

SOUTH ASIAN FEDERATION OF EXCHANGES

Minutes of the 6th Annual General Assembly Meeting of SAFE held on November 17th, 2006.



No. 1 of 2006

November 17, 2006

MINUTES OF MEETING OF THE 6TH GENERAL ASSEMBLY OF SAFE HELD IN COLOMBO - SRI LANKA ON NOVEMBER 17, 2006.

1. The 6th meeting of the General Assembly of SAFE was held on November 17, 2006 at Colombo, Sri Lanka.

2. The SAFE member exchanges were represented by the following designated officials:

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| 1. Mr. Rajnikant Patel | Representative Bombay Stock Exchange Limited and Chairman SAFE |
| 2. Mr. Ahmad Rashid | Representative Dhaka Stock Exchange |
| 3. Mr K. Hari | Representative National Stock Exchange of India |
| 4. Mr. Rewat Bahadur Karki | Representative Nepal Stock Exchange |
| 5. Mrs. Surekha Sellahewa | Representative Colombo Stock Exchange |
| 6. Ms Fatimah Shafeega | Representative Maldives Stock Exchange |
| 7. Mr. Zaffar A. Khan | Representative Karachi Stock Exchange |
| 8. Mr. Hamid M. Imtiaz | Representative Lahore Stock Exchange |
| 9. Mr. Aftab Ahmad Ch. | Representative Islamabad Stock Exchange and Secretary General SAFE. |

In attendance: Syed Nayyer Ashfaq, Office Support & Manager Accounts.

3. Leave of absence was granted to the following Exchanges:

1. Bhutan Stock Exchange
2. Chittagong Stock Exchange of Bangladesh
3. Mauritius Stock Exchange.

PROCEEDINGS OF THE MEETING

1. The Chairman welcomed the members of the General Assembly and thanked them for their participation in the proceedings of the First South Asian Capital Market Conference which

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he termed as a new initiative of SAFE under which annual conferences like this were planned on regular basis in the future.

Agenda Item # 1: Approval of previous Minutes

1. Minutes of the last AGM held at Islamabad, Pakistan on May 14, 2005 were presented to the General Body. The following changes were suggested in the minutes:
 - i) Mr. Karki, General Manager of Nepal Stock Exchange pointed out that the date of 13th May as mentioned in the opening paragraph of the minutes should be deleted.
 - ii) Mr. Ahmad Rashid of Dhaka Stock Exchange stated that in paragraph 7, it should be stated that both Dhaka Stock Exchange and Islamabad Stock Exchange presented their bids for the hosting of permanent secretariat of SAFE at their respective locations, but after thorough and long discussions, the General Assembly unanimously decided to establish the permanent secretariat at Islamabad, Pakistan.
 - iii) There being no other observation, the minutes were passed upon the proposal of Mr. Ahmad Rashid, which was seconded by Mr. Hamid M. Imtiaz.

Agenda Item # 2: Amendments proposed in SAFE Charter

1. The Chairman briefed the General Assembly about the rationale behind the updation of SAFE Charter. He stated that the future vision of SAFE should be to increase the efforts for the regional harmonization of trading practices and the integration of the regional stock exchanges so as to make the South Asian Region as an important destination for the investment capital from all over the world. He said that it was with this spirit that certain modifications in the SAFE's Charter were being suggested which have been thoroughly debated and discussed between himself, Mr. Ahmad Rashid and the SG of SAFE. The SG SAFE stated that broadly, the following changes were being proposed in the Charter:

- 1). The scope of the objectives of SAFE was being expanded in view of the study of the objectives of other regional bodies as well as in the line with the objectives of the World Federation of Exchanges.
- 2). The new Charter also aimed to open up the membership of SAFE under different categories. Also, the charter opened avenues for the affiliation of other regional exchanges representative bodies with SAFE.

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- 3). The term of the Executive Committee was being enhanced to two years from the present term of one year to ensure continuity for the purpose of implementation of new initiatives/projects.
 4. The updated charter also broadens the number of SAFE bodies to include the General Assembly, the Executive Committee, the Management Committee and the Secretariat.
2. Initiating discussions on the agenda, Mr. Rewat Bahadur Karki, GM Nepal Stock Exchange asked the Chairman about the rationale of opening up of new memberships to Depository and Clearing Institutions as well as to the Commodity Exchanges. The Chairman replied that the depository and clearing institutions were being inducted because of their role in the implementation of our future agenda of enabling cross border trade within the region. As the settlement and the movement of shares may take place from one country to another, it was important that the depository and clearing institutions should be inducted as associate members, he stated. The Chairman further added that because of the interest of the investors in the commodity trading, it was also important that these exchanges should also be inducted as the primary members of SAFE. Thereafter, Mr. Karki also enquired the rationale of acceptance of new membership applications by the Executive Committee as proposed in Article 4.1.2 of the proposed charter. Replying, the SG stated that whereas the EC shall give approval to the new memberships but all such decisions shall be subject to the confirmation by the General Assembly in its next following meeting under Article 4.1.5 of the draft Charter. Mr. Hamid M. Imtiaz referred to the clause on amendment in the Charter of SAFE and suggested that the Charter should only be amended with the consent of the primary members of the Federation to which all other members agreed. Mr. Ahmad Rashid pointed out that certain changes in the Charter were also suggested in Executive Committee Meeting held on 16-11-2006 and the General Body should also adopt the same. To this both the Chairman and the Secretary General confirmed that the recommended changes have been duly incorporated in the said Charter.
3. After further discussion, the General Assembly on a motion proposed by Mr. Ahmad Rashid and seconded by Ms Fatimah Shafeega unanimously resolved:

“The draft Charter as presented to the General Assembly be and is hereby adopted after incorporation of suggested changes.”
 4. The Chairman asked the Secretary General that a copy of the updated Charter should be printed and sent to all SAFE members for their information. The Secretary General noted the said suggestion and informed the General Body that both the printed copy of the updated Charter as well as the membership certificates shall be sent to all Members of the Federation in due course of time.

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Agenda Item # 3: Formal Recognition of the new Members

1. The SG informed the meeting that in the previous Executive Committee Meeting, it was proposed that in order to increase the income stream for SAFE and in order to achieve the objective of cross border trade, the membership of SAFE may be extended to include the securities depositories, clearing companies and prominent commodity exchanges of the region. He stated that the EC while appreciating the proposal had asked the SG and the Chairman to seek the expression of interest from the new potential members. He further stated that a very encouraging response in this regard had been received, whereby seven entities have conveyed their EOI for the Membership of SAFE. In this connection, he informed the meeting that the Chairman SAFE had personally requested many new potential members to join SAFE in response of which such entities accepted our offer of SAFE membership.

2. The Secretary General informed the General Body that following the approval of new Charter, the following new Members who have furnished their expression of interest are required to be accepted as the new Members of SAFE in the different categories of membership. Accordingly, the General Assembly unanimously passed the following resolutions:

“Resolved that the following entities be and are hereby accepted as members of SAFE in the respective categories as mentioned against each:

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|---|---|------------------|
| 1. M/s. BOI Shareholding Limited of India | - | Associate Member |
| 2. M/s. Central Depository Bangladesh Ltd. | - | Associate Member |
| 3. M/s. Central Depository Services (India) Ltd. | - | Associate Member |
| 4. M/s. National Clearing Company of Pakistan Ltd. | - | Associate Member |
| 5. M/s. National Sec. Clearing Corp. Ltd. of India | - | Associate Member |
| 6. M/s. National Securities Depository Ltd of India | - | Associate Member |
| 7. M/s. National Commodity Exchange Limited. | - | Primary Member.” |

“Further resolved that a fee of USD 2500/- per year be and is hereby prescribed for all new members as well as the small exchanges effective from the year 2007 onwards.”

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Agenda Item # 4: Ratification of Audited Accounts

1. The Secretary General presented the draft half yearly accounts ending 31st December 2005 duly audited by M/s. KPMG Taseer Hadi & Co. Chartered Accountants for approval by the General Assembly.
2. Presenting highlights of the half yearly accounts ending 31st December 2005, now fully consolidated, the Secretary General stated as under:
 - As compared to the figures from the previous year, the balance sheet showed an increase of 86% in the assets, from USD 46,393/- in 2004 to USD 86,263/- during 2005.
 - Accumulated surplus marked a substantial increase of 70% from USD 40,545/- in 2004 to USD 68,970/- during 2005.
 - Income during the period under consideration depicted a remarkable increase of almost 150%. The figure rose from USD 35,683/- in 2004 to USD 89,006/- in 2005. One of the prominent contribution in the increase of income resulted from the grant of approximately USD 25,000/- by the Islamabad Stock Exchange for initial set-up cost of the SAFE Secretariat to be used for the purchase of transport, IT equipment and other fixtures for the SAFE Secretariat.
 - The expenditure figure also considerably increased by almost 42% from USD 42,100/- in 2004 to USD 59,965/- in 2005. Out of this expenditure, an amount of USD 22,000/- was incurred by Chittagong Stock Exchange on behalf of SAFE Secretariat Bangladesh towards the account of salaries, honorarium and traveling and conveyance expenses upto September 2005.
 - Besides the accounts, one of the major developments is the registration of SAFE in Pakistan as an NGO under the relevant laws.
3. The Secretary General requested the General Assembly to approve the draft-audited accounts and to also authorize the Chairman SAFE and the Secretary General to sign the accounts, the specific approvals and representation letter for the auditors for the purpose of finalization of accounts.

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4. The members went through the audited accounts and through a resolution moved by Ms Fatimath Shafeega and seconded by Mr. Hamid M. Imtiaz, the General Assembly resolved as under:

“Resolved that half yearly accounts for the year 2005 as audited by M/s. KPMG Taseer Hadi & Co. Chartered Accountants along with specific approvals be and are hereby approved.”

“Further resolved that the Chairman and the Secretary General of SAFE be and are hereby authorized to sign the audited accounts.”

“Further resolved that the Secretary General SAFE be and is hereby authorized to sign the representation letter for the auditors on behalf of SAFE.”

Agenda Item # 5: Appointment of Auditors

1. The Secretary General apprised the meeting that the Executive Committee in its last meeting had authorized the new Secretariat to hire an international standard accounting firm for the audit of accounts for the next year and put up the name of the selected firm for ratification by the Executive Committee in the next meeting and for the ex-post facto sanction by the next AGM.

2. The Secretary General informed that pursuant to the above referred decision, M/s. KPMG Taseer Hadi & Co. Chartered Accountants were hired as the auditors of the Federation and in particular for the audit of half yearly accounts ending 31st December 2005. He informed the General Assembly that the same was required to be ratified by the General Assembly. He further stated that the same Auditors are also needed to be appointed for the next two years, for which the approval of the General Body is also being sought accordingly.

3. Upon a resolution moved by Mr. Hamid M. Imtiaz and seconded by Mr. Ahmad Rashid, the General Assembly passed the following resolution:

“Resolved that M/s. KPMG Taseer Hadi & Co. be and is hereby appointed as auditors of SAFE at a remuneration of USD 1,666 for the year 2005 and also for the next two years period i.e. 2006 and 2007.”

Agenda Item # 6: Elections for the next year.

1. The Chairman invited the Secretary General to brief the General Assembly about the nominations received by the SAFE Secretariat for the next term of the Executive

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Committee. The Secretary General informed the members that after the adoption of the new charter effective from Nov 17th, 2006, the EC of SAFE from henceforth is required to serve a period of two years. The Secretary General briefed that besides the nominations from the existing Executive Committee Members (which had been in existence for one year as per the previous charter), fresh nominations were received from Nepal Stock Exchange, Karachi Stock Exchange and one nomination for the office of Vice Chairman of the SAFE had been received from Dhaka Stock Exchange. He said that in this way, a total of seven nominations had been received by the SAFE Secretariat out of which one from DSE was also for the office of the VC.

2. The Secretary General further informed that after the adoption of the new Charter of the SAFE, the General Body is required to elect six Members to the Executive Committee out of which four Members have to be from the Stock Exchange Group and two Members have to be from the group other than the stock exchanges. He further said that since all new members of SAFE from other than the stock exchange group had been accepted as new members of SAFE in the instant meeting, hence, it is clear that neither any advance notice of EC elections was given to them, nor any nomination was solicited from this group. However, he said that all new applicants who had sent their expression of interest as Associate Members of SAFE were invited to this conference as well as to the General Assembly so that their representatives could be considered for election to the EC as SAFE elections were generally considered to be a formality as the EC members are chosen on unanimous basis in a very cordial manner.

3. The Secretary General proposed that as no nomination had been received from the group other than the stock exchanges, the General Assembly may consider to elect all EC members from amongst the group comprising of the stock exchanges considering in mind that all major exchanges of the regional countries are elected to the EC so that their involvement and support in the project of the launch of South Asian Index could be guaranteed. He stated that as the data from only the major exchanges of the SAFE countries would be included in the SAFE index, therefore, the presence of their representative at EC would help in obtaining the necessary support from these exchanges for the ultimate roll out of our index, which is crucial to long term goal of SAFE for showcasing the collective movement of all major exchanges of the region through a distinct index.

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4. The General Body appreciated the recommendations of the Secretary General and unanimously elected the following Executive Committee Members for the next term:

1. Mr. Rajnikant Patel
2. Mr. Ahmad Rashid of Bangladesh
3. Ms Chitra Ramkrishna
4. Mr. Rewat Bahadur Karki
5. Mrs. Surekha Sellaheva
6. Mr. Zaffar A. Khan
7. Mr. Aftab Ahmad Ch. , On ex-officio basis.

5. The General Assembly congratulated the elected members of the EC for the new term, and upon the proposal from Mr. Ahmad Rashid on behalf of the new EC members decided to elect Mr. Rajnikant Patel as the chairman of SAFE for the next term. Subsequently, the elected EC members also voted to elect Mr. Ahmed Rashid as the VC of SAFE for the new term. Mr. Ahmed Rashid stated that although the Chairman and VC are to be elected by the EC members henceforth, however, it may be resolved that the election of the Chairman and Vice Chairman has been held in the joint meeting of the General Assembly so as to repose complete confidence in the newly elected office bearers, to which all agreed.

6. The Secretary General informed that although the new EC is deemed to be elected for two years term as per the adopted updated charter, however it may be noted that it contains no representative from the group other than the stock exchanges. He suggested that for the purpose of involvement of the new members of SAFE who mainly comprised of the group other than the stock exchanges, it may be best if the entire elected EC resigns at the end of 2007 so as to seek fresh nominations from both groups comprising of the stock exchanges and other than the stock exchanges, and then fresh elections may be held in the next Special General Assembly Meeting of SAFE. After discussions, it was agreed that SAFE Secretariat may seek fresh nominations from all SAFE members for the election of the EC on the eve of the next Annual General Assembly meeting so as to gauge the interest of the group comprising of the members other than the stock exchanges, if any, whereafter, the EC Members may resign to pave the way for the election of the new EC.

Agenda Item # 7: MoU for SAFE Regional Index

1. The Secretary General informed the General Body that under the initiative of Chairman SAFE, the Secretariat carried out a preliminary study on the launch of SAFE Regional Index, aimed at measuring and reflecting the performance of leading stocks of the prominent market sectors, listed at the SAFE Member exchanges. He said that the proposed Index, by providing an overview of the performance of SAFE equity markets as

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a regional grouping, would also highlight the investment potential of the region. He said that SAFE Index would also serve as an underlying tool for developing new investment products in the region, such as ETFs and regional mutual funds etc. The Secretary General informed the meeting that following the suggestion from the Chairman SAFE, the Secretariat had contacted various independent index providers of international repute, but only Dow Jones Indices (DJI) has shown its interest in the launch of the project in association with SAFE. He said that in order to implement the initiative, SAFE had got prepared a draft MoU for the acceptance of all member exchanges and for authorizing the SAFE EC to finalize the Agreement for the launch of South Asian Index with DJI. The Secretary General also circulated the copies of the draft MoU for the information of the members.

2. The General Body after discussion approved, in principle, the initiative for the launch of South Asian Indices and authorized the Executive Committee to enter into an agreement with DJI for the designing and launching of the said Indices in the shortest possible time.

3. Regarding the draft MoU, the General Body decided that the copies of the same should be circulated to all Member Exchanges of SAFE which should obtain the approval of the same from their respective Boards and inform the SAFE Secretariat accordingly. The General Assembly also decided that the next meeting of the Executive Committee may be held in the month of January 2007 so as to finalize the MoU and the terms of agreement with DJI for the launch of the subject project.

Agenda Item # 8: Venue of the next General Meeting

1. The Secretary General informed that in his meeting with Ms. Chitra Ramkrishna of National Stock Exchange of India, she had offered to host the next General Assembly Meeting under the arrangements of National Stock Exchange of India Ltd. The General Assembly appreciated the offer of M/s. National Stock Exchange of India and decided to accept the offer of NSE to hold SAFE's next General Assembly Body Meeting as well as the Second South Asian Capital Market Conference at Bombay/Goa, India, at any convenient time during the next year.

Agenda Item # 9: Any Other Matter

1. At the end of the General Body Meeting, the Chairman appreciated all the members for their participation and commended the efforts of SAFE Secretariat, Colombo Stock Exchange and Bombay Stock Exchange for the arrangements in relation to the hosting of First South Asian Capital Markets Conference. The Chairman particularly lauded the efforts of the Secretary General and stated that both himself and

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Other members of SAFE acknowledge and appreciate the services of the Secretary General for leading the organization of a successful conference. He said that since SAFE has now planned to hold such conferences on regular basis so as to forge more cooperation in the capital markets of the Region, therefore the involvement and active participation of all SAFE members was crucial in this respect.

2. There being no other business to transact, the meeting concluded with a vote of thanks to the Chair.

Rajnikant Patel
Chairman SAFE