

No. 3 of 2009

Aug 7, 2009

MINUTES OF SAFE EXECUTIVE COMMITTEE MEETING

1. Third Executive Committee (EC) Meeting of SAFE for the year 2009 has been scheduled for August 07, 2009 at 10:00 AM at MCX Head Office at Exchange Square Mumbai. The meeting was attended by the following EC members:

1) Mr. Adnan Afridi	Chairman
2) Mr. Joseph Massey	Vice Chairman
3) Mr. Mr. Fakhor Uddin Ali Ahmed	Vice Chairman
4) Mr. Muhammad Lukman	Member
5) Mr. Shankar Man Singh	Member
6) Mr. Aftab Ahmad Ch.	Secretary General

2. The leave of absence was granted to Mr. Rashed A. Al-Baloushi
3. The meeting was also attended by Dr. Bandiram Prasad, the CEO of FTKMC.

Proceedings of the Meeting

1. Meeting started with Mr. Adnan Afridi as the Chair. He welcomed the participants and thanked them for taking time out to attend the meeting.
2. Thereafter, the Chairman started the proceedings of the meeting agenda wise.

Agenda Item No. 1: To confirm the minutes of the last EC Meeting

1. The Chairman asked the Secretary General (SG) to apprise the participants about the proceedings of the last EC meeting. Accordingly, the SG briefed the meeting about the decisions taken during the last EC meetings held on March 11, 2009 at Abu Dhabi, UAE.
2. After the briefing by the SG, on the proposal of Mr. Muhammad Lukman, which was duly seconded by Fakhor Uddin Ali Ahmed, the EC carried the following resolution unanimously:



“Resolved that the minutes of SAFE EC meetings held on March 11, 2009, be and are hereby approved, and the Chairman, be and is hereby authorized to sign the approved minutes.”

3. The approved minutes are attached with these minutes as **Exhibit A & B** respectively.

Agenda Item No. 2: Brief on SAFE activities since the last EC Meeting.

1. The Chairman invited the SG for a briefing to the EC regarding the activities of SAFE undertaken by the SAFE Secretariat since the last EC meeting.
2. The SG gave detailed briefing to the EC about the SAFE activities and highlighted the following points:
 - a. **Matter of Proposed Changes in the Charter:** SG informed the EC that certain changes/amendments in SAFE Charter were taken up by the General assembly in its meeting held on March 11, 2009 at Abu Dhabi, UAE in an impromptu manner. He said that these changes were made without prior legal vetting and were suggested by the Members in that meeting. He further said that the general assembly had also resolved to approve the proposed changes and had desired that the changes be converted into proper legal language and be brought to the notice of the EC for its approval. He said that the general assembly had decided that upon the approval of the EC, the said changes would deem to have been incorporated as the general body had already voted for such changes.

The SG informed the meeting that these amendments primarily related to Article 9 which dealt with the composition of EC and election of EC members, Chairman and Vice Chairmen of the Federation. The SG informed that Article 6.5 was also amended as a consequence thereof. Furthermore, he said that the objective clause of the Charter was also broadened keeping in view the future scope of SAFE's activities. He said that the same changes have now been got vetted from a legal counsel. He said that the same changes had now been placed at **Agenda # 3** for consideration and clearance of the EC before their inclusion in updated Charter of the Federation.



- b. **Status of the receipt of dues from the Members:** SG informed the EC about the updated list of receivables from the Members. He said that SAFE was to receive an overall amount of US\$ 103,000 from its members in January, 2009, both primary as well as associate, under the head of Annual Membership Subscriptions i.e. US\$99,500 for the year 2009 and US\$ 3,500 being arrears of 2008 against ADX (US\$ 2,500) and MSE (US\$ 1,000). SAFE has received membership subscriptions amounting to US\$ 80,000 thus leaving a balance of US\$ 23,000 as outstanding as of July 28, 2009 under this head. EC discussed the matter and advised that the Secretariat should continue its follow up with the Members concerned. The EC did not agree to the proposal of the SG about the cancellation of the membership of some entities on this count.
- c. **Requests of Withdrawal of Memberships from NSDL and CDSL:** SG informed the EC that both the above referred members had requested SAFE Secretariat for withdrawal of their SAFE memberships. The subject matter was brought to the EC meeting held on March 11, 2009 at Abu Dhabi, UAE for consideration and appropriate decision. The meeting, after deliberation, authorized the Chairman to correspond with both the members on the subject matter. SG informed the EC that accordingly the Chairman had taken up the issue of withdrawal with both the members with the objective to convince them to change their mind. However, he said that the efforts of the Chairman did not bear fruits. Both NSDL and CDSL have gone ahead with their requests and had cleared their outstanding dues as required in terms of Article 4.3.1.3.
- d. **SAARC Chamber of Commerce and Industry- Presentation:** SG informed the EC that in order to involve other trade bodies like SAFE to promote the agenda of our Federation, SAFE had approached the SAARC Chamber of Commerce to organize some sort of event where the agenda of SAFE is discussed and highlighted. Accordingly, the SAARC CCCI organized a lecture on the theme of 'Common Stock Market in South Asia: Prerequisites and Consequences' on March 30, 2009 at Karachi in collaboration with FPCCI and FNF, regional office, India. The program was attended by the SG SAFE for and on behalf of SAFE.

The organization of the above lecture series 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 visibility point of view.

- e. **Appointment of M/s Infotech for the Technical study evaluating Bhutan, Nepal and Maldives Stock Exchanges for live data feed to data providers:** SG informed the EC that at present Bhutan, Nepal, and Maldives did not have any representation in DJI SAFE 100 Index due to these countries being unavailable via their Reuters feeds to Dow Jones. He informed the EC that while approving the revised composition of the Index in its meeting held on October 24, 2008, the EC had desired that in order to make the SAFE index a truly representative Index of the region, at least one company from each of SAARC country should be included in the composition of the Index. Accordingly, the DJI was approached to accommodate the desire of the EC through some revised composition of the proposed index, but in response the DJI informed the SAFE Secretariat that the data feed from these exchanges was not available and hence 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. To achieve this end, and help our smallest 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. SG informed the EC that the task is still in hand and once the same is completed then DJI would be requested for the re-composition of the Index likewise.
- f. **The project for the launch of ETFs based on SAFE Index:** SG informed that EC that during the last General Assembly Meeting, It was agreed that ADX would hold a conference with potential asset management companies for the launch of first ever ETF based on SAFE Index for the local market sometimes during the ongoing year. However, Mr. Tom Healy of ADX in a meeting with SG SAFE during May has now proposed that as Abu Dhabi Financial Authority has yet to approve the ETFs Regulations, therefