

CAPITAL MARKETS AND CORPORATE SECTOR

Capital market is an organized market where buyers and sellers indulge in trade of financial securities like bonds, stocks, etc. In addition, capital markets also include other types of securities, including currencies and commodities such as dollar, Yen, riyal, gold, silver and agricultural products. Capital markets benefit the economy by encouraging the efficient allocation of risk among participants in a competitive environment. Managing risk-return nexus improves the efficiency of resource allocation and increase corporate value.

Capital markets play a pivotal role in mobilizing domestic resources and channeling them efficiently for productive uses, thus raising country's productivity. The level of capital market development is an important determinant of savings and investment. It can immensely contribute to speedy economic growth through boosting liquidity and availability of credit and also reduce risk and information asymmetry. The lack of an advanced and vibrant capital market can lead to underutilization of financial resources, while the developed capital market provides access to foreign capital for domestic economy, thus, plays a key role in overall development of a country.

The chapter covers the performance of Pakistan's equity market, debt market,

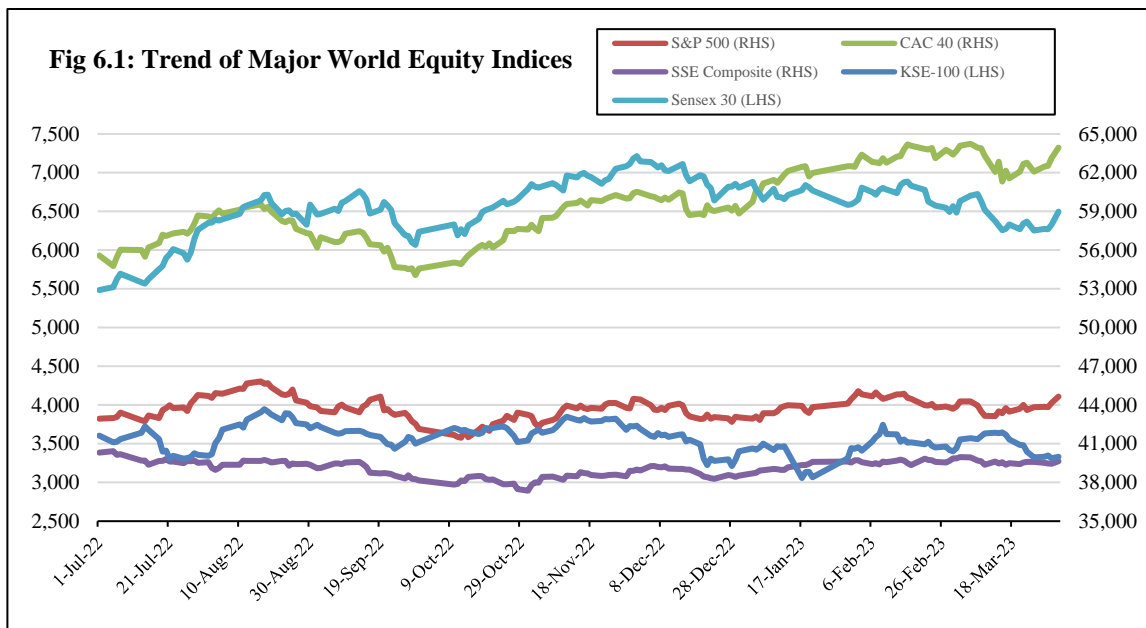
commodity futures market, non-banking financial companies, corporate sector, Islamic finance and insurance sector for FY2023. The chapter also covers the capital markets reforms and development activities introduced by the Securities and Exchange Commission of Pakistan (SECP), the regulatory body of capital markets in Pakistan.

I – Equity Market

An equity market, commonly known as a stock market, is a market in which listed companies issued shares for sale and investors buy them. This trading activity helps companies to raise capital for enhancing business growth and opportunities. It gives the investors a proportionate stake in the company and hence, they gain ownership of the firm through the shares they purchase.

Global Equity Markets

The performance of major world stock markets during the first nine months of FY2023 is depicted in Figure 6.1. As shown in Figure 6.1 that all indices revealing a mixed trend and faced short-term fluctuations during the period under review due to the global financial conditions amid conflict between Russia and Ukraine, global inflation and monetary tightening.



Source: Investing.com¹

Major Asian Markets

The performance of major Asian stock market indices presented a mixed picture during the first nine months of FY2023 (Fig-6.2 & Table 6.1). BSE Sensex 30 index of India has seen the

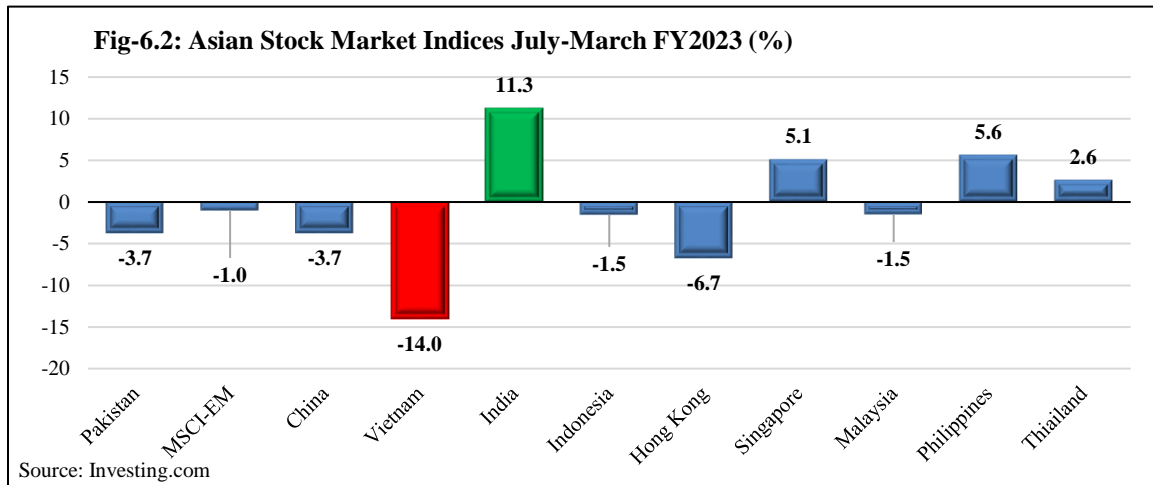
highest growth of 11.3 percent, while VN30 index of Vietnam declined by 14.0 percent, revealing the highest decline during the period July 2022 to March 2023, while KSE-100 index of Pakistan witnessed a decline of 3.7 percent during the period under review.

Table 6.1: Behavior of Major Asian Stock Market Indices (July-March FY2023)

Country	Index	Index On 30.06.2022	Index On 31.03.2023	% Change
Pakistan	KSE 100 Index	41,540.83	40,000.83	-3.71
MSCI-EM	MSCI Emerging Market Index	1,000.67	990.28	-1.04
China	Shanghai Composite	3,398.62	3,272.86	-3.70
Vietnam	VN30 Index	1,248.92	1,073.68	-14.03
India	BSE Sensex 30	53,018.94	58,991.52	11.26
Indonesia	Jakarta Stock Exchange Composite Index	6,911.58	6,805.28	-1.54
Hong Kong	Hang Seng	21,859.79	20,400.11	-6.68
Singapore	FTSE Straits Times Singapore	3,102.21	3,258.90	5.05
Malaysia	Kuala Lumpur Composite Index	1,444.22	1,422.59	-1.50
Philippines	PSEi Composite	6,155.43	6,499.68	5.59
Thailand	SET Index	1,568.33	1,609.17	2.60

Source: Investing.com

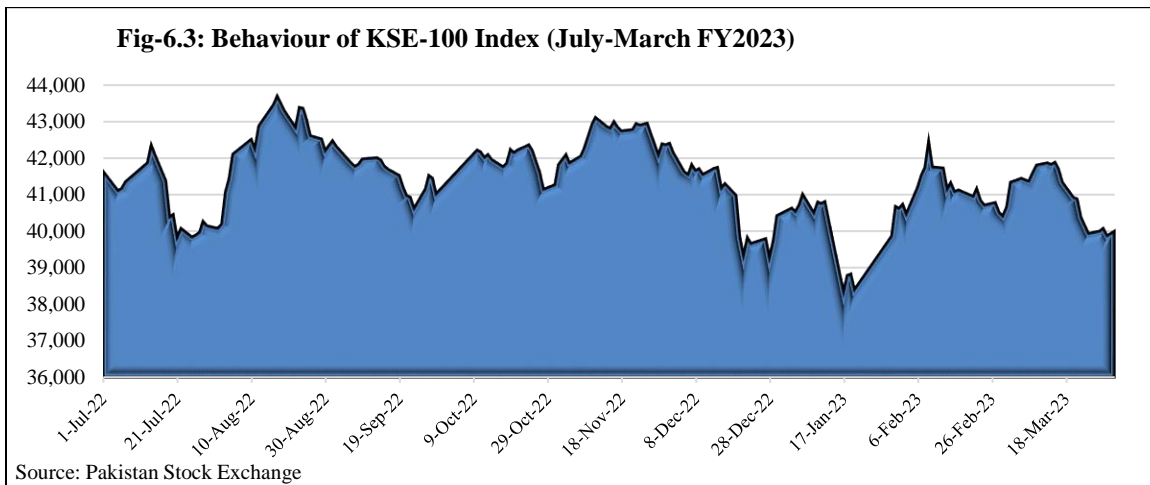
¹ **S&P 500** is a stock market index tracking the performance of 500 large companies listed at the US stock exchange. **SSE Composite** index is a stock market index of all stocks that are traded at the Shanghai Stock Exchange. **Sensex 30** is a free-float market-weighted stock market index of 30 well established companies on the Bombay Stock Exchange. The **CAC 40** is a benchmark French stock market index, represents a capitalization-weighted measure of the 40 most significant stocks among the 100 largest market caps on the Euro next Paris. The **KSE-100 index** is a stock market index acting as a benchmark to compare prices on the Pakistan Stock Exchange over a period.



Pakistan's Equity Market

The benchmark index of Pakistan Stock Exchange Limited (PSX), the KSE-100 index, registered a decline from 41,540.8 points to

40,000.8 points during June 30, 2022 to March 31, 2023. The index closed at its highest point of 43,676.6 on August 17, 2022, whereas its lowest closing point was 38,342.2 on January 17, 2023 (Fig-6.3).



The average daily volume decreased to 204 million shares compared to 305 million shares, witnessed during the same period last year. As of March 31, 2023, the number of listed companies stood at 526, with total listed capital

of Rs 1,556 billion and market capitalization of Rs 6,108 billion. The profile of PSX from FY2019 to March 2023 is reported in Table 6.2.

Table 6.2 Profile of Pakistan Stock Exchange

	2019	2020	2021	2022	2023 (Till 31 st March 2023)
Total No. of Listed Companies	534	531	532	530	526
Total Listed Capital (Rs billion)	1,386.59	1,421.09	1,442.64	1,525.90	1,555.60
Total Market Capitalization (Rs billion)	7,811.81	8,035.36	8,297.31	6,956.51	6,108.17
New Companies Listed during the year	1	3	5	5	2

Table 6.2 Profile of Pakistan Stock Exchange

	2019	2020	2021	2022	2023 (Till 31 st March 2023)
Average Daily Shares Volume (Shares in million, Year to Date)	163.98	323.51	527.50	408.00	286.00
Total Volume Traded (In millions, Year to Date)	57,645	108,426	131,354	101,657	53,977

Source: Pakistan Stock Exchange

Month-wise performance of KSE-100 index is presented in Table 6.3. The turnover in shares reached its peak in August 2022, indicating that investors were actively investing and

participating in trading activities. However, the market activity slowed down afterwards due to the uncertainty on economic and political front and devastating effects caused by flash floods.

Table 6.3: Month-wise performance of KSE-100 Index

Months	2021-22			Months	2022-23		
	KSE 100 index	Total Market Capitalization (Rs billion)	Turnover in shares (billion)		KSE 100 index	Total Market Capitalization (Rs billion)	Turnover in shares (billion)
Jul-21	47,055.29	8,242.71	2.80	Jul-22	40,150.36	6,771.94	2.62
Aug-21	47,419.74	8,290.43	2.55	Aug-22	42,351.15	7,034.96	6.86
Sep-21	44,899.60	7,804.49	3.28	Sep-22	41,128.67	6,782.04	3.84
Oct-21	46,184.71	7,953.39	2.40	Oct-22	41,264.66	6,663.36	5.81
Nov-21	45,072.38	7,720.41	2.65	Nov-22	42,348.63	6,768.15	4.28
Dec-21	44,596.07	7,684.64	2.39	Dec-22	40,420.45	6,500.83	3.99
Jan-22	45,374.68	7,755.93	2.23	Jan-23	40,673.06	6,394.03	3.89
Feb-22	44,461.01	7,612.65	1.94	Feb-23	40,510.37	6,272.51	3.52
Mar-22	44,928.83	7,582.98	1.83	Mar-23	40,000.83	6,108.17	3.67
Apr-22	45,249.41	7,519.74	5.79	Apr-23			
May-22	43,078.14	7,136.26	4.54	May-23			
Jun-22	41,540.83	6,956.51	4.64	Jun-23			

Source: Pakistan Stock Exchange

Sector-wise Market Capitalization at Pakistan Stock Exchange as of 31st March 2023

Market capitalization of the PSX recorded at Rs 6,956 billion on 30th June 2022 and closed at Rs

6,108 billion on 31st March 2023, reflecting a decline of 12.2 percent, mainly due to decline in the prices of stocks amid uncertainty on political and economic front during the period under review which dented the investor's confidence. Sector-wise detail is given in Table 6.4.

Table 6.4: Sector-Wise Market Capitalization

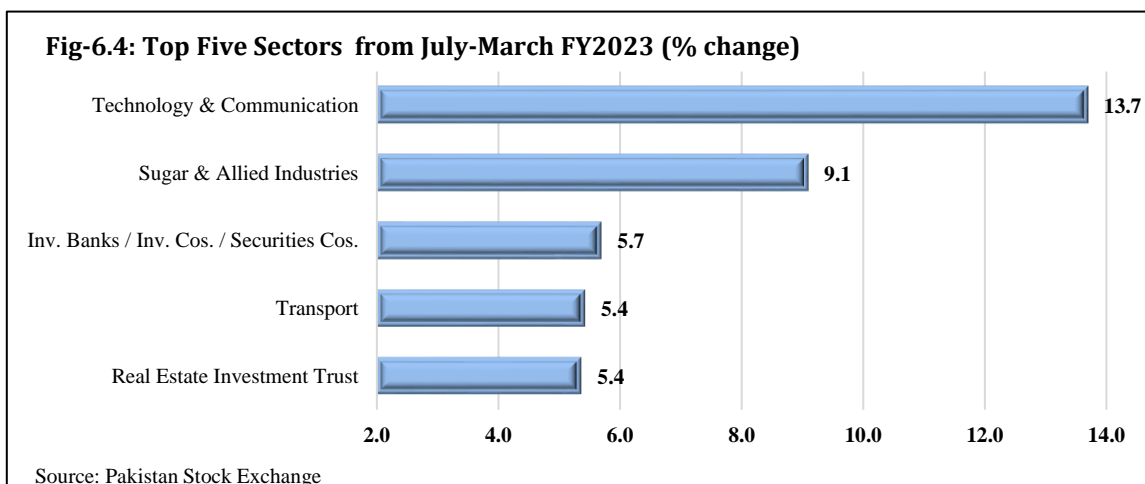
Sectors	Market Cap On 30/06/2022 (Rs million)	Market Cap On 31/03/2023 (Rs million)	%Change
Automobile Assembler	311,233.8	228,212.1	-26.7
Automobile Parts & Accessories	45,805.7	32,374.9	-29.3
Cable & Electrical Goods	29,149.1	22,276.7	-23.6
Cement	411,883.3	384,906.7	-6.5
Chemical	413,891.4	360,937.9	-12.8
Close - End Mutual Fund	2,074.9	1,680.9	-19.0
Commercial Banks	1,121,931.7	990,469.9	-11.7
Engineering	100,473.4	75,598.6	-24.8

Table 6.4: Sector-Wise Market Capitalization

Sectors	Market Cap On 30/06/2022 (Rs million)	Market Cap On 31/03/2023 (Rs million)	%Change
Fertilizer	527,337.7	491,310.2	-6.8
Food & Personal Care Products	710,931.7	578,708.0	-18.6
Glass & Ceramics	63,727.9	57,348.7	-10.0
Insurance	135,286.4	119,307.8	-11.8
Inv. Banks / Inv. Cos. / Securities Cos.	110,529.0	116,827.8	5.7
Jute	214.4	177.0	-17.4
Leasing Companies	445.4	415.6	-6.7
Leather & Tanneries	43,225.5	31,858.0	-26.3
Miscellaneous	104,889.6	64,420.2	-38.6
Modarabas	23,036.7	19,461.3	-15.5
Oil & Gas Exploration Companies	869,323.5	847,663.4	-2.5
Oil & Gas Marketing Companies	177,892.8	151,661.6	-14.7
Paper & Board	64,515.4	54,029.5	-16.3
Pharmaceuticals	252,064.8	163,813.5	-35.0
Power Generation & Distribution	248,964.1	222,139.8	-10.8
Refinery	78,670.4	56,096.1	-28.7
Sugar & Allied Industries	68,428.1	74,637.1	9.1
Synthetic & Rayon	79,765.6	81,576.0	2.3
Technology & Communication	241,830.7	274,866.1	13.7
Textile Composite	273,074.6	230,556.4	-15.6
Textile Spinning	68,312.5	54,745.5	-19.9
Textile Weaving	3,573.8	2,750.1	-23.0
Tobacco	287,484.9	199,591.3	-30.6
Transport	54,796.3	57,771.5	5.4
Vanaspati & Allied Industries	1,386.0	1,289.5	-7.0
Woolen	285.2	201.5	-29.3
Real Estate Investment Trust	30,064.4	31,681.0	5.4
Exchange Traded Funds	6.6	550.0	8,262.7
Property	-	26,257.8	-
Total	6,956,507.5	6,108,169.9	-12.2

Source: Pakistan Stock Exchange

In terms of growth in market capitalization, five top sectors are shown in Fig 6.4.²



²Except Exchange Traded Funds and Property Sector.

Total Market Capitalization of Top 15 Companies Listed at Pakistan Stock Exchange as on March 31, 2022

on market capitalizations on 31st March, 2023, is depicted in Table 6.5.

The list of selected blue-chip companies, based

Table 6.5: Market Capitalization of Selected Blue Chips

Script	Company	Shares (million)	Price (Rs)	Market Capitalization (Rs million)
OGDC	Oil & Gas Development Company Ltd.	4300.93	83.36	358,525
NESTLE	Nestle Pakistan Ltd.	45.35	5017.5	227,541
MARI	Mari Petroleum Company Ltd.	133.40	1513.3	201,878
PPL	Pakistan Petroleum Limited.	2720.97	63.96	174,033
PAKT	Pakistan Tobacco Co Ltd.	255.49	670	171,181
MEBL	Meezan Bank Limited.	1789.62	95.2	170,372
COLG	Colgate Palmolive (Pak) Ltd.	121.39	1336.25	162,203
ENGRO	Engro Corporation Limited.	576.16	276.78	159,470
MCB	MCB Bank Limited.	1185.06	115.00	136,282
SYS	Systems Limited.	290.26	462.06	134,116
UBL	United Bank Ltd.	1224.18	106.56	130,449
LUCK	Lucky Cement Limited.	323.38	402.44	130,139
FFC	Fauji Fertilizer Co. Ltd.	1272.24	99.97	127,186
UPFL	Unilever Pakistan Foods Ltd.	6.37	17900	114,022
EFERT	Engro Fertilizers Limited.	1335.30	84.82	113,260

Source: Pakistan Stock Exchange

II- Debt markets

The debt market is the market where debt instruments are traded. These instruments are fixed-income securities, giving fixed returns to the investors. These securities provide regular interest payments at a fixed rate with principal repayment at the time of maturity. In Pakistan the major debt market securities are the bonds, treasury bills, certificates of deposits,

commercial papers, etc.

Debt markets make financial markets more competitive by generating market interest rates that reflect the opportunity cost of funds at each maturity. This is essential for efficient investment and financing decisions. During July-March FY2023, 20 debt securities were reported and their break-up is given in Table 6.6.

Table 6.6: Debt Securities

Sr. No.	Type of Security	No. of Issues	Amount (Rs billion)
i.	Privately Placed Term Finance Certificates	4	24.5
ii.	Privately Placed Sukuk	14	68.5
iii.	Privately Placed Commercial Papers	2	6.0
	Total	20	99.0

Source: Securities and Exchange Commission of Pakistan

Corporate Debt Securities Outstanding: As of March 31, 2023, Rs. 826.6 billion worth of 117

corporate debt securities remain outstanding. Category-wise break-up is shown in Table 6.7.

Table 6.7: Corporate Debt Securities (Outstanding)

Sr. No.	Name of security	No. of issues	Amount outstanding (Rs billion)
i.	Term Finance Certificates (TFCs)	62	206.8
ii.	Sukuk	52	613.7
iii.	Commercial Papers (CPs)	3	6.1
	Total	117	826.6

Source: Securities and Exchange Commission of Pakistan

National Saving Schemes

The Central Directorate of National Savings (CDNS) is functioning as the sole avenue for mobilization of savings through government securities, known as National Savings Scheme (NSS). The CDNS has concurrently been fulfilling the exchequer's internal financial requirements while assisting in assuring financial inclusion and extending social security

to the marginalized segments of society. The CDNS holds a portfolio of Rs 3.3 trillion, making it around 15 percent of the country's entire banking deposits.

The product basket of the NSS ranges from 3-months Short-Term Savings Certificates (STSC) to 10-years long term Defence Savings Certificates. Table 6.8 depicts the details.

Table 6.8: Product Basket of National Savings Scheme

S.No	Rate of profit on National Savings Schemes w.e.f. 10-04-2023			
	Name of Scheme	Rate of Return (per annum)	Maturity Period	Tax Status
1	Defence Savings Certificates	14.87%	10 Years	Taxable
2	Special Savings Certificates/Accounts	17.13% (Average)	3 Years	Taxable
3	Regular Income Certificates	12.84%	5 Years	Taxable
4	Savings Account	18.50%	Running Account	Taxable
5	Pensioners' Benefit Account	16.56%	10 Years	Tax exempt
6	Bahbood Savings Certificates	16.56%	10 Years	Tax exempt
7	Shuhada Family Welfare Account	16.56%	10 Years	Tax exempt
8	National Prize Bonds (Bearer)	10.00%	Perpetual	Taxable
9	Premium Prize Bonds (Registered)*	12.92%	Perpetual	Taxable
10	Short Term Savings Certificates (STSC)			
	STSC 3 Months	19.92%	3 Months	Taxable
	STSC 6 Months	19.64%	6 Months	Taxable
	STSC 12 Months	19.82%	12 Months	Taxable

*Effective from 09.03.2023

Source: Central Directorate of National Savings

Scheme-wise net investment is presented in Table 6.9.

