



No. 04 of 2008

October 24, 2008

MINUTES OF SAFE EXECUTIVE COMMITTEE

1. The 4th meeting of SAFE EC for the year 2008 was held at the Board Room of BSE at Mumbai, India. The meeting was attended by the following EC members:

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|----------------------------|-------------------------|
| 1. Mr. Mahesh Soneji | Chairman of the meeting |
| 2. Mr. Rewat Bahadur Karki | Member |
| 3. Mr. Aftab Ahmad Ch. | Secretary General |

2. The leave of absence was granted to the following:

- 1) Mr. Adnan Afridi
- 2) Mr. Saif Ul Islam
- 3) Ms. Chitra Ramakrishnan
- 4) Ms. Surekha Sellaheva

3. The meeting was also attended by Mr. Sanjay Saksena, Chief General Manager of BSE. Mr. Sumeet Nihalani of Dow Jones Indexes also briefed the meeting on the agenda point related to Dow Jones-SAFE index.

Proceedings of the Meeting

1. The Chairman of the meeting welcomed the participants of the meeting and thanked them for taking time out to attend the meeting.
2. Thereafter, the Chairman of the meeting started the proceedings of the meeting agenda wise.

Agenda Item No. 1: Minutes of the Last EC Meeting

1. The Chairman of the meeting asked the Secretary General (SG) to brief the participants about the proceedings of the last EC meeting. The SG accordingly briefed the meeting about the decisions taken during the last EC meeting.
2. After the briefing by the SG, on the proposal of duly seconded by Mr. Mahesh Soneji, the EC carried the following resolution unanimously:

“Resolved that the minutes of SAFE EC meetings held on Jul 29th, 2008, be and are hereby approved, and the Chairman of the meeting, be and is hereby authorized to sign the approved minutes.”

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Agenda Item No. 2: Approval of Circular Resolutions
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1. The Chairman asked SG to brief the meeting about the agenda item. Explaining the rationale of the agenda, the SG informed the meeting that as per Article 12 of the SAFE's Charter, a resolution in writing (in paper or electric form) circulated amongst all members of the Executive Committee / the General Assembly, and approved by the majority of the members is supposed to be as valid and effectual as if it has been passed at a meeting of the Executive Committee and/or General Assembly, duly called and constituted. He informed the meeting that upto the time of the instant meeting, following seven (7) circular resolutions had been initiated during the year, which all had been signed by majority of the members of the EC and had been implemented accordingly, the details of which had been annexed with the agenda papers as separate Exhibits:
 - 1) Resolution regarding approval of membership of CDC Pakistan as an Associate member of SAFE under Article 4.1.2 of the SAFE Charter. **Exhibit-A.**
 - 2) Resolution regarding approval of Membership of MCX, India as a Primary member of SAFE under Article 4.1.2 of the SAFE Charter. **Exhibit-B.**
 - 3) Resolution regarding approval of membership of NMCE, India as a Primary member of SAFE under Article 4.1.2 of the SAFE Charter. **Exhibit-C.**
 - 4) Resolution regarding approval of Authorization of monthly Budget for the Salary of a Research Officer (New Post). **Exhibit-D.**
 - 5) A. Resolution regarding approval in the matter of taking up with SAARC Secretariat recognition of SAFE as an "Apex body" of SAARC.

B. Resolution regarding approval in the matter of inclusion of SAFE by SAARC in the "Consolidated List of Categories of Entitled Persons under the SAARC Visa Exemption Scheme (SVES)."
Exhibit-E.
 - 6) Resolution regarding approval of the co-option of Mr. Saiful Islam, Senior Vice President DSE to the Executive Committee (EC) of SAFE. **Exhibit-F.**
 - 7) A. Resolution regarding approval of Membership of ADX, UAE as an Associate Member of SAFE under Article 4.1.2 of the SAFE Charter.

B. Resolution regarding approval of reallocation of budgetary authorizations for DSG for the position of Senior Research Officer of SAFE. **Exhibit-G.**
2. The SG informed the meeting that as the instant EC meeting was also taking up the matter of the installing of new Chairman SAFE, therefore, in view of the good

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corporate practises, he had thought it appropriate to bring all these resolutions for formal ratification by the EC so as to let the incoming Chairman know about various decisions implemented by the SAFE Secretariat during the recent past. All EC members appreciated the step, and termed the same as a good practise. After few clarifications, the EC passed the following resolution on unanimous basis:

“Resolved that the Circular Resolutions initiated by SAFE Secretariat during 2008 and duly approved by the EC Members in accordance with Article 12 of SAFE’s Charter, be and hereby ratified”

Agenda Item No. 3: Co-option of BSE’s Acting MD/CEO on SAFE EC

1. Explaining the agenda item, the SG informed the meeting that BSE had recently communicated to the SAFE Secretariat that Mr. Rajnikant Patel, the MD/CEO of BSE had resigned from the post of Managing Director of BSE. He stated that with his resignation, although a vacancy is deemed to have been created on the SAFE EC, however the same vacancy is also deemed to have been filled automatically under the provision of SAFE’s Charter. He read out Article 4.2.5 of SAFE’s Charter which governs the matter of replacement of representation at SAFE:

Quote

Article 4.2.5 Representation of the member entities at SAFE shall be on ex-officio position basis. In case the official representing any SAFE member entity ceases to hold the position with his/her entity, the representation at SAFE including any elected office of SAFE shall involuntarily be acquired by the new appointee at the same position.

Unquote

2. The SG informed the meeting that presently, Mr. M L Soneji, who is holding the position of Chief Operating Officer of BSE is also serving as the Managing Director of the Exchange in the acting capacity. He stated that BSE had now nominated Mr. Soneji as a member of SAFE EC. He stated that although Article 4.2.5 provides for the automatic replacement of BSE representative on the SAFE EC, but Article 4.2.4 provides that only the Managing Director/CEO or the Deputy Managing Director/Deputy CEO of a member entity can be the authorized nominee at all forums including the Executive Committee:

Quote

Article 4.2.4 Only a natural person holding the office of President/Chairman, Vice-President/Vice Chairman or Chief Executive Officer/Managing Director or Deputy Chief Executive Officer/Deputy Managing Director of a member entity can be the

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authorized nominee at all the forums/meetings of SAFE including the General Assembly, the Executive Committee or at any other special committee of SAFE.

Unquote

3. He further stated that considering the fact that Mr. Soneji is officiating as the MD of BSE as of now and also holds the position of COO at BSE, which is otherwise considered to be as Deputy MD level position, therefore the co-option of Mr. Soneji is in accordance with the Charter of the Federation. He further informed the members that the profile of Mr. Soneji had also been annexed with the agenda papers. Accordingly, he proposed that Mr. Soneji, may be co-opted on the SAFE EC, to which all agreed and the EC passed the following resolution:

“Resolved that the Mr. M L Soneji, Acting Managing Director of BSE be and is hereby co-opted as a member of SAFE EC.”

4. After the co-option, Mr. RB Karki proposed that the Chairman of the meeting may also be installed as SAFE Chairman for the remainder of the term of the present EC, which shall expire on the date of holding of next General Assembly meeting expected to take place on 29th January, 2009. At this, the EC carried the following resolution on unanimous basis:

“Resolved that Mr. M L Soneji, be and is hereby elected as the Chairman of SAFE to complete the remainder term of office of the current chairmanship”

5. After the passage of the above resolution, Mr. Soneji was requested to formally head the remainder of the meeting in the capacity as Chairman SAFE. Mr. M L Soneji, thanked the members of EC for reposing their confidence and trust in his leadership and assured that he would do everything to continue with the good work that his predecessor had performed at SAFE. He further stated that it would be his earnest endeavor to increase multilateral cooperation amongst the exchanges from the platform of SAFE. All other members appreciated the remarks of the Chairman and thanked him for accepting the position.

Agenda Item No. 4: Appreciation of services of Ex-chairman SAFE

1. Explaining the agenda item, the SG informed the meeting that Mr. Rajnikant Patel, the outgoing MD of BSE had the distinction of serving as the Chairman SAFE for a period of over three years from May 2005 to August 2008. He said that considering that SAFE had been set up during 2000, this has been the longest tenure of any person holding the office as the Chairman SAFE. He informed the meeting that during this time SAFE underwent a period of rapid growth and milestone achievements including the establishment of its permanent secretariat at Islamabad, Pakistan. He stated that besides, during this time, SAFE not only transformed itself into a true representative body of the capital market institutions of the region by opening its membership to commodity exchanges, depository & clearing companies of the region, but also started its journey towards greater

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financial strength. He said that of late, SAFE had also started on the path of becoming an international organization of the capital market entities of the World by opening its membership to non-regional entities such as ADX of Abu Dhabi, UAE, which has since been accepted as an associate member of SAFE. He further said that the holding of regular South Asian Capital Markets Conferences and Training Programs by SAFE, and our acceptance as a recognized body of SAARC had been some other high profile achievements of SAFE during the last three years. He said that all in all, under the Chairmanship of Mr. Rajnikant Patel, SAFE made it possible for the regional exchanges and other capital market institutions to increase their bilateral and multilateral cooperation thereby truly fulfilling the objective of the creation of SAFE.

2. The SG stated that with the above lists of achievements made by SAFE during the last three years, it is befitting that a resolution of appreciation is passed by the EC, followed by an official letter of recognition by the SAFE Secretariat lauding the services of the outgoing Chairman.
3. The meeting discussed the proposal and passed the following resolution:

“Resolved that the South Asian Federation of Exchanges greatly lauds the services of Mr. Rajnikant Patel for his dedicated role played as the Chairman of the Federation.”

Agenda Item No. 5: Revised composition of Dow Jones-SAFE Index

1. The SG informed the meeting that SAFE EC in its last meeting held on July 29th, 2008 at Mumbai had approved in principle the composition of Dow Jones-SAFE Index, subject to some changes as per the following recommendations of the EC by Dow Jones:
 1. The composition of the index with respect to the number of companies to be such that 51 companies would continue to be from India, whereas 49 companies would be selected from the rest of the South Asian region;
 2. The weightage of the index to be readjusted with Indian companies having a total weightage of no more than 70%, while the rest of the region to have 30% weightage against the companies included in the index;
 3. The index should have at least one company per every country which had signed the Tripartite Agreement.
2. The SG stated that SAFE Secretariat was accordingly asked that after the redesigning of the index by DJI, the same should be circulated amongst all EC members.
3. The SG informed the meeting that in accordance with the above recommendation the Secretariat conveyed the EC's observations to DJI with the request that

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necessary adjustments may be made accordingly. He said that in response, DJI informed that it was unable to include Maldives, Nepal and Bhutan due to these countries being unavailable via their Reuters feeds. He said that DJI further stated that the data provided by each exchange is meant to build the history, but on a daily basis the companies must be available in their data feeds in order for them to include the companies in any Index. He further said that DJI had no alternative way of handling securities not on that feed. DJI further informed that if any of these companies are added to the Reuters exchange data feed in future, DJI can consider adding them at that time. Regarding the recomposition of the Index weightage, while the index was reworked and provided to SAFE, however, it was stated by Ms. Deborah Ciervo of DJI that “we typically would not create any regional index with one country comprising 70%. Our suggestion is to cap India at 50% but we will leave the final decision on this to you all.”

4. The SG informed the meeting that in response to this communication, SAFE Secretariat asked DJI to rework the weightage composition of the index as per its suggestion. Accordingly, he informed the meeting that DJI has again worked on the weightage formula and had sent us the revised index with India capped at 50% instead of 70%, as had been recommended by the EC. SG stated that after couple of revisions, the respective weightage of various countries in the index now looked as under:

Country	Country Code	Original Weight	1 st Rev Weight	2 nd Rev. Weight	
Pakistan	PN	3.56%	21.01%	35.02%	5. The SG further her state
India	PR	94.91%	70.00%	50.00%	
Sri Lanka	PL	0.23%	1.35%	2.26%	
Maritius	FS	1.12%	6.60%	11.00%	
Bangladesh	PG	0.18%	1.04%	1.73%	

d that other than revising the weightage, no other change had taken place in the other composition matrix for the index such as the number of companies from respective countries etc. He stated further that as each exchange would get revenue in proportionate to the number of companies in the index, therefore the revised weightage scheme was revenue neutral for the data supplying exchanges. The composition of the index as per the 1st & 2nd revised weightage is attached with these minutes as **Exhibit-A & B** respectively.

6. Subsequently, the representative of Dow Jones Indexes Mr. Ariff Sultan also briefed the members on the revised scheme of the index and answered the questions raised by the members. At the end of his briefing, the EC passed the following resolution:

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“Resolved that the revised composition of Dow Jones-SAFE Index be and is hereby approved with weightage of the index to be divided equally between India and the rest of SAFE member countries.”

Agenda Item No. 6: Third South Asian Capital Market Conference

1. SG informed the meeting that the next General Assembly meeting of SAFE and Third South Asian Capital Markets Conference was scheduled to be held at Mumbai, India from January 28 to 30th, 2009 at Grand Hyatt, Mumbai, in collaboration with SAFE Institute of Capital Market and Multi Commodity Exchange of India (MCX). He stated that the theme of the conference was proposed to be “Modernizing Regional Markets & Promoting Cross Border Investments”. He also shared the tentative agenda of the conference is attached as **Exhibit-A** with this agenda item.
2. SG informed the meeting that before the shifting of the permanent secretariat of SAFE to Islamabad, Pakistan, the holding of the General Assembly meetings used to drain SAFE of its financial resources and almost the entire earnings of SAFE for the year (which mainly comprised of membership fees) would be spent on organizing these meetings besides burdening the host exchanges with the cost of sponsorships. However, he said that since the year 2006, the SAFE conferences were being organized on self help basis with no financial burden on SAFE and minimal spending from the host exchanges. He said that the budget for these conferences was met through delegate fees as well as through conference sponsorships. He said that because of the new approach to financing these conferences, the earlier two SAFE conferences held at Colombo, Sri Lanka (Nov 2006) and Dhaka, Bangladesh (Jan 2008) had resulted in some surpluses. He said that because of less expensive venues, both of these conferences had been arranged within a budget of USD 100,000/-, however, for the forthcoming conference, the tentative budget as worked out by MCX was about Indian Rs. One crore or almost USD 220,000/-, which was quite high. He shared the estimated budget for the conference which is attached as **Exhibit-B** with these minutes. He said that whereas efforts were afoot to revise the budget and achieve maximum cost savings, however it was clear that India being an expensive destination from the point of view of hospitality industry, the event would still need extra resources to meet the cost of our forthcoming conference. He said that for this purpose, it was obvious that SAFE would need to mobilize all its resources to not only get maximum participation in terms of delegate count but also to get substantial sponsorships for our next event.
3. Accordingly, SG stated that in order to organize the conference in a befitting manner, whereas the help from all SAFE members was a must, but the help from major Indian exchanges (BSE, MCX, NSE) and KSE from Pakistan was of critical importance. Therefore, he suggested that all major exchanges at least strive to get sponsorships worth USD 30,000/- each from within the local financial services industry besides ensuring maximum registration from their target market. He stated that the help of these exchanges would also be needed in getting good speakers for the conference. The SG further stated that the three local exchanges

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at Mumbai should also take turns in hosting three dinners on the three nights of the conference for all the delegates of the conference. All in all, in order to hold the event in a successful manner, the involvement of all SAFE members would be of immense help.

