importance of their role in public offering of securities, the draft Bankers to an Issue of Securities Rules has been notified by the SECP on 1st January 2016 for eliciting public opinion.

The Advisors' and Consultants to the Issue Rules: The role of advisers and consultants to the public issue of securities is of vital nature. They not only prepare the prospectus and other

supporting documents but also act on behalf of their client i.e. the issuer/offeree in getting necessary approvals from the regulatory authorities. Keeping in view the vital nature of their role it is imperative that their affairs as advisors and consultants to the issue of securities be properly regulated.

The Debt Securities Trustee Regulations: The said regulations are being framed under the Securities Act, 2015 and will replace the existing Debt Securities Trustee Regulations, 2012.

The Underwriters Regulations: The said regulations are being framed under the Securities Act, 2015 and will replace the existing Underwriters Rules, 2015. The draft regulations have been published in the official Gazette of Pakistan on January 20, 2016 for eliciting public opinion.

The Share Registrars and Balloters Regulations: The said regulations are being framed under the Securities Act, 2015 and will replace the existing Balloters and Transfer Agents Rules, 2015.

Guidelines for Structuring and Offering of the Employees Stock Option Schemes: In order to facilitate the public limited companies in structuring and administration of the Employees Stock Option Plans or Stock Option Schemes, the guidelines are being developed. The draft guidelines has been shared with stakeholders for seeking their comments/opinion.

The Credit Rating Regulations: The said regulations are being framed under the Securities Act, 2015 and will replace the existing Credit Rating Companies Rules, 1995 and the Code of Conduct for Credit Rating Agencies dated January 13, 2014.

Translation of Laws / regulations, guides awareness material: In order to attract investors at the grassroots level and encourage formalization and corporatization of the undocumented business sector, SECP has started translation of its laws and regulations, guide and awareness material in Urdu and local languages.

Investor Education and Awareness

Well-informed and knowledgeable investors play a vital role in the development of financial markets. They not only protect their investments in financial markets, but also add a lot of value in terms of prudent decisions. Basic knowledge and understanding of financial markets and products is critical, in particular for the public, before making any investment or long-term financial contract decision. Given the importance of educated and well-aware investors the SECP approved its first ever Investor Education Plan in 2013.

As per the approved plan SECP decided to expand its outreach to the public through virtual and physical means for increasing financial literacy. In terms of virtual presence, SECP developed its first ever web portal titled jamapunji.pk which was formally inaugurated by the honorable Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization. The web portal is a single point learning source for the existing and potential users of financial products offered in capital markets like stocks, mutual funds, pension funds and insurance industry etc. Portal’s exclusive features include risk profiler, scam meter, investment check lists, quiz shows, games, calculator, stock trading simulator and information about various financial products, verification of companies.

In terms of increasing the physical out reach of jamapunji, a series of seminars at various educational institutions and corporate bodies were conducted. In order to formalize the seminar series, till date SECP has signed 10 MOUs with the leading educational institutions and conducted

50 awareness sessions for the students and employees of the corporate entities. A series of 13 radio program is also broadcasted through Riphah International University’s radio channel FM 102.2 on various topics related to financial markets. In addition, SECP is also working on a research data repository to provide assistance to the academia in the field of research on capital markets.

In order to facilitate the current and potential investors in remote areas of the county, SECP has started establishing Capital Market Hubs. The first of its kind Hub is successfully established in Abbottabad to provide easy access of information and products to the capital market investors under one roof.

Mutual Funds

The total size of the industry stood at Rs.510.91 billion as on March, 31, 2016 as compared to Rs.492.23 billion on June 30, 2015, showing an increase of Rs.18.7 billion or 3.8 percent over the period. The total number of funds stood at 170 while 21 plans are being offered under six different schemes on March 31, 2016 as compared to 168 funds on June 30, 2015.

Equity funds (both Conventional and Shariah Compliant) dominated the AUMs of the industry with the largest share of the mutual fund industry i.e. 38 percent. Income funds (both Conventional and Shariah Compliant) held the second largest industry share i.e. 32 percent, followed by Money market funds (both Conventional and Shariah Compliant) with industry share of 12 percent.