Table 6.9: National Savings Schemes (Net Investment)

S #	Name of Scheme	(Rs million)				
		2018-19	2019-20	2020-21	2021-22	2022-23 (Jul-Mar)
1	Defence Savings Certificates	57,171.04	92,783.09	(9,132.62)	(10,439.99)	(27,060.26)
2	National Deposit Scheme	(0.03)	-	(0.00)	(0.36)	(0.02)
3	Khaas Deposit Scheme	(0.04)	(0.05)	(0.24)	(0.02)	(1,358.09)
4	Special Savings Certificates (Regd)	31,842.49	13,945.72	(6,327.88)	(44,748.00)	(76,962.09)
5	Special Savings Certificates (Bearer)	-	(0.01)	(0.50)	-	-
6	Regular Income Certificates	142,088.06	83,232.25	26,711.24	(10,563.31)	(34,994.24)
7	Bahbood Savings Certificates	119,573.11	83,379.96	2,549.42	16,628.89	(13,354.58)

S #	Name of Scheme	2018-19	2019-20	2020-21	2021-22	2022-23 (Jul-Mar)
8	Pensioners' Benefit Account	43,367.37	33,875.95	16,347.15	22,055.63	9,413.77
9	Savings Accounts	(166.22)	4,536.97	1,083.53	10,508.61	1,073.96
10	Special Savings Accounts	(132,393.53)	200,770.58	(39,659.08)	(273,790.85)	(182,710.70)
11	Mahana Amdani Accounts	(73.84)	(60.42)	(47.52)	31.12	(88.19)
12	Prize Bonds	40,432.08	(171,109.88)	(315,531.72)	(81,803.74)	8,409.48
13	National Savings Bonds	-	(137.00)	-	-	-
14	Short Term Savings Certificates	761.00	19,254.58	(20,362.16)	690.34	10,781.14
15	Premium Prize Bonds (Registered)	2,819.96	11,322.72	25,147.19	12,706.32	(1,401.39)
16	Postal Life Insurance	1,248.42	627.96	(1,311.91)	-	-
17	Shuhda Welfare Accounts	42.14	27.02	24.19	40.24	15.30
Grand Total		306,712.00	372,449.41	(320,510.91)	(358,685.12)	(308,235.90)

Note: Figures in parenthesis indicates negative value.

Source: Central Directorate of National Savings

III- Commodity Futures Market

Pakistan Mercantile Exchange Limited (PMEX) is the only company which is providing a centralized and regulated place for commodity futures trading. PMEX offers a variety of futures contracts based on different commodities, including gold, silver, crude oil, currency pairs, as well as local agricultural products including cotton, wheat, rice and spices.

During July-March FY2023, 2.96 million lots of different commodity futures contracts including gold, crude oil, and US equity indices worth Rs. 3.49 trillion were traded on PMEX which is 28.1 percent higher than the same period last year.

IV. Non-Banking Finance Companies

Non-Banking Finance Companies (NBFCs), also known as Non-Banking Financial Institutions (NBFIs), are entities that provide similar services like banking and financial services but do not hold a banking license. NBFCs are not subject to the banking regulations and oversight by federal and provincial authorities adhered to by traditional banks.

Mutual Funds: A mutual fund are companies that pool money from many investors and invest the money in securities, such as stocks, bonds, and short-term debts. As of December 31, 2022, assets under management of mutual funds stood at Rs 1,574.2 billion. Money market funds dominated the industry with the largest share, that is, 56 percent of the mutual fund industry, followed by income funds comprising of 25 percent and equity funds having industry share of 11 percent, and remaining 8 percent by other categories.

Investment Advisory: Investment advisory is a type of financial service that provides professional advice and guidance to individuals and organizations regarding their investments. At present, 29 NBFCs have licenses to conduct investment advisory business, which includes 20 Asset Management Companies (AMCs) and 9 NBFCs have exclusive license for conducting investment advisory services. As of December 31, 2022, the total assets of discretionary/non-discretionary portfolios held by all of the investment advisors amounted to Rs 357.8 billion. Major highlights of the mutual fund industry are stated in Table 6.10.

Table 6.10: Mutual Fund Industry

Description	Total number of Entities	Total Assets (Rs billion)
Asset management / Investment advisory Companies	29	48.3
Mutual Funds / Plans	313	1,574.2
Discretionary / non-discretionary portfolio	-	357.8
Total size of the industry	342	1,980.4

Source: Securities and Exchange Commission of Pakistan

Box-I: NBFC Reforms and Developmental Activities

To facilitate the growth of mutual fund industry and to protect the investor’s interest, the SECP has taken the following initiatives during the outgoing fiscal year:

- ▶ Amendments in Corporate Restructuring Companies Rules, 2019 to facilitate the business of acquisition of non-performing assets of financial institutions and to help in revival of businesses through restructuring schemes
- ▶ A diagnostic review report of Pakistan's Private Funds Industry has been issued recommending several measures which are needed to revitalize the Private Fund sector.
- ▶ Amendments in NBFC Regulations, 2008 are in process to:
 - promote ease of doing business
 - introduce loan classification criteria for smaller loans/ nano-loans of IFS license holders has been proposed to be aligned with micro loans
 - facilitation of digital lending by lowering entry barriers.
- ▶ Digital lending standards have been prescribed for NBFCs undertaking lending activities through digital channels/mobile applications (Apps) to safeguard the public interests and to ensure fair treatment of borrowers in digital lending ecosystem
- ▶ To encourage shariah compliant products, the scope of investment avenues for open-end money market collective investment schemes (CISs) have been enhanced by allowing them to take exposures in short-term corporate Sukuks
- ▶ In order to encourage digitalization in AMCs and for increased participation/competition, sales load limit has been brought at par for those AMCs selling through third-party online distribution channel/ portal with those AMCs selling through physical distributors.