4. SG further informed the meeting that side by side with the holding of the conference, SAFE would also hold the following meetings:
 - 1) EC Meeting on Jan 28, 2009: To discuss and approve Chairman's report to the General Assembly including the financial performance of SAFE during the year together with the budget.
 - 2) Annual General Assembly of SAFE on Jan 29, 2009: To elect new EC members.
 - 3) Newly elected EC Meeting on Jan 30, 2009: To elect the Chairman and Vice Chairmen of the Federation.
5. The meeting discussed the matter and decided that the Secretariat should write to all major Exchanges for the needful help for organizing the conference in a befitting manner. The EC also desired that in case the other exchanges could not help SAFE in mobilizing the required amount of funds, then MCX may be asked to host the conference entirely under its own arrangements instead of the involvement of SAFE in any financial matter as MCX was financially a very strong exchange. All agreed with the proposal and decided that in case the help from the other exchanges was not upto the required level, then MCX would be asked to arrange the conference under its own funding. Thereafter, the EC passed the following resolution:

“Resolved that the agenda, venue, and schedule of Third South Asian Capital market Conference to be held at Grand Hyatt, Mumbai from January 28 – January 30, 2009 be and are hereby approved.”

Agenda Item No. 7: Amendments in the Charter of SAFE.
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1. SG informed the meeting that with the establishment of the permanent Secretariat at Islamabad, Pakistan, the South Asian Federation of Exchanges had got itself registered as a Voluntary Social Welfare Agency under Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961. He said that following this registration, the SAFE Secretariat had also applied to the local Tax Authorities for the grant of no-profit organization status in order to avail the Tax exemption status. He said that after protracted correspondence, the Income Tax department had finally granted approval to SAFE as non-profit organization for the purpose of Tax Credit admissible under the local income Tax Laws.
2. He informed the meeting that the approval was however subject to the condition that SAFE would submit amended Charter incorporating changes as communicated by the Income Tax Authorities and the submission of performance report duly evaluated by Pakistan Centre for Philanthropy (PCP), immediately after the Annual General Assembly meeting of the SAFE by Feb 2009. He said that while the matter of SAFE performance evaluation had been taken up with PCP, the

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changes proposed in the relevant clauses of the SAFE charter have been put up for the consideration of the EC. He stated that some further changes had also been suggested for clarity / grammatical purpose as well as for removal of inconsistencies in certain clauses. The SG then presented the proposed changes for discussion by the EC. He informed that these changes were supposed to be approved by the Primary members but before the approval is sought, the same have been presented to the EC for its comments/feedback and its recommendations. SG further informed the EC that after approval of the same from the EC, the proposed amendments shall be discussed with the Income Tax Authorities and then the finalized version shall be circulated amongst the Primary members for approval as required under the Charter.

3. The EC discussed the proposed amendments and suggested few modifications, and passed the following resolution:

“Resolved that the amendments proposed in the Charter of SAFE be and are hereby approved for discussion with the Income Tax authorities and approval thereof by the Primary Members as per the SAFE Charter.”

Agenda Item No. 8: Any other matter with the permission of the Chair.

1. The SG informed the meeting that his contract with the ISE was coming to an end, and he was inclined to not seek the renewal thereof as he was more interested to work in the industry. Accordingly, he stated that he may also relinquish his responsibility at SAFE, which he had been performing on honorary basis. He said that although as of now the ISE Board had been hesitant to relieve him, but he was sure to convince the Board after having found some appropriate replacement.
2. Both Mr. Karki and Sanjay Saksena stated that the SG had performed exceedingly well and it was because of his personal efforts that SAFE had seen such a remarkable progress during the last few years. They stated that the position of SG was an appointed position, so if Mr. Aftab could agree to devote some time to SAFE affairs then he should continue as the SG of SAFE even after his departure from the ISE. Accordingly, the EC proposed that the SG should continue working for SAFE in his personal capacity in the future as well so as to help SAFE achieve its long term objectives in a sustained manner. The SG thanked the EC for the honour and agreed to officiate as SG SAFE in the future as well in his personal capacity. The EC approved the arrangement and desired that the minutes of the meeting may be circulated amongst all EC members and if any comment to the contrary is received then the matter be discussed in the next EC meeting.
3. There being no other item, the meeting ended with a vote of thanks for the chair.

SOUTH ASIAN FEDERATION OF EXCHANGES

Minutes of SAFE Executive Committee Meeting held on Oct 24th, 2008



Chairman SAFE

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