The position as of March 31, 2016 in comparison to June 30, 2015, is as under:

Description	(Rs. in million)	
	March 31, 2016	June 30, 2015
Total Assets under Management of Industry	510,909	492,239
Total Number of Funds	170	168
Total number of plans under mutual funds	21	5
Total Number of AMCs/IAs	25	25
Asset Size of AMCs/IAs	35,576	31,916
Discretionary/Non-discretionary portfolio	112,944	96,609

To facilitate further growth of the mutual fund industry and to safeguard the investors’ interest, SECP has prescribed detailed requirement for Asset Management Companies (AMCs) to advertise open end Collective Investment

Schemes (CIS). It applies to TV interviews, (including videos on YouTube), emails, public speeches, presentations in seminars and workshops, or any other forum used by the AMC, so long it markets or conveys the performance of

a CIS. The SECP reduced the liquidity requirement of maintaining 25 percent of the net assets in cash and near cash instruments to 10 percent for income schemes holding 70 percent investment in government securities to enhance the investment opportunities for sovereign funds.

Modarabas

Pakistan’s modaraba concept dates back to the 1980s as the first Islamic business model set up with a statutory framework and dedicated regulations. This sector, based on Islamic principles is an important component of the Pakistani financial market. Since inception, the modarabas have played a vital role in the development and growth of Islamic modes of financing in the country in terms of declaration of highest dividend percentage to their certificate holders. Under the regulatory and monitoring supervision of the SECP, modarabas are providing a wide range of Islamic financial products and services to the masses in line with the Shari’ah principles. As on March 31, 2016, there were 32 modaraba companies and 26 modarabas were registered with the SECP, respectively. From July 1, 2015 to March 31, 2016, two new modaraba companies were registered while one new modaraba was floated and listed on the stock exchange. As on March 31, 2016, the aggregate equity of modarabas was Rs19,755 million as compared to the total equity of Rs.15,660 million as on June 30, 2015. Similarly, as on March 31,

2016, total assets of the modaraba sector stood at Rs.36,161 million as compared to the total assets of Rs.31,104 million for the period ending June 30, 2015. Out of the total 25 operational modarabas, 21 modarabas declared cash dividend.

Keeping in view, the practical difficulties and to bring operational flexibilities, the modaraba Rules, 1981 and Prudential Regulations for modaraba are being reviewed in line with international best practices. The rights of the modaraba certificate holders are being enhanced by introducing the concept of annual general meeting of the modaraba certificate holders. Moreover, possibilities for introducing new fund-raising products are underway to address the issues of resource mobilization for the modaraba sector.

Non-Banking Financial Services

Non-banking finance services are being provided by leasing companies, investment finance companies (investment banks) and housing finance companies. As on March 31, 2016, there were 9 leasing companies and 8 investment banks. Currently, no NBFC is operating as a housing finance company. The asset size of these NBFCs was Rs.54.65 billion as on March 31, 2016 as compared to Rs.50.43 billion as on June 30, 2015.

Financials of NBFCs engaged in non-banking financial services as on March 31, 2016 as compared to June 30, 2015 is as under;

Particulars	Rupees in million	
	March 31, 2016	June 30, 2015
Total Assets	54,648	50,433
Total Liabilities	42,078	40,512
Total Equity	11,392	9,711
Total Deposits	12,283	12,066

The SECP in order to ensure the development of these entities has carried out review of the entire business model and prevailing regime of non-banking financial services taking into account global best practices, as well as the interests of all the stakeholders. Consequently, SECP has embarked on the momentous task of revamping the entire regulatory structure for these NBFCs in line with best international practices. SECP is introducing new concepts in the revised regulatory

regime which include significantly reduced equity requirements for non-deposit taking NBFCs, a comprehensive regulatory framework for NBFCs which desire to conduct their business in accordance with Islamic Shariah principles, a regulatory framework for NBFCs intending to engage in micro lending business, broadening the scope of housing finance companies to undertake commercial housing finance activities, and introduction of various measures such as capital

adequacy ratio, capping of deposit taking activities, reduction in exposure limits, rationalizing leveraging capacity, etc. to protect the interests of the general public.