Source: Securities & Exchange Commission of Pakistan

Private Equity and Venture Capital Funds Management Services

As on March 31, 2023, the number of NBFCs licensed by the SECP to undertake the business of private equity and venture capital fund management services stands at 10. These NBFCs have so far successfully launched 5 private equity and venture capital funds, with 4 funds focused on private equity investment and 01 fund targeting venture capital investments.

The total number of funds registered stands at 13, whereas 3 funds are in the process of registration. As on December 31, 2022, total assets of these funds stand at Rs 12.4 billion.

Voluntary Pension Schemes: The assets under management of the voluntary pension industry currently stand at Rs 43.8 billion as of December 31, 2022. Highlights of the pension fund industry are provided in Table 6.11.

Table 6.11: Voluntary Pension Schemes

Description	Status as of December 31, 2022
Total assets of pension industry (Rs billion)	43.8
Total number of pension funds	24
Total number of pension fund managers	14

Source: Securities and Exchange Commission of Pakistan

Lending NBFCs

Lending NBFCs include leasing companies, investment finance companies, housing finance companies, discount houses and non-bank microfinance companies. Highlights of each category as of December 31, 2022 is stated in Table 6.12.

Table 6.12: List of Lending NBFCs

S. #	Lending NBFC	No. of Companies	Asset Base (Rs billion)
1	Leasing Companies	4	6.0
2	Investment Banks	20	108.9
3	Non-Bank Microfinance Companies	35	168.5
4	Housing Finance Companies	4	0.5
5	Discounting Companies	1	0.1

Source: Securities and Exchange Commission of Pakistan

Real Estate Investment Trusts (REITs)

REITs are investment schemes that own and most often actively manage income-producing real estate. Through such schemes, investors may own, operate or finance income-generating property across various real estate categories. A REIT invests in physical real estate and distributes profits from rental income and/or capital gains to its unit holders. A REIT investor owns real estate backed units that sell like any other unit/listed security, enabling the holder of the units to invest directly in real estate.

Currently, 08 REIT schemes have offered units to the investors. As of December 31, 2022, the aggregate fund size of these REIT schemes was Rs 167.6 billion. Stakeholders continue to

express interest in REIT as a viable option for investing in real estate projects, as evidenced from the number of companies licensed to undertake REIT management services increasing to 18.

V- Corporate Sector

Company Incorporation: SECP has introduced numerous reforms, from time to time, to facilitate and simplify company incorporation process. Resultantly, the number of company incorporation witnessed notable growth as 21,117 new companies are incorporated with capitalization of Rs 28.6 billion during July-March FY2023. Mostly companies are registered in real estate and construction, IT, Trading-allied and Services.

Box-II: Reforms in Corporate Sector

To facilitate the corporate sector, SECP has taken the following initiatives during the outgoing fiscal year:

- ▶ **Launch of WeChat:** SECP has launched WeChat service to help Chinese investors make informed investment decisions and incorporate companies in Pakistan with ease. The uptake of the response on WeChat is quite encouraging enabling the user to exchange messages, documents, images and payments for complete support and solution in Mandarin language. It is pertinent to mention here that the SECP has earlier introduced its Company Incorporation Guides in various languages including Turkish, Spanish, Arabic, English, and Chinese to facilitate foreign investors in their local languages.
- ▶ **Signing of MoU for integration of Business – SECP, STZA, PSEB, & PEC:** The Memorandum of Understanding (MoU) for integration of business registration has signed between Special Technology Zones Authority (STZA), Pakistan Engineering Council (PEC) and Pakistan Software Export Board (PSEB) in December 2022. The one-window registration of businesses aims to reduce the time and cost of incorporating a business.
- ▶ **Draft Unlisted Companies (Buy-Back of Shares) Regulations, 2022:** Draft regulations has been issued u/s 88 of the Companies Act, 2017, seeking public opinion (in November 2022), providing detailed procedure for purchase/buy-back of shares issued by unlisted public and private companies to facilitate startups, and boost investor confidence by providing an easy exit option to the shareholders.
- ▶ **Secured transaction registry:** SECP operationalized a fully automated 24/7 ‘Secured Transactions Registry (STR)’ in April, 2020 for registration of security interests/charges on unincorporated entities. During July-March FY2023, more than 22,000 statements are filed in STR.
- ▶ **Integration with IPO:** SECP’s e-Services is fully integrated with Intellectual Property Organization (IPO) w.e.f. June 2022 for mutual sharing of information to ensure protection of company names as well as trademarks.
- ▶ **Service Desk Management System:** During July-March FY2023, through the internal Service Desk Management System (SDMS), SECP handled around 7,100 complaints and responded approximately 6,700 queries related to matters falling under its regulatory domain. Further, general public also contacted SECP through its toll-free number wherein around 15,800 calls were received and majority of the queries of the general public were addressed in real time. In addition, SECP has also resolved 871 complaints through the Pakistan Citizen’s Portal (PCP).

Source: Securities & Exchange Commission of Pakistan

VI- Islamic Finance Sector

Islamic Capital Market: During July-March FY2023, SECP has issued 3 certificates of Shariah compliant company and 22 certificates of Shariah compliant securities to companies under the Shariah Governance Regulations, 2018, for the development of the Islamic Capital Market. There has been an increasing trend to issue short-term Sukuk for Shariah-compliant resource mobilization by companies to fulfill the working capital requirements. During the said period, SECP has issued certificates of Shariah compliance for the Shariah compliant securities/sukuk worth Rs 107.7 billion as compared to Rs 92.5 billion same period last year.

