



No. 03 of 2008

July 29, 2008

MINUTES OF SAFE EXECUTIVE COMMITTEE

1. The third 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. Rajnikant Patel | Chairman SAFE |
| 2) Mr. Adnan Afridi | Vice Chairman SAFE |
| 3) Mr. Rewat Bahadur Karki | Member |
| 4) Mr. Aftab Ahmad Ch. | Secretary General |

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

- 1) Mr. Saif Ul Islam
- 2) Ms. Chitra Ramakrishnan
- 3) Ms. Surekha Sellahewa

3. The meeting was also attended by Mr. Sanjay Saksena, Chief General Manager of BSE. Mr. Ariff Sultan 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 SAFE welcomed the participants of the meeting and thanked them for taking time out to attend the meeting. At the outset, Mr. Adnan Afridi expressed his gratitude to the BSE team for their hospitality and for the arrangements made for the holding of the instant EC meeting at a short notice.

2. Thereafter, the Chairman started the proceedings of the meeting agenda wise.

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

1. The Chairman informed the meeting that the signed minutes of the previous EC Meetings held on January 30th and 31st, 2008 at Dhaka, Bangladesh, had been circulated to all EC members along with the agenda papers. He invited the observations/comments of the members on the circulated signed minutes, but no observation was made by any member.

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2. Mr. Rewat Bahadur Karki, however asked the Chairman about the non-attendance of Ms. Chitra in the instant meeting. To this, the Secretary General (SG) informed the meeting that Ms. Chitra could not attend the meeting as she was travelling. Thereafter, on his proposal duly seconded by Mr. Adnan Afridi, the EC carried the following resolution:

“Resolved that the approved minutes of SAFE EC meetings held on Jan 30th and Jan 31st, 2008, be and are hereby ratified.”

Agenda Item No. 2: Preliminary Composition of the Dow Jones- SAFE Index
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1. The SG informed the meeting that the idea for the launch of distinct index for the South Asian markets had been conceived during the 6th annual general body meeting of SAFE held in Colombo during November 2006. He stated that during the meeting SAFE Secretariat was tasked to design a MoU and forward the same to all member exchanges seeking the willingness of SAFE members to participate in the said project. He stated that later on, the SAFE EC meeting held at Karachi, Pakistan during Jan 2007 decided that instead of seeking the willingness of SAFE members through separate MoUs, a tripartite agreement may be drafted by SAFE secretariat and forwarded to all members for formal agreement to the effect of participation of SAFE member exchanges in the project. Accordingly, he said that the draft of Tripartite Agreement was developed by SAFE Secretariat in conjunction with Dow Jones Indexes, and all member exchanges were requested to send their formal approvals through the execution of the respective Tripartite Agreements.
2. The SG further informed the meeting that the process of obtaining the formal approvals of the member exchanges took some time, and after the receipt of the executed agreements from at least one representative exchange from each of the member countries of the region, the Joint Marketing Agreement, as well as respective Tripartite Agreements were finally executed between SAFE and Dow Jones on Jan 9, 2008 at Mumbai, India. He said that whereas the agreement was signed by 9 exchanges, however the data from the following seven exchanges was to be used for the representative index for the South Asian region because of these exchanges representing as the relevant liquidity centers in their respective countries:
 - 1) Bombay Stock Exchange Limited-India.
 - 2) Colombo Stock Exchange-Sri Lanka.
 - 3) Dhaka Stock Exchange-Bangladesh.
 - 4) Karachi Stock Exchange-Pakistan.
 - 5) Maldives Stock Exchange-Maldives.
 - 6) Mauritius Stock Exchange-Mauritius.
 - 7) Nepal Stock Exchange-Nepal.

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3. SG informed the meeting that besides the above, two other exchanges namely Chittagong and Islamabad stock exchanges had also signed the Tripartite Agreements, but their data being not representative of the level of liquidity was not collected from these exchanges. He said that data from all other exchanges was collected from the signing exchanges and forwarded to Dow Jones for its compilation/construction of the index. SG further informed the meeting that Dow Jones had finally provided SAFE with the preliminary composition of the proposed index, which had already been circulated to the members with the agenda papers of the instant EC meeting.
4. The SG informed the meeting that the representative of Dow Jones, Mr. Ariff Sultan had been requested to attend the instant meeting, who had very kindly travelled to Mumbai from Singapore to brief the EC about the index constituents and the methodology used for developing Dow Jones-SAFE index. At this, the Chairman welcomed Mr. Ariff Sultan and requested him for his detailed briefing to the Committee.
5. Mr. Ariff Sultan in his briefing informed the EC that although Dow Jones was supposed to take about three months to develop the index after the provision of all data by SAFE secretariat, however, Dow Jones had taken only a month to develop the preliminary index, which shows the keenness on the part of Dow Jones to establish a long term partnership with SAFE. Later on, he briefed the EC in detail about the methodology used by Dow Jones to develop the index. The presentation, methodology paper and the list of preliminary index as shared by Mr. Ariff Sultan with the EC are all attached with these minutes as **Exhibit-A, B, and C** respectively.
6. Starting discussion on the matter, the Chairman enquired Mr. Ariff Sultan that although Dow Jones had the overall discretion in the use of editorial and selection methodology related to the index, but can Dow Jones consider the views of the SAFE EC to somehow adjust the index in line with our recommendations? To this, Mr. Ariff Sultan stated that the very purpose of sharing the preliminary index with the SAFE EC was to seek their comments before finalizing the index. He further said that Dow Jones may like to accommodate the views of SAFE EC to the extent deemed possible and prudent by the index developing team of Dow Jones. He stated that the index methodology can be discussed internally by the SAFE EC and in case of any recommendations, the SAFE Secretariat can write to him accordingly, so as to enable Dow Jones to evaluate the same at their end. All Agreed. Mr. Adnan Afridi questioned the very high weightage (about 94%) given to India against 51 companies as compared to about 3.5% weightage given to Pakistan for 39 companies proposed to be included in the index. Mr. Ariff Sultan stated that it was because of low free float ratio of the Pakistani companies. The Chairman commented that with such a heavy weightage to India, the index may not truly be the representative of the region on the whole. He further enquired as to whether such a composition of the index would not make the index similar to Sensex in terms of its weightage. To this, the members agreed that fund managers may still prefer Sensex over the proposed index as the

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heavy weightage of the Indian companies in the proposed index seemed to make it no different than the already existing indexes in the market. At this point, Mr. Ariff Sultan left the meeting while the EC thanked him for his travel to Mumbai to brief the EC.

7. Mr. Adnan Afridi asked the SG as to why Bhutan had not been included in the list of data providing countries. To this, SG replied that Bhutan had not signed the Tripartite Agreement, because of which no data had been obtained from Bhutan. Mr. Rewat Bahadur Karki enquired as to why NSE India had not been included in the project. The SG stated that NSE had also not signed the Tripartite Agreement, which may have been because of their existing arrangement with S&P. Mr. Karki questioned the arrangement for the sharing of license fee, to which the SG replied that SAFE would be entitled to get 40% fee from the licensees which shall be distributed in such a manner that SAFE would keep 10% of this fee (4% of overall fee) and distribute the rest to all those exchanges whose data had been used in the index in proportion to the inclusion of their respective number of companies in the index. Mr. Karki then proposed that if the sharing of license fee is in proportion to the number of companies in the index, then at least one company per country should be included in the index. To this the other EC members viewed that whereas it may not be possible because of low market capitalization, however, in order to make the index a representative index of the region, the same could be recommended to Dow Jones. All agreed. Regarding the index weightage of various countries, Mr. Adnan Afridi proposed that weightage of Indian companies could be capped at 70%, and 30% weightage should be reserved for the companies from the rest of the region. Mr. Sanjay Saksena of BSE stated that as long as the BSE's proportion of the prospective license fee is not disturbed by the arrangement, he had no issue with the said proposal. To this, SG informed that since the license fee is co-related with the number of companies and not with the weightage in the index, therefore the proposal would not affect the ratio of prospective license fee of BSE. The Chairman stated that the proposal was a good one, as in this way, the index would become representative of the region with India retaining more than two third weightage in the index to reflect the economic reality of the country. All agreed. Thereafter, the EC, while approving the index in principle, agreed with the following recommendations for communication to Dow Jones, by the SAFE Secretariat, and asked SAFE Secretariat to circulate the list of the recomposed index to all participating exchanges for their information, as and when received from 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;

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- 3) The index should have at least one company per every country which has signed the Tripartite Agreement.

8. The EC passed the following resolution:

“Resolved that the preliminary composition of the Dow-Jones SAFE Index, be and is hereby approved, subject to maximum possible recomposition of the same in the light of recommendations of SAFE EC”

9. After discussion on the index composition, the SG asked the EC to also consider various options for the marketing of the index and approve in principle the tentative launch plan of the index. He said that it was because of the reason that unless the global fund managers start basing their funds with the movement of the index, SAFE would not start earning any revenue from this exercise. At this, the Chairman appreciated the efforts of SG and informed that EC that in preliminary discussions between himself and the SG, it has been agreed that an elaborate ceremony for the launch of the index may be organized jointly by SAFE and BSE at New Delhi, India, wherein the CEOs/top officials of the companies included in the index may also be invited and given certificates for the formal inclusion of these companies in the first ever index of the region by any state level dignitary. He said that besides, the ceremony may also be used for presentation by the fund managers to other potential institutional investors to highlight the attractive features of the index from the perspective of potential investment returns. The EC members appreciated the approach and decided that SAFE/BSE may start discussions to plan for the launch of the index preferably during the first week of Nov 2008. Mr. Adnan Afridi stated that for such a ceremony/function to have maximum visibility, the finance ministers from all the SAFE countries should also be invited. All agreed.

Agenda Item No. 3: Draft “Trust” Deed for the Establishment of the South Asian Institute of Capital Market Studies.

1. The SG informed the meeting that the idea for the establishment of a separate institute at the regional level had been under discussion in the various meetings of the general body as well as the executive committee meetings. He said that the idea was again discussed during the last EC and annual general body meetings of SAFE held during January 2008 at Dhaka, Bangladesh. He said that in this respect, the Chairman SAFE in his annual report to the general assembly, had informed the general body that the idea for the establishment of the **“South Asian Institute of Capital Markets Studies”** would be studied further, for which purpose, the assistance of some donor agency would be obtained by the SAFE secretariat. He also informed the meeting that *SAARC Colloquium on the Management of Stock Exchange Systems and Regulation of Securities Market*, held during Apr 21-22 at SAARC Secretariat, Kathmandu, Nepal, in its report for the consideration of **Inter-governmental Expert Group** has also not only recommended to encourage SAARC Member States to establish and

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strengthen their respective capital market training institutes, but in parallel to explore the possibility of setting up of a Regional Training Institute. He said further that the said meeting was held in response to the endorsement of the recommendations of SAARC Finance Secretaries by the SAARC Finance Ministers during their Second Meeting held in New Delhi, India on September 15, 2007. He said that this endorsement by SAARC Secretariat for the consideration of the Inter-Governmental Expert Group, strengthens the case for the establishment of a regional training institute by SAFE in line with its future vision, under the name and style of “**South Asian Institute of Capital Markets Studies**”. He further stated that recently the Ministry of Foreign Affairs and the Ministry of Finance in Pakistan, have also asked the SAFE Secretariat about the progress/comments on the Report of the Colloquium particularly including agenda point related to the Regional Training Institute, because of the forthcoming 15th SAARC Summit, where the Report as well as the actions taken thereon by all the stakeholders were likely to be discussed.

2. He informed the meeting that side by side initiating preliminary discussions with some donor agencies, SAFE Secretariat had also started work on the possible legal structure for the establishment of the Institute. He said that it was done because of the requirement of some donors, who needed to know about the legal structure of the proposed institute before helping SAFE Secretariat in any kind of feasibility study. He added further that as the SAFE Secretariat had also initiated correspondence with the local municipal authorities for the allotment of plot/land to SAFE for the needful purpose, therefore, it was also deemed important to consider the formal structure of the proposed institute. He informed the meeting that after having examined all other possibilities, the legal counsel of SAFE has advised the structure of a ‘trust’ for the establishment of the said institute by SAFE as the most preferred way of implementing the long term vision of SAFE, and has forwarded a draft “Trust Document” for the consideration of the SAFE EC. The draft Trust Deed is attached with these minutes as **Exhibit-D**. The SG further informed the meeting that after the approval in principle by the SAFE EC of the trust deed, SAFE Secretariat shall proceed ahead for approaching major donors for the necessary feasibility study on the subject.
3. Starting discussions on the matter, Mr. Sanjay Saksena stated that whereas the matter of the establishment of the regional training institute had been approved in principle, however, the physical location of the same was never decided. At this the SG replied that it was correct that the decision on the physical location of the institute had not been taken, however, he said that being a capital intensive project, the establishment of such an institute was not possible through the SAFE resources and it was clear that lot of support had to be sought from the government agencies and the donors in this respect especially if we think of having some semblance of physical infrastructure in place. He said that since he could only pursue the matter at the level of the government and city municipal administration at Islamabad, therefore, he had initiated the process accordingly for the establishment of an Institute as an affiliate of SAFE secretariat. He said that it was because of this reason that he had requested the



SAFE Chairman to travel to Islamabad and meet with the government officials there so as to lobby the idea and get maximum support from them for the realization of the dream of having our own Institute. The Chairman stated that at this stage SAFE could possibly think of running a virtual institute especially when its target market was widely dispersed throughout the region. To this the SG stated that it is exactly how the matters would proceed initially, but in the long run both the SAFE Secretariat and the Institute would need to have some physical presence, for which purpose we should initiate the process of establishing a separate entity in the name of the regional institute. Mr. Adnan Afridi stated that perhaps what would be best is to use the services of some consulting agency to help the EC in quantifying the resources needed to set up both an online institute as well as a physical institute. The SG stated that this would also require some financial resources and SAFE may not have adequate funds available for the purpose as of now. He said that so far the cost of most of the legal work related to SAFE index MoU, Tripartite Agreements, Joint Marketing Agreement (with Dow Jones), and even the draft Trust Deed presented with this agenda item, had been met through the existing arrangements of ISE with its legal counsels, and as such SAFE had been spared of any financial burden on such legal and professional services. Accordingly, he stated that it was his aim to approach some donor agency for the needful purpose, but for this to happen at least the EC would have to formally resolve to set up the regional training institute. Mr. Rewat Bahadur Karki suggested that that the name of the proposed institute should instead be “SAFE Institute of Capital Markets (SICM).” The Chairman stated that it was a good idea and the name of SAFE must be positioned to create brand value. All agreed.

4. After further discussion, it was agreed that “SAFE Institute of Capital Markets” would be set up to serve as a regional institute to function within the SAFE Secretariat without being a separate legal entity as of now. Furthermore, the Chairman asked the SAFE Secretariat to plan all future training programs, conferences, courses and knowledge enhancement programs under the name of our regional training institute so as to give visibility to this name, which may also be registered as a trademark. Mr. Adnan Afridi stated that KSE would be extremely happy to send its nominees to any future training program to be organized by SAFE Institute of Capital Markets. Similarly, Mr. Sanjay Saksena stated that both BSE Training Institute and SAFE Institute of Capital Markets could enter into a MoU to design the courses to be offered by SICM. He further stated that SAFE Secretariat may look into the possibility of developing model training programs for different jurisdictions with the help of already existing training institutes such as at BSE, NSE etc. After further discussions, the EC passed the following resolutions, on the proposal made by Mr. Adnan Afridi duly seconded by Mr. Rewat Bahadur Karki:

“Resolved that a regional training institute under the name and style of “SAFE Institute of Capital Markets” be and is hereby approved to be set up under the arrangements of the SAFE Secretariat, to promote the objects as specified under Articles 3.6 & 3.8 of the Charter of the Federation;”

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“Further resolved that SAFE Secretariat, be and is hereby authorized to run all future training programs, conferences, seminars, courses, educational, knowledge sharing and informational programs-in line with the objects of the Federation, under the arrangements of ‘SAFE Institute of Capital Markets’, for which purpose SAFE may enter into Memorandums of Understanding, agreements, and arrangements with domestic, regional and international entities, donor agencies, public/non-public bodies, training institutes, teaching establishments and universities, as the case may be;”

“Resolved further that SAFE Secretary General, be and is hereby authorized to do all acts to effectuate the above resolutions, for and on behalf of SAFE.”

Agenda Item No. 4: Matter of Appointment of New Deputy Secretary General (DSG)

1. The SG informed the meeting that the recent Deputy Secretary General of SAFE, Ms. Sanam Shadani, who had been appointed just six months ago, had accepted a position with a telecom operator in Islamabad at an attractive salary package. He stated that because of sudden disclosure of the intention to quit and the joining of the new employer by the outgoing DSG, the Secretariat had practically no time available for head hunting any potential candidate for the subject position, and has only been able to contact few potential candidates to seek their initial interest. However, he said that as SAFE Secretariat was experiencing a great turn-over in the DSG level employees, therefore, it was important that next DSG is appointed after careful screening so that the new appointee is able to serve the organization for at least the next three years. He further stated that it has also been noted that hiring of a suitable/promising individual for the long term engagement with SAFE was somewhat difficult because of the lower salary package being offered by SAFE. He said that due to all of these reasons, SAFE Secretariat would need some time before recommending the name of some suitable person for the appointment as DSG SAFE. Accordingly, he recommended that Chairman SAFE be authorized to approve the name of the individual upon the recommendations of the SAFE Secretariat to fill the position of the Deputy Secretary General. He further said that as the experience had shown that the turn over at this position was mainly because of the lower level of remuneration, therefore going forward SAFE may have to consider offering a higher salary package to the new appointee (such as higher cash pay in the range of USD 12,00-1,500 and an upgraded car), therefore, he proposed to the EC that the Chairman may also be authorized to approve the necessary budgetary authorizations for the needful purpose. He further informed the meeting that the outgoing DSG was being paid a monthly remuneration of USD 850/- along with SAFE provided car and other standard benefits such as group life insurance, annual gratuity etc, as per the decision of the EC dated January 30th, 2008.

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2. Discussing the matter, the Chairman while agreeing with the low level of compensation stated that while this factor may be of some relevance, however, the reason for turn over could be that since the post did not offer any prospects of career advancement, therefore no good professional would like to stay engaged at the job for an extended period. At this, the SG stated that because of this very reason, he was of the opinion that someone experienced or retired with knowhow of public sector/capital markets may be appointed in the future for ensuring long term engagement. Mr. Saksena, however stated that as far as he knew the requirements for the job are quite challenging and SAFE needed to have someone dynamic to serve the needs of the job. He particularly mentioned the name of previous DSG Ms. Farzin Khan about whose energy and drive, he had heard a lot from other BSE staff. The SG agreed with the same, and stated that as SAFE's activities were expanding day by day, therefore it was important that someone with experience, maturity, initiative and discipline is chosen, which may take some time. Mr. Rewat Bahadur Karki stated that the compensation already being paid to DSG seemed quite reasonable and he saw no reason for further enhancing the same. At this, both Mr. Adnan Afridi and SG stated that the compensation levels in the capital market circles in Pakistan are quite high and there was a general dearth of good professionals in the field.
3. The Chairman stated that whereas SAFE may look for any suitable person for DSG level, but he was of the opinion that SAFE may consider hiring someone for a new position such as at Assistant Secretary General (ASG) level, and then promoting the same person after two-three years at enhanced compensation. He said that in this way, the person so appointed would have some prospects of career advancement and rewards. All agreed, but the SG stated that whereas SAFE Secretariat would consider such a policy but if someone suitable is found for DSG level, then we may have to consider the offer for an enhanced salary package. To this, the Chairman replied that it would be up to the recommendations of the SAFE SG, which he would approve in case of any suitable person. The Chairman also advised SG to consult Mr. Adnan Afridi while recommending the name of the suitable candidate for appointment either as ASG or DSG. All agreed. After further discussion, the EC passed the following resolution:

“Resolved that the Chairman SAFE be and is hereby authorized to approve the appointment of ASG/ DSG, as well as corresponding budgetary authorizations towards the salary & benefits package to be offered to the new appointee, as the case may be, upon the recommendations of SAFE SG-in consultation with Mr. Adnan Afridi.”

Agenda Item No. 5: Change in the Authorized Signatories for Handling SAFE Accounts

1. The SG informed the meeting that in the wake of the resignation of the DSG, a change in the authorized group of signatories for handling SAFE accounts is

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warranted. Accordingly, he recommended that instead of DSG, the Accounts Manager SAFE may be included in the authorized group of signatories as permitted under Article 11.5 of the SAFE Charter. The EC discussed the matter and carried the following resolutions:

“Resolved that Mr. Syed Nayyer Ashfaq (Accounts Manager SAFE) be and is hereby included in the group of signatories alongside SAFE SG, for the joint handling and operating of SAFE’s accounts, to sign all cheques, and other bank related documents, for and on behalf of SAFE, in place of Ms. Sanam Shadani-the outgoing DSG of SAFE,”

“Resolved further that all previous arrangements made with the banks for handling, operating of SAFE’s accounts and for signing of cheques and other banking documents, be and is hereby cancelled accordingly,”

“Further resolved that Secretary General SAFE, be and is hereby authorized to comply with all the formalities in this regard.”

Agenda Item No. 6: Offer of ‘Associate Membership’ of SAFE to new institutions

1. The SG informed the meeting that Article 2 of the SAFE’s Charter defines the categories of membership of SAFE, and particularly states that “SAFE shall be composed of:”

“any other entity/organization/association operating in/outside the region, in the service of the capital market whose main objective is the provision of regulatory, technical and expert services of a specialized nature to the capital markets of the region, as “Associate Member”

2. The SG further stated that the above provision was introduced in the Charter of SAFE after the establishment of the permanent secretariat of SAFE in Pakistan, with the objective of offering a new class of membership to the region’s depository & clearing entities, besides other relevant entities operating outside the region. He stated that since the adoption of the updated Charter (on Nov 16, 2006), SAFE had witnessed an increase of about 43% in its membership fold within the last two years, as a total of nine new members had joined SAFE during this period thereby increasing the total number of members from 12 to 21 as of Jul 2008. The SG also presented the list of the members inducted during the last two years, which is appended below:

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

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- 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
3. The SG informed the meeting that whereas the addition of new members had not only added the diversity of expertise now available at the platform of platform, but had also enabled SAFE to start meaningful discussions with the new members for the ultimate objective of the integration of trading and clearing services within the region as per the long term goal of SAFE. Besides, he said that, in terms of revenue generation potential through the entry of new members, SAFE stood to earn annual revenue of **USD 22,500/-** through the yearly subscription fee source from such members, which was a substantial addition to the long term financial health of the Federation. He further stated that whereas, almost all the relevant entities of the region have now become the members of SAFE, however five under mentioned potential regional entities could still be encouraged to become the members of SAFE, for which purpose regular communication was being made with these organizations:
- 1) BOI Shareholding Limited of India.
 - 2) Central Depository and Settlement Co. Ltd of Mauritius.
 - 3) Central Depository Systems (Pvt) Ltd. of Sri Lanka.
 - 4) Clearing Corporation of India Limited.
 - 5) National Commodity & Derivatives Exchange Ltd of India.
4. The SG informed the meeting that keeping in view the broader objective of SAFE, the Secretariat, alongside encouraging the left over entities of the region, had started correspondence with other relevant institutions from the neighboring regions as well, so as to start the process of broadening the scope of our discussions with other potential liquidity centers which may ultimately help our regional exchanges in harnessing the emerging trend of establishing global alliances. He further stated that the Secretariat had also discussed the idea of the grant of Associate memberships to the mutual fund associations in India and Pakistan-being the two most important representatives of the institutional investors in the region. He said that whereas the efforts to woo all new potential members were ongoing, however, after initial discussions, Abu Dhabi Exchange (ADX) had expressed its interest in joining SAFE as an Associate Member. In this respect, he presented a copy of the latest communication received from CEO of ADX, which is attached with these minutes as **Exhibit-E**.



5. The EC discussed the matter in detail. The Chairman asked SG about the performance of ADX. To this, the SG stated that ADX is the new name of Abu Dhabi Securities Market (ADSM), which had been in business for quite some time. The Chairman asked as to what criteria is followed while approving the membership of an entity by SAFE. To this, the SG replied that the Charter provides an eligibility period of operations of an entity for at least one year, however normally the constituent documents and annual reports of an entity for the last three years are asked by the SAFE Secretariat from all the applicants at the time of processing the application. Mr. Karki stated that a commodity exchange in Nepal has been formed privately but has not been given the license to operate by the government, and asked whether the same commodity exchange would also be eligible for SAFE's membership. To this the SG replied that only recognized, regulated and supervised stock, derivative and commodity exchanges are eligible for SAFE's membership as per Article 2.1.1 of the Charter of the Federation. As such, he stated that any unregulated exchange cannot be accepted as a member of SAFE. Mr. Adnan Afridi appreciated the efforts of the SAFE Secretariat in expanding the membership fold of SAFE and stated that now the time has come to really internationalize our Federation. The Chairman also stated that the charter of the Federation had been broadened and updated on his advice so as to make the Federation a truly global association of the Exchanges. He stated that whereas the name of the Federation may signify a regional connotation, however, SAFE must continue to expand its international alliances, and for this purpose he appreciated the role of the Secretariat. Accordingly, the EC passed the following resolution, at the end of the discussion:

“Resolved that the policy of offering Associate Memberships of SAFE to other potential regional and non-regional entities be and is hereby approved in principle, subject to the processing of each of the new application as per the procedure laid down in the Charter of the Federation.”

Agenda Item No. 7: Any other Matter with the Permission of the Chair

1. The Chairman asked the SG about the revenue and expense report of the Federation during the first six months of the year. To this the SG replied that both the income and the expense of the Federation were in line with the approved budgetary authorizations. He said that whereas in previous years almost 100% income of the Federation used to come from the single source of membership subscriptions, however during the ongoing year, about 25% of the income was projected to come from other sources such as conference/training programs, Dow Jones-SAFE indexes, interest income etc., and 75% income would come from the membership subscriptions. He said that similarly the major expense of the Federation would be towards the head of salary & benefits together with travelling/seminars/conferences expenses. He further said that it was obvious that SAFE would not earn any revenue from the Dow Jones-SAFE index's license fee but the surplus of the previous

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conference which was held after the balance sheet date, would offset the shortfall in the projected revenue from this source. All in all, he stated that the financial position of the Federation was improving day by day and it was expected that the ongoing year would result in record surplus for the Federation.

2. There being no further agenda to discuss, the meeting ended with a vote of thanks for the Chair as well as for the excellent hospitality of BSE. The EC members also urged Mr. Karki to plan the meeting of the next EC at Katmandu, Nepal to which he gladly agreed.

Rajnikant Patel
Chairman

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