Real Estate Investment Trusts (REITs)

REITs provide investors with a small capital base to take advantage of the investment potential real estate sector offers. REIT Regulations, which provide the regulatory structure for securitization of property, were notified in year 2008. Since the individual investor does not have enough market knowledge to take the decision while investing in real estate, therefore, through REITs, Investors have the option to take exposure in rental as well as developmental REITs. SECP provided the regulatory framework to ensure investor protection, bring transparency and price discovery in the real estate sector. Furthermore, the SECP endeavors to provide a regulatory framework which is relevant in the current economic conditions. The REIT Regulations were amended in the year 2010 to address industry challenges. To overhaul the whole NBF sector the NBF Reform Committee was formed and REIT Regulations were also reviewed.

The recommendations of the Committee were debated and draft regulations are being shared with the stakeholders to get their feedback on the key issues. The new REIT Regulations are likely to bring in multiple changes in the regulatory structure like reduction in fund size, reduction of equity requirements and mandatory stake of RMC in a REIT Scheme. These regulations are likely to attract new players and invite well-maintained buildings into REITs. It is expected that these amendments will provide investors a new investment avenue, provide real estate sector a mechanism of raising funds and give boost to the capital markets activities.

The first REIT of Pakistan, namely Dolmen City REIT, was launched by Arif Habib Dolmen City REIT Management Limited (RMC), during June 2015. Dolmen City REIT is a closed ended, listed, Shariah compliant, perpetual, rental REIT scheme. The total fund size of Dolmen City REIT, as of March 31, 2016, is reported at Rs.26,477 million.

Voluntary Pension Scheme

The SECP regulates the Voluntary Pension System (VPS) in Pakistan through the VPS Rules. The regulatory regime envisages a trust structure for the investors' protection. The VPS envisages voluntary contributions by Pakistani nationals in a pension fund approved by the SECP. The amount accumulated in a pension fund during working life can be used to avail regular stream of income at retirement. The government has given tax incentives to individuals under the current tax regime to encourage savings for retired life.

Private pension funds under the 2005 Voluntary Pension System (VPS) Rules were introduced in 2007. The size of pension funds remained stagnant during the initial years mainly due to adverse market conditions, lack of awareness about the product and fiscal inconsistencies. However, since 2010 onwards, the pension funds have shown significant growth which can be attributed to favorable market conditions, positive changes in the tax regime, launch of new pension funds and increase in number of participants (investors). During January, 2015 - March, 2016, one new pension fund manager was added to the VPS industry. It is expected that with the entry of a new player in the market the potential investors will see better customer service and a better awareness of the financial product. The total assets of pension schemes have touched Rs.16.64 billion as on March 31, 2016.

CORPORATE SECTOR

Establishment of a Virtual One-Stop Shop: In order to promote investment climate in the country, a Virtual One-Stop Shop (VOSS) for business registration has been launched on the basis of an MOU signed amongst the SECP, the Federal Board of Revenue (FBR), and the Employees Old-Age Benefits Institution (EOBI). Pakistan Revenue Automation (Pvt.) Limited, a wholly-owned subsidiary of FBR, has developed the project with active assistance provided by SECP. VOSS has been designed to reduce the turnaround time for business start-up, facilitate investors, and enhance coordination of activities among the three authorities by enabling mutual

sharing of information through a unified web portal. The data provided by the promoters to the SECP for incorporation of their companies will be routed through VOSS to FBR for NTN registration with FBR and to EOBI for employers' registration, without going into the hassle of providing the data separately and visiting each authority individually. The project has also been designed to merge the three processes at SECP (name availability, incorporation of company and issuance of certified true copies) to further reduce the turnaround time and hassle for the promoters.

In addition to the VOSS, the launch of physical One-Stop Shop (POSS) in the provinces has also been planned, which is being steered by GOP and for which SECP has already committed to provide its due support. MOU for the first POSS at Lahore Chamber of Commerce and Industry was signed in September, 2014 among SECP, FBR, EOBI and LCCI. An officer of SECP is available for assistance at the premises. Another MOU has been signed with Islamabad Chamber of Commerce and Industry (ICCI) on 28th September 2015.

Establishment of Facilitation Desk at Sialkot Chamber of Commerce & Industry: In order to encourage company incorporation, to facilitate / promote e-filing, and to enhance the scope of facilitation, the SECP has established facilitation desk at Sialkot with the collaboration of Sialkot Chamber of Commerce and industry.

Proposed Amendments in Companies (General Provisions & Forms) Rules, 1985: The amendments in Companies (General Provisions & Forms) Rules, 1985 have been proposed to minimize growing incidents of corporate disputes between the shareholders and the management or within the management. The proposed amendments prescribe:

- i. Detailed procedure for transfer of shareholding in a private company and the returns for notification to the register of such transfer.
- ii. The minimum time for acceptance of offer of right share made to the member under the

Companies Ordinance, 1984.

- iii. Certain documents to be filed with the register, while notifying removal of directors.

The proposed amendments have been notified in the Official Gazette for seeking public opinion in terms of section 506 of the Ordinance.

The draft Companies Bill, 2015: The SECP formed a Committee of two members to review the Companies Ordinance, 1984. The main areas focused by the Committee included providing maximum facilitation to the corporate sector, addressing practical problems noticed during the last 30 years and removing defects and unnecessary requirements along with introduction of new concepts adopted by developed jurisdictions. During the review, company laws of India, UK, Australia, New Zealand, Singapore, Hong Kong, and Malaysia were consulted. The Committee completed the initial draft in November, 2015 and presented it to the Finance Minister on Nov 28th 2015. The Draft Bill was then posted on the website of the SECP for soliciting public feedback, sent to professional bodies, bar councils, eminent professionals. Consultative sessions were also held at major cities across Pakistan for soliciting feedback of chartered accountants, cost and management accountants, lawyers, professionals, chambers of commerce and industry, institutes, corporate consultants and businessmen. Upon conclusion of the consultative sessions the feedback received was deliberated by the SECP in marathon sessions and necessary amendments were made in the draft Bill. A seminar on the draft Bill was organized at Islamabad which was presided by the Finance Minister for having feedback on the Bill.

In view of the concerns raised in the seminar by the speakers and Hon'ble Minister, the Committee has started a comprehensive review of the provisions of the draft Bill, which will be posted on the website of the SECP before finalization.

Concept paper on Limited Liability Partnership (LLP): The SECP approved a concept paper for the introduction of the concept of Limited Liability Partnership (LLP) in

Pakistan. On completion of consultative process a draft law on LLP has been prepared and forwarded to the Ministry of Finance for further processing.

E-voting Regulations 2016: The SECP has issued regulations for e-voting paving way for the shareholders to be part of the decision making process of their company through electronic means. E-voting Regulations, 2016 give the shareholders the option to vote for the businesses included in the notice of meeting from a remote location through the use of the internet. E-Voting is a further step by SECP to encourage corporate democracy and to promote good corporate governance by making use of technological advancements. It provides an opportunity to members residing in widespread area to take part in the decision making process of the company. They may or may not attend the meeting physically.

The E-voting Regulations prescribes mechanisms to make the voting process faster, transparent and cost efficient. It facilitates electronic voting on resolutions of companies in a fair and transparent manner. The counting of votes in e-voting is done through electronic means. The results are very accurate and there are no chances of error. In shareholder meetings, the participation of members will increase as they can now vote from their home or office.

Instructing companies for Implementation of UN sanction measures: During the year under review, the SECP on the advice of the Ministry of Foreign Affairs, issued various circulars instructing the companies for implementation of UN sanction measures i.e. travel restrictions, funds freeze, restrict entry and sale / transfer of arms and related material in its jurisdiction against the individuals and entities placed on the Consolidated List representing UN ISIL (Da'esh), Al-Qaida and Taliban Sanctions Lists by the United Nations Security Council's ISIL ('Da'esh), Al-Qaida and Taliban Sanctions Committees.

Direction to listed companies for appointment of independent share registrar: All listed companies have been directed vide Circular 44 of 2015 ensuring appointment of independent share

registrars possessing such qualifications and performing such functions as specified by the SECP. The SECP has observed that most of the listed companies have not appointed share registrars which is a violation of the Balloters and Transfer Agents Rules, 2015 (BTA Rules) and Section 204-A(2) of the Companies Ordinance, 1984. The position of share registrar in a listed company is important to protect the interest of shareholders and provide them facilitation. The registrars of shares keep an up-to-date record of all stocks bought, which includes names of individual shareholders, their shareholdings, their addresses, and signatures amongst other salient information. Among their numerous functions also include ensuring payment of dividend to qualified shareholders when it falls due. Indemnity for lost certificates and dividend warrants forms are given upon request of holders when documents are lost or destroyed and after completion, new ones are issued.

Other Facilitation Measures undertaken

In addition to the above, some of the key measures undertaken by SECP earlier to further simplify business regime include the following:

- ▶ Modernizing the functions and improved outlook of Company Registration Offices of the Commission.
- ▶ Conducting of Seminars, workshops and meetings with concerned stakeholders.
- ▶ Holding media campaigns for investors' awareness regarding benefits of corporatization, e-Services and corporate compliance.

National Savings Schemes (NSS)

The Central Directorate of National Savings (CDNS) is playing vital role of promoting savings culture in Pakistan side by side supporting the Government of Pakistan to finance the fiscal deficit through non-bank borrowing. The product basket of National Savings Schemes (NSS) ranges from three months Short Term Savings Certificates to ten years long term Defense Savings Certificates. As of 31st March, 2016, the portfolio of NSS is Rs.3,197,463.25 million which constitute around 24 percent share of overall

domestic debt of GoP. Scheme wise net investment is as under:-

NATIONAL SAVING SCHEMES (NET INVESTMENT)							(Rs. Million)
	Name of Scheme	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (July-Mar)
1	Defence Savings Certificates	9,748.1	7,295.5	29,892.0	12,970.8	16,183.3	4,864.6
2	National Deposit Scheme	(1.0)	(0.9)	(0.6)	(0.3)	(1.04)	(0.22)
3	Khaas Deposit Scheme	(2.6)	(0.6)	(1.2)	(0.8)	(4.25)	(2.00)
4	Special Savings Certificates (R)	43,960.6	(52,834.2)	46,401.5	57,619.6	28,547.1	1,508.4
5	Special Savings Certificates (B)	(0.7)	(0.9)	(0.3)	(0.8)	-	-
6	Regular Income Certificates	46,946.8	43,971.6	36,047.0	62,783.3	50,582.1	(10,443.4)
7	Bahood Saving Certificates	61,731.6	52,254.5	47,622.7	53,963.0	45,927.8	38,189.0
8	Pensioners' Benefit Account	17,940.3	16,359.5	17,538.9	18,471.2	15,701.9	16,740.1
9	Savings Accounts	(625.3)	3,978.5	1,098.9	283.2	3,859.4	1,821.1
10	Special Savings Accounts	14,240.8	61,098.8	150,836.0	(53,463.7)	100,124.9	28,146.1
11	Mahana Amdani Accounts	(77.9)	(90.5)	(78.9)	(72.5)	(73.0)	(129.2)
12	Prize Bonds	41,083.4	56,324.2	56,175.4	57,058.4	75,884.6	94,119.6
13	National Savings Bonds	-	-	(3,425.6)	-	(62.6)	-
14	Short Term Saving Certificates	-	-	3,969.7	(2,628.9)	389.1	9.6
	Grand Total	234,944.1	188,355.6	386,075.9	206,982.4	337,059.3	190,455.8

- : Not available R : Registered B : Bearer Figures in Parenthesis represent negative numbers
Source : Central Directorate of National Savings

Conclusion

The performance of stock markets presented a mixed trend during first three quarters of the fiscal year. Various factors such as recession in oil prices internationally, stringent enforcement policy by the regulators of capital markets and selling pressure by the foreign funds managers have contributed to this performance. However, the PSX-100 index resumed its momentum from the start of the last quarter of the 2015-16 when PSX index witnessed all time high levels. It is

believed that the recent bullish trend in stock prices is a result of Pakistan's reclassification from a frontier market to an emerging market by MSCI and to some extent rebound in oil prices. During current fiscal year, Pakistan has entered a new era of equity trading after merger of KSE, LSE and ISE into PSX. Its basic purpose is to enhance operating efficiency of Pakistan's Capital Market and to provide all players with a single, deep liquidity pool and fully integrated national trading platform.



CAPITAL MARKETS

TABLE 6.1

NATIONAL SAVINGS SCHEMES (NET INVESTMENT)

Name of Scheme	Rs. Million									
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1. Defence Savings Certificates	(6,976.8)	(4,317.4)	(27,411.3)	(32,493.2)	9,748.1	7,295.5	29,892.0	12,970.8	16,183.3	4,864.6
2. National Deposit Scheme	(1.1)	0.1	(2.7)	(0.1)	(1.0)	(0.9)	(0.6)	(0.3)	(1.0)	(0.2)
3. Khaas Deposit Scheme	(5.6)	7.0	(1.6)	(3.8)	(2.6)	(0.6)	(1.2)	(0.8)	(4.3)	(2.0)
4. Special Savings Certificates (R)	6,667.5	13,800.6	128,469.0	61,856.6	43,960.6	(52,834.2)	46,401.5	57,619.6	28,547.1	1,508.4
5. Special Savings Certificates (B)	(0.1)	(0.2)	(8.5)	(0.3)	(0.7)	(0.9)	(0.3)	(0.8)	-	-
6. Regular Income Certificates	18,369.1	(273.5)	40,094.3	44,538.3	46,946.8	43,971.6	36,047.0	62,783.3	50,582.1	(10,443.4)
7. Bahbood Savings Certificates	47,214.5	38,799.7	78,538.0	59,267.2	61,731.6	52,254.5	47,622.7	53,963.0	45,927.8	53,821.0
8. Pensioners' Benefit Account	11,468.6	18,695.9	22,215.7	18,166.9	17,940.3	16,359.5	17,538.9	18,471.2	15,701.9	16,740.1
9. Savings Accounts	12,825.7	8,989.1	(10,899.2)	1,021.3	(625.3)	3,978.5	1,098.9	283.2	3,859.4	1,821.1
10. Special Savings Accounts	9,417.6	5,521.5	21,627.1	31,375.5	14,240.8	61,098.8	150,836.0	(53,463.7)	100,124.9	28,146.1
11. Mahana Amdani Accounts	56.9	(25.0)	50.0	(195.7)	(77.9)	(90.5)	(78.5)	(72.4)	(73.0)	(129.2)
12. Prize Bonds	9,007.3	8,277.1	14,650.0	38,556.7	41,083.4	56,324.2	56,175.4	57,058.4	75,884.6	94,119.6
13. Postal Life Insurance	-	-	-	-	-	-	-	-	-	-
14. National Savings Bonds	-	-	-	3,625.2	-	-	(3,425.6)	-	(62.6)	-
15. Short Term Savings Certificates	-	-	-	-	-	-	3,969.7	(2,628.9)	389.1	9.6
Grand Total	71,305.5	89,460.8	267,220.7	225,714.5	234,944.0	188,355.6	386,075.9	206,982.4	337,059.2	190,455.8

Note : Figures in Parenthesis represent negative numbers.

Source : Central Directorate of National Savings

R : Registered

B : Bearer

TABLE 6.2

MARK UP RATE/PROFIT RATE ON DEBT INSTRUMENTS CURRENTLY AVAILABLE IN THE MARKET

S.No.	Schemes	Markup/Profit Rate	Maturity Period	Tax Status
1.	Special US\$ Bonds			
	a) 3 year maturity	LIBOR+1.0%	The rates are effective from Sept.1999. All the special US\$ Bonds have now matured, but some have not been encashed.	
	b) 5 year maturity	LIBOR+1.5%		
	c) 7 year maturity	LIBOR+2.0%		
2.	Pakistan Investment Bonds			
	<u>Tenor</u>	<u>Rate of Profit</u>		
	3-Year Maturity	7.00% p.a	The coupon rates are applicable w.e.f April 21, 2016	
	5-Year Maturity	7.75% p.a		
	10-Year Maturity	8.75% p.a		
	20-Year Maturity	10.75% p.a		
3.	Unfunded Debt			
	Defence Savings Certificates	7.80%p.a	10 Years	Taxable
	Special Savings Certificates (R)	6.07%p.a (average)	3 Years	Taxable
	Regular Income Certificates	6.632%p.a	5 Years	Taxable
	Savings Accounts	4.00%p.a	Running Account	Taxable
	Pensioners' Benefit Account	9.60%p.a	10 Years	Tax Exempt
	Bahhood Savings Certificate	9.60% p.a	10 Years	Tax Exempt
	Prize Bonds	10.00%	Bearer Instrument	Taxable
	Short Term Savings Certificate (STSC)			
	STSC 3 Months	5.84% p.a (m)	3 Months	Taxable
	STSC 6 Months	5.86% p.a. (m)	6 Months	Taxable
	STSC 12 Months	5.88% p.a. (m)	12 Months	Taxable
R :	Registered	p.a : Per annum	Source : State Bank of Pakistan	
m :	on maturity	STSC : Short Term Savings Certificates	Central Directorate of National Savings	