In secondary capital market, there are 265 (50.1%) Shariah-compliant securities out of total 529 listed securities at PSX with market capitalization of Rs 4,103.8 billion (67.1%) out of total market capitalization of Rs 6,111.5 billion as of March 31, 2023.

Modarabas: Modarabas are unique collective investment model and the pioneer Islamic financial institutions in Pakistan. The Modaraba sector can play an important role in serving SME financial needs and collaborating with other ventures as partners. Till March 2023, the registered Modaraba companies are 31, while 28 Modarabas are currently operating and are listed at PSX.

As of December 31, 2022, the aggregate equity and total assets of Modaraba sector stood at Rs 25.9 billion and Rs 65.3 billion, respectively. Out of total 22 profit making Modarabas, 11 Modarabas declared cash dividend for the financial year 2022.

VII- Insurance Sector

The insurance sector in Pakistan comprises of 11 life insurers, 30 non-life insurers and 1 state-owned national reinsurer. Major achievements in insurance sector during July-March FY2023 are as follows:

Introducing Digital-only Insurers and Dedicated Micro Insurers: SECP has introduced registration regime for digital-only insurers and

dedicated micro insurers. This will promote digitalization and improve customer convenience through instant provision of services. The new framework is aimed at encouraging innovations, expanding product range, and promoting financial inclusion. The registration requirements have been designed to reduce barriers to entry, in terms of minimum paid up capital and solvency requirements.

Improvement in unit linked product Framework: The Unit Linked Product and Fund Rules, 2015, have been amended by SECP to include many improvement areas, such as clarity on eligible investment avenues, parameters, exposure limits in particular instruments, broad categorization and standardization of investment policies and related communication requirements with the policy holders, guidance on risk categorization on asset allocation of the fund, among others.

Encouraged Insurers to Invest in Exchange Traded Funds (ETFs): The SECP issued amendments in the Insurance Rules, 2017 for enhancing the admissibility limits on investments in ETFs by insurers for solvency purpose. The aim of the amendments is to develop the nascent ETF market in Pakistan as well as to pass on the benefits of ETF to the insurance sector.

Risk Based Capital (RBC) Regime: The SECP has issued a concept paper on RBC regime, outlining the possibility of shifting from existing solvency-based regime towards an RBC regime for Pakistan's insurance sector. The proposed framework is consistent with international best practice, aimed at improving corporate governance, enterprise risk management and public disclosure practices of insurers. The existing requirements of Insurance Ordinance 2000 and Insurance Rules 2017 prescribe a rule-based capital adequacy framework for insurers in Pakistan.

Capital Market Reforms and Developmental Activities

1) **List of Approved Auditors for SECP Regulated Entities:** To streamline existing practice of having different panels of

auditors for conducting statutory audit of SECP regulated entities, the Commission has notified a unified list of approved auditors by using a risk-based methodology. In this regard, regulatory amendments in relevant licensing regulations have been implemented and a circular has been issued for implementation of list of approved auditors for SECP Regulated Entities.

2) **Simplification of Broker Ratings Regime:**

To promote efficiency in the capital market through transition to single rating regime, the rating requirements for brokers has been simplified by abolishing Broker Management Rating and prescribing the minimum Broker Fiduciary Ratings for Trading and Clearing Brokers and for Trading and Self-Clearing Brokers.

3) **Induction of National Savings Certificates (NSCs) into Central Depository System (CDS):**

To promote digitization, provide ease to investors and bring operational efficiencies in the operations of CDNS, amendments have been made in CDC Regulations whereby CDC on behalf of CDNS may issue NSCs in CDS, existing physical NSCs may also be converted into CDS and option of redemption of NSCs shall also be available into CDS. This initiative will facilitate government in raising funds from the public through issuance of NSCs investors already maintaining accounts with CDC.

4) **Amendments in PSX Rulebook:** To support capital market development as well as enhance operational efficiency at PSX, relevant measures were implemented through amendments in PSX Rulebook. Major reforms taken in this regard are as follows:

- a) **Regulations Governing Market Misconduct Practices:** A new chapter has been incorporated in the PSX Rulebook for empowering PSX to conduct preliminary enquiry of instances of potential market abuses and insider trading in the market and highlight such cases to the Commission for

conducting further investigation.

b) **Review of Back-office System and Information Security Measures of Securities Brokers:**

Amendments have been made in PSX regulations to allow PSX to conduct review of information technology and security arrangements, back-office software/application usage of securities brokers to ensure their compliance with prescribed regulatory requirements.

c) **Arbitration and Complaint Handling at PSX:**

Relevant amendments have been made in PSX Rulebook to allow the Board of Directors of PSX to determine the size of the Permanent Arbitration Panel. Additionally, the process of filing an appeal with the Appellant Committee formed by PSX against a disciplinary action taken by the Chief Regulatory Office of PSX has been made more efficient and streamlined with international practices.

d) **Dissemination of Corporate Governance Information on PSX Website:**

Relevant amendments have been made in PSX Rulebook requiring PSX to disseminate information on its website relating to the statement of compliance by the listed companies with these regulations for the information of general public.

5) **Electronic Transmission of Accounts:**

A notification was issued, allowing listed companies to circulate the annual balance sheet and profit and loss account, auditor's report, directors report, etc. to its members. This is aimed to promote digitization and bring clarity to the companies in electronic circulation of the annual audited financial statements.

6) **Verification of Customer Information through NADRA and SBP-RAAST:**

In order to smooth and efficient verification of CNIC and IBAN of customers at the time of opening of account, amendments made in the CKO Regulations to enable Centralize Know Your Customer Organization to use NADRA-API connectivity and RAAST facility of SBP.

Outlook

The performance of stock markets remained volatile during July-March FY2023. There are many factors which brought swing in the investor's confidence, which in turn changed the pace of their buying and selling activity. Massive flooding at the start of the current fiscal year which affected almost all sectors of the economy, delay in the Staff Level Agreement with IMF, uncertainty on political and economic

front, high policy rate, etc. resultantly dented the investor's confidence.

However, with the Staff Level Agreement and the reforms and development activities introduced by the SECP will help in restoring the eroded confidence in the market that would allow an increased interest in the equity and debt markets of the country. Moreover, the government's robust policies will not only help the capital markets to withstand the risk but also remain bullish.

TABLE 6.1
NATIONAL SAVINGS SCHEMES (NET INVESTMENT)

		Rs million							
Name of Scheme	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 (Jul-Mar)	
1	Defence Savings Certificates	8,053.0	16,620.0	10,743.6	57,171.0	92,783.1	(9,132.6)	(10,440.0)	(27,060.3)
2	National Deposit Scheme	(0.3)	(0.7)	0.1	(0.03)	-	(0.00)	(0.36)	(0.02)
3	Khaas Deposit Scheme	(2.0)	(51.4)	(0.2)	(0.04)	(0.05)	(0.24)	(0.02)	(1,358.1)
4	Special Savings Certificates (R)	(1,932.8)	(39,344.6)	(51,180.1)	31,842.5	13,945.7	(6,327.9)	(44,748.0)	(76,962.1)
5	Special Savings Certificates (B)	-	(0.8)	(0.6)	-	(0.01)	(0.50)	-	-
6	Regular Income Certificates	(16,223.0)	(20,950.7)	8,726.3	142,088.1	83,232.3	26,711.2	(10,563.3)	(34,994.2)
7	Bahbood Saving Certificates	63,761.1	57,432.1	45,395.3	119,573.1	83,380.0	2,549.4	16,628.9	(13,354.6)
8	Pensioners' Benefit Account	20,645.1	18,716.7	21,504.4	43,367.4	33,876.0	16,347.2	22,055.6	9,413.8
9	Savings Accounts	3,807.7	4,684.4	3,413.0	(166.2)	4,537.0	1,083.5	10,508.6	1,074.0
10	Special Savings Accounts	30,924.1	65,246.6	59,939.2	(132,393.5)	200,770.6	(39,659.1)	(273,790.9)	(182,710.7)
11	Mahana Amdani Accounts	(63.0)	(55.2)	(46.7)	(73.8)	(60.4)	(47.52)	31.12	(88.2)
12	Prize Bonds	123,901.9	97,791.6	101,575.7	40,432.1	(171,109.9)	(315,531.7)	(81,803.7)	8,409.5
13	Postal Life Insurance	-	2,529.8	875.5	1,248.4	628.0	(1,311.9)	-	-
14	National Savings Bonds	-	-	-	-	(137.0)	-	-	-
15	Short Term Saving Certificates	157.9	2,077.4	560.6	761.0	19,254.6	(20,362.2)	690.3	10,781.1
16	Premium Prize Bonds (R)	-	2,921.7	2,323.2	2,820.0	11,322.7	25,147.2	12,706.3	(1,401.4)
17	Shuhda Welfare Accounts	-	-	-	42.1	27.0	24.2	40.2	15.3
Grand Total		233,029.6	207,617.0	203,829.1	306,712.0	372,449.4	(320,510.9)	(358,685.1)	(308,235.9)

- : Not available

Figures in Parenthesis represent negative value

Source: Central Directorate of National Savings (CDNS)

TABLE 6.2
MARK UP RATE/PROFIT RATE ON FEDERAL GOVERNMENT'S DEBT INSTRUMENTS

S. No.	Name of Securities	Coupon/Profit Rates	Remarks	Tax Status
1	Pakistan Investment Bonds (PIBs)			Profit taxable
	Fixed-rate PIBs			
	3-years maturity	10.00%	3-years PIB first issued on 04-Aug-22	
	5-Years maturity	10.50%	5-Years PIB first issued on 13-Oct-22	
	10-Years maturity	11.00%	10-Years PIB first issued on 30-Nov-22	
	15-Years maturity	10.50%	15-Years PIB first issued on 16-Apr-20	
	20-Years maturity	11.00%	20-Years PIB first issued on 19-Sep-19	
	30-Years maturity	11.00%	30-Years PIB first issued on 07-Jan-21	
	Floating-rate PIBs			
	2-years maturity	coupon rate linked to 3-month t-bill auction's weighted-average yield	fortnightly coupon reset and quarterly coupon payment; issued on 06-Apr-23	
3-years maturity		Quarterly coupon reset and payment; issued on 09-Feb-23		
5-Years maturity	coupon rate linked to 6-month t-bill auction's weighted-average yield	For 5- and 10- year floating rate PIBs, coupon reset and payment are half yearly; 5- and 10- year floating-rate PIBs were issued on 06-Apr-23 and 04-Nov-21, respectively.		
10- Years maturity				
2	Government Ijara Sukuk			Profit taxable
	3-year Variable Rental Rate Sukuk	rental rate is benchmarked to 6-month t-bill's auction weighted-average yield	Cut-off margin is -25 BPs; first issued on 05-Jan-23	
	5-year Variable Rental Rate Sukuk		Cut-off margin is zero BP; first issued on 26-Oct-22	
	3-year Fixed Rental Rate Sukuk	18.24%	First Issued on 17-Apr-23	
	5-year Fixed Rental Rate Sukuk	12.49%	First Issued on 16-Nov-22	

Note: Federal Government debt securities auctioned by DMMD, SBP
The Securities issuance status is as of end March, 2023.

Source: State Bank of Pakistan