



SOUTH ASIAN
FEDERATION OF EXCHANGES

Exhibit-B

Chairman's Review and EC Report to the General Assembly for the Year 2009 on the financial performance and other activities of SAFE

General

It gives me an immense pleasure to present this report to the General Assembly which aims to highlight the performance of the Federation during the year 2009.

I had the opportunity of serving as the Federation's Chairman at the turn of the decade of existence of our Federation. The first decade is always very critical for any organization and a successful completion of the decade can put any organization on the path to long term growth. The journey of first ten years that we complete this year is a testament that it had been a road well traveled and we attained greater traction and visibility with each step on the way. The decade of lifetime of SAFE has been quite eventful and I am glad that the last year of the decade had been the most successful year for our organization in terms of its financial performance.

Completing ten years of our journey at a time when the pace of globalization has slowed a bit, also exposes us to many difficulties that lay ahead in creating meaningful market linkages amongst our markets. Coupled with this, the sluggish growth in the World economy seems to have also resulted in the subdued cross border investment environment. However, despite the challenges of the times, there is only one way for our fraternity to go, and that's is to consolidate the achievements of the first decade and aim to achieve complete harmonization of our markets so as to promote cross border investments within our region and attract the major flow of international funds to our Federation members. This is only possible through our hard work and belief in the common destiny for our region and through a reinvigorated spirit of cooperation amongst ourselves.

Salient Aspects of Last Years Activities

1. Because of the security environment during the year 2009, our planned annual conference could not take place, however SAFE still managed to meet for our regular annual general meeting. The last AGM was held at Abu Dhabi under the courtesy of ADX, UAE in which the elections for the 2009-2011 term also took place. Despite short time period given for the organization of the event, a sizeable assembly of our Members took place for the AGM.

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2. One of the landmark achievements of the year had been the launch of Dow Jones SAFE 100 index on March 11, 2009. The idea of this index was conceived during 2006 and it took almost three years of hard work by the SAFE Secretariat to get most of the exchanges to agree on the supply of data for the compilation of the index. The index has recently completed the first anniversary of its existence and the first annual review of the index has also been announced recently. The index has led to creating a common visibility for the region and aims to promote our region as one investment class.
3. The last general assembly meeting also decided to upgrade the Charter of the Federation thereby bringing in some desirable changes/improvements. These changes mainly related to the Objective clause of the Federation as well as to the number of the Executive Committee functionaries. The updated Charter would also enable our Federation to undertake projects related to the imparting of the capital market knowledge, initiate investors awareness campaigns, and launch the broad based thematic campaign on expanding the financial literacy/inclusion.
4. During the year, major initiatives were also taken to expand the base of Membership of SAFE, and because of these initiatives SAFE is poised to soon cross the mark of 30 memberships. The major addition in the SAFE family would be through the joining of FT exchange ventures that would be offered enbloc membership of SAFE at 50% discount in the membership fee. Similarly, it is also expected that some more Members would join SAFE in the capacity as the "Affiliate Members"- a class of Membership which the EC recently decided to open for the capital market related entities. Side by side some additions, some withdrawal/changes in the Membership have also taken place during the year. The Members to leave SAFE during the year had been the NSDL and CDSL-the two depository institutions of India. Similarly, CMDA is likely to replace the Membership of Maldives Stock Exchange. In order to apprise the Members, it may be mentioned that following addition has taken place in the memberships of SAFE ever since the establishment of the SAFE Secretariat at Islamabad:

2006-2007

- 1) National Commodity Exchange Limited of Pakistan. - Primary member
- 2) Central Depository Bangladesh Limited - Associate member
- 3) Central Depository Services (India) Limited - Associate member
- 4) National Clearing Company of Pakistan Limited - Associate member
- 5) National Securities Clearing Corporation Limited - Associate member
- 6) National Securities Depository Limited - Associate member

2007-2008

- 1) Multi Commodity Exchange of India Ltd. - Primary member
- 2) National Multi-Commodity Exchange of India Ltd. - Primary member



3) Central Depository Company of Pakistan Limited (CDC)-Associate member

2008/2009

- | | | |
|--------------------------|---|----------------|
| 1) MCX, India | - | Primary Member |
| 2) MCX-SX | - | Primary Member |
| 3) Global Board of Trade | - | Primary Member |

2010

- | | | |
|---|---|------------------|
| 1) Capital Market Development Authority of Maldives | - | Associate Member |
| 2) Mercantile Exchange Nepal Limited or MEX | - | Associate Member |
| 3) M/s Infotech Pakistan | - | Affiliate Member |

5. In order to involve other trade bodies like SAFE to promote the agenda of our Federation, SAFE has also decided to establish regular and formal contacts with the like minded trade and business associations. In this respect, SAFE has established close links with SAARC Chamber of Commerce, which has helped SAFE in organizing some events where the agenda of SAFE was discussed and highlighted. SAFE also participated in the SAARC lecture series organized by SCCI, which provided SAFE with an opportunity to share its future agenda with other trade bodies. It may be mentioned that since all trade bodies are regulated by the Economic Section of SAARC, therefore the joint activities with other SAARC regulated bodies are important from the visibility point of view.
6. Another initiative approved by the EC during the last year was the study for the improvement of the trading systems of Bhutan, Nepal, and Maldives as these Exchanges did not have the facility to upload their live trading data to data vendors like Bloomberg or Reuters. Because of the non availability of this data, no company from these countries could be added to the DJI SAFE 100 Index. As per the desire of the EC to make the SAFE index a truly representative Index of the region, at least one company from each of SAARC country is aimed to be included in the composition of the Index. However, the DJI informed the SAFE Secretariat that since the data feed from these exchanges was not available therefore these countries could not be included in the index. Furthermore, DJI also offered that if any company from these countries is added to the Reuters exchange data feed in future, DJI would consider adding them in the Index at that time subject to the index composition methodology. To achieve this end, and help our smaller exchanges with such technical issues, SAFE had asked M/s Infotech, a renowned IT solutions provider based in Pakistan to assist us in this regard so that companies from these countries be uplifted to make them available on Reuter /Bloomberg exchange data feed. Being a regular sponsor of SAFE events, M/s Infotech has been persuaded to undertake this project on gratis basis, and in return SAFE would provide some marketing/visibility



opportunity to the firm during our future events. However, before initiating the project, M/s Infotech needed some formal association with SAFE. As M/s Infotech is expected to officially join the SAFE as an Affiliate Member, therefore the task shall be undertaken on priority basis now.

7. Another ongoing project approved by the SAFE EC during the year relates to the marketing efforts for the launch of some regular funds or ETF based products on the DJ SAFE 100 index. In this connection, SAFE is actively working with ADX as well as an Asset Management Company in Pakistan named Arif Habib Investments. This AMC is likely to launch a fund titled Dow Jones SAFE Pakistan Titans 15, which would track the performance of the most liquid 15 stocks included in the Pakistani component of the Dow Jones SAFE index. With the launch of this first fund tracking a part of our regional index, SAFE is expected to also encourage other jurisdictions to think of launching similar funds based on the respective country components. Likewise, it is also expected that some of the regional exchanges would also soon start futures products based on this index.
8. SAFE EC also accorded its top priority to the project of the harmonization of the regional securities laws and regulations. It may be mentioned that following the discussions having taken place at the SAARC Secretariat, this project was envisaged with the aim to bring all the securities regulations within the region in accordance with the standards outlined by IOSCO. In this connection, both the SAARC and the SAFE Secretariats have approached various donor agencies for seeking the technical assistance to kick start the project. During the year, lots of discussions and preliminary work has been completed and it is hoped that soon the requisite technical assistance shall be approved by some of the donor agency.
9. SAFE Secretariat has also completed the task of designing the template containing prominent indexes of South Asian regional exchanges. This template had been posted on the web site of SAFE for trial purpose, and after the successful trial runs, the same is now being updated on daily basis. In the next stage, this template would be published in the prominent business newspapers of the South Asian region on daily basis. As and when the daily market statistics of SAFE exchanges would start getting published in the regional newspapers, the same would give further visibility to SAFE.
10. During the period under review a new look web site of the Federation was developed on in-house basis by the SAFE Secretariat, and has been launched on trial basis. The new look of the web site is quite attractive, and efforts will be made to find advertisers for our web site so as to maximize the returns on this investment. Going forward, it is planned that each month, some member of SAFE would be given added visibility as the "Featured Member of SAFE for the Month."



11. As part of the initiative to enable SAFE to undertake the mass investors' awareness campaigns in the region and to also provide quality training to the professionals associated with the members of the Federation, the concept of a separate SAFE training institute had been in discussion for quite some time. Towards this end, SAFE undertook many initial steps for the establishment and registration of SAFE Institute of Knowledge Management. In future, all sort of SAFE events would be organized under this banner so as to make this institute a viable initiative for SAFE, which may enter into profit sharing and other kind of partnerships/affiliations with other exchange institutes such as BSE Training Institute, FTKMC and other relevant entities on the basis of knowledge/profit sharing etc. It may also be mentioned that SAFE Secretariat had been in regular touch with FNF-a German origin donor agency, and now is in the final stages regarding the discussions for the launch of a Mass Financial Literacy Campaign with the help of FNF. Under this project, SAFE Secretariat shall launch a comprehensive scheme to promote basic understanding about the financial markets/products and the financial literacy. This campaign shall be subsequently enlarged and undertaken on the regional level with next focus being on countries like Bhutan, Nepal, Bangladesh etc.
12. Recently, SAFE has also signed up with AIESEC-the World's largest run student organization, which aims to provide internship opportunities to young students from over 1700 universities so as to enable them to explore and develop their leadership potential for a positive impact in the society. Under this agreement, SAFE would provide up to two internship opportunities to two international students for a period of six month each. The first student to join SAFE shall be a Chinese student who is presently undergoing undergraduate studies at London School of Economics. It is envisaged that this experience of having an international resource at SAFE would ultimately help SAFE in planning similar deployment of professionals from our Member Exchanges to join the SAFE Secretariat for a period of six months deployment on rotation basis.
13. Amongst few other initiatives to have been approved and implemented during the year had been the kick start of the "SAFE Country Roundtables." This idea was approved keeping in view the security situation of the region which prevented the holding of large scale conferences from the platform of SAFE as had been done in the past. Furthermore, the aim of this initiative was to also enable the domestic players to meet and discuss the ideas for the growth and development of the domestic markets. The first of such roundtables was organized at Karachi under the topic of "***Developing the next generation capital and commodity markets ecosystem in Pakistan: creating value and inclusive growth in the society.***" This conference met with a roaring success from the perspective of its outcome as following this meeting lots of discussion started on the creation of a countrywide electronic commodity market system comprising of linked spot markets, modern warehouses and the post harvest credit availability



mechanism. The conference was inaugurated by the Governor State Bank of Pakistan, and was attended by a large cross section of professionals associated with the capital markets of the country.

14. Following the holding of the first ever roundtable, SAFE also organized a study visit of the relevant officials from SBP and NCEL of Pakistan to MCX India and other FT related exchange and bulk handling entities. The feedback of the visit has been quite positive and in this way, SAFE is enabling all its members to learn from the experiences of each other and to also use the domain knowledge of the Exchange industry for the betterment of the respective societies.
15. The matter for the upgradation of SAFE status from being a recognized body to an apex body of SAARC could not progress further as the Ministry of Foreign Affairs of Pakistan, through which such cases are forwarded has stated that it would be inappropriate to file an application for an Apex Body after a very short time of being given that the stratus as a Recognized body was accorded to SAFE during December 2007. It may be mentioned that the higher status would enable SAFE to voice its agenda at the policy level of SAARC such as the Council of Ministers etc. Furthermore, the apex body status is also expected to entitle SAFE to get the visa exemption status for its EC as well other members. In view of the above, SAFE had to postpone any further development in this regard till Dec 2010.

Financial Performance of SAFE

As mentioned earlier, the outstanding financial performance of the Federation during the last year has been the most satisfying moment for me. Considering that the financial services industry of the region remained under duress for the most part, achieving a good financial close for the Federation during the same time had been quite a challenge, and I am glad that the Secretary General of the Federation proved worthy of the task and managed the financial results in a befitting manner. The last year's performance shows that SAFE is on its path towards complete financial and administrative independence as the Secretariat functions have become fully independent. Similarly, the IT infrastructure of SAFE has also been updated and SAFE has acquired new web hoisting server, mail server, and blackberry server through donations in kind from its patrons like M/s Infotech, mobilink etc.

1. During the year, the Federation earned a record income of US\$ 119,350/-, which is the highest income ever recorded by the Federation. It may be mentioned that since after the establishment of the permanent Secretariat of the Federation at Islamabad, SAFE has continued to reach new milestones on year on year basis as may be seen from the historic data appended below.



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2. The income of the Federation mainly comprised of the Annual Membership Subscription source (83 %), however the Federation also recorded other income on account of interest and surplus from the SAFE conference/roundtable (17 %)
3. The Federation earned a record surplus of US\$ 33,409/- during the outgoing year which is the highest ever surplus recorded by the Federation except during the first year of its inception.
4. The Federation recorded an expenditure of US\$ 85,941/- which was about 15 % less than the expenditure recorded during the corresponding period of 2008.

Comparison of Actual Vs Actual

PARTICULARS	Amount in USD			%
	December 2009	December 2008	Inc/(Dec) from last year	Inc./ (Dec.)
Total Revenue	119,350	114,072	5,278	4.63
Total Expenses	85,941	98,661	(12,720)	(14.8)
Surplus	33,409	15,411	17,998	53.87
Cash & Bank Balances	67,984	43,391	24,593	56.6

5. The carried forward accumulated surplus of the Federation reached the record figure of US\$ 122,148/- as opposed to US\$96,774/- recorded during the prior period.

DETAILS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Amount US \$									
INCOME	42,000	40,363	33,986	38,232	35,683	89,006	74,089	88,474	114,072	119,350
EXPENDITURE	5,713	33,922	37,164	30,820	42,100	59,965	59,649	61,365	98,661	85,941
Surplus/(Deficit) for the YEAR	36,287	6,441	(3,178)	7,412	(6,417)	29,041	14,440	27,109	15,411	33,409
Accumulated surplus brought forward	---	36,287	42,728	39,550	46,962	40,545	68,331	82,516	109,880	96,774
Foreign Currency translation reserve	---	---	---	---	---	(1,255)	(255)	255	(28,517)	(8,035)
Accumulated surplus carried forward	36,287	42,728	39,550	46,962	40,545	68,331	82,516	109,880	96,774	122,148



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6. On the balance sheet side, the total assets of the Federation recorded a figure of US\$ 165,033/-, which includes a sum of US\$ 67,984 as cash and US\$ 23,522/- as receivables.

7. The amount of receivables represents the amount owed by the Exchanges towards the annual membership subscription of the Federation.

PARTICULARS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	US \$	US \$	US \$	US \$						
ASSETS										
At Cost Less Accumulated Depreciation	-	1,611	921	230	2	6,029	5,234	27,713	33,212	24,712
Cash at Banks	29,597	36,513	43,075	40,442	37,623	49,890	89,661	30,301	43,391	67,984
Receivables	8,000	15,000	3,500	5,000	8,500	30,000	14,760	22,362	11,375	23,522
Long term Investments	-	-	1,292	572	268	-	-	49,479	37,736	35,279
Long term pre-payment	-	-	-	-	-	-	-	-	21,000	13,536
Pre-payments & other receivables	-	-	-	-	-	344	684	1,267	3,935	-
Project Expenses recoverable	-	-	-	6,913	-	-	-	-	-	-
Total Assets	37,597	53,124	48,788	53,157	46,393	86,263	110,339	131,122	150,649	165,033

LIABILITIES										
Surplus/(Deficit) Brought Forward	36,287	42,728	39,550	46,962	40,545	68,331	82,516	107,533	96,774	122,148
Accrued & other liabilities	1,310	10,396	9,238	6,195	5,848	1,320	17,448	21,089	21,375	8,733
Advance annual subscriptions	-	-	-	-	-	2,000	2,500	2,500	32,500	34,152
Payable to Exchanges	-	-	-	-	-	14,612	7,875	-	-	-
Total Liabilities	37,597	53,124	48,788	53,157	46,393	86,263	110,339	131,122	150,649	165,033



Future Agenda of SAFE

After having completed the first decade, SAFE is now poised to undertake many meaningful and practical steps for the ultimate integration of the capital markets of our region. The dream of enabling the cross border trade of the securities and investments is what should be the most logical goal for the next decade. Accordingly, I take this moment to highlight a list of initiatives that we need to undertake to fulfill our ultimate goal:

1. Corporate Identity: During the last ten years, our Federation has been able to establish a distinct corporate identity. However, going forward we need to create further brand recognition for SAFE so that our Federation is come to be recognized as a unique brand.
2. South Asian Investment Conferences: To convert the present South Asian Capital Market Conferences into South Asian Investment Conferences so as to serve as a tool for global fund managers to promote individual member capital markets. This should help in the marketing of the regional securities, so as to attract the attention of portfolio investors at the regional stock values and opportunities. These conferences to be organized through big investment banks or funds that invest in the region, and should mainly focus on investments from EU region, USA, GCC, Peoples Republic of China etc.
3. SAFE Country Roundtable: To continue with the initiative of SAFE Country Roundtable which should focus on two goals-one being the development of the domestic markets, and second being the creation of foreign linkages between the most flexible markets of our region. These roundtables should assist in developing strategies for the quick integration of smaller markets in the first phase, followed by the integration of larger markets.
4. South Asian Capital Markets Review: To convert and promote “South Asian Financial Markets Review” as the bible for the investment industry of the World. For this purpose, SAFE and FTKMC to work on establishing reliable content providing channels within the region such as good research/investment houses. These houses to be offered some publicity in the publication in return for their quality input.
5. Ideas for Regional Integration: In order to prepare the region for the integration of our markets, each of the future EC/general body meetings to have the agenda of ‘Ideas for regional integration.’ Under this agenda, the



views of all members' exchanges will be solicited and practical options discussed so as to retain the focus on the most important agenda of the Federation.

6. SAFE Projects: To initiate broad based contacts and lobby with international donors so as to compile reports and studies on the following main topics relevant to the integration of the regional markets:
 - 1) Harmonization of Securities laws/Regulations
 - 2) Achieving full convertibility of currencies and liberalization of capital controls.
 - 3) Creating linkages between the depository and clearing institutions for effective post trade operations.
 - 4) Launching of SAFE Investment Fund on the concept of Master-Feeder Fund.
 - 5) Creating cross border trading Passport on the concept of EU Passport.
 - 6) Technology driven integration of securities trading in South Asia.
7. Cooperation with Exchange Forums: To intensify the cooperation with regional and international, exchange forums, professional investment associations, investors' representative bodies and other organizations of mutual interest.
8. Expansion of SAFE Family: To continue approaching other international stock, commodity & derivative exchanges and other capital markets associations to become the Associate and Affiliate Members of SAFE.
9. Mass Financial Literacy/Inclusion Campaign: In order to help our Member countries to promote the culture of savings, increase awareness about the financial security, developing understanding of our markets and extend the outreach of our markets to a wide cross section of our societies, SAFE shall launch a "Mass Financial Literacy/Inclusion Campaign" through the possible sponsorship from Friedrich-Naumann-Stiftung or Für die Freiheit (FNF). Based on the initial trial runs of this campaign, the FNF may refer the matter of large scale funding on regional basis to its regional office. As part of this campaign, SAFE plans to also introduce a stock market game in the region which shall be participated by the high school students and the awards shall be given on the basis of total portfolio returns. This game shall be launched through the sponsorship of one of our IT patrons.



10. SAFE Institute of Knowledge Management: All out efforts shall be made to grow and strengthen the SAFE Institute of Knowledge Management so as to serve as a regional training centre for the development of human resource, promotion of professional skills and investors' knowledge in the region. This Institute shall offer online and other regular training and certification programs through the help of prominent regional training institutes (such as BSE/NSE Training Institutes, FTKMC, ICM Pakistan etc.) and other regional and international universities/institutions such as IIMs, LUMS, IBA, ICAP, ACCA, Cornell University etc.
11. Bilateral Exchange Visit Programs: SAFE shall plan bilateral exchange visit programs to enhance members' knowledge of issues that are of interest to the members of other exchanges. Similarly, the Member Exchange officials shall also be provided with an opportunity to undertake different familiarization, awareness and learning programs at the other regional exchanges through SAFE.
12. Media Training/Development: Keeping in view the low level of understanding about the functioning of our markets, SAFE shall focus to train of members of the regional media so as provide them with the skills for appropriate media coverage of the regional securities markets and to help them better understand the working of our financial markets.
13. Continuing Matters: Side by side with the above, SAFE Secretariat to continue with the efforts to upgrade and update the SAFE website; market the Dow Jones SAFE index to potential global investors; and publish a SAFE yearbook for the SAFE stakeholders such as the Members, regulators etc.

Appreciation

At the end, I take this opportunity to express my gratitude to the help, assistance and courtesy extended to me by all the Members of SAFE, my EC team Members and the SAFE Secretariat staff during my term in office as the Chairman of the Federation. Without the active and whole hearted support of all of you, it would not have been possible for me to perform my responsibilities as effectively as I managed to do. I also take this opportunity to thank ADX, BSE and MCX whom I had the honour of visiting and enjoying their hospitality. Each time, I visited these Exchanges; I got more and more convinced of the inherent skill set and the expertise of our Exchanges which can become a powerful tool for us to leverage the combined potential of our markets to the World. I am certain that we shall be able to do that sooner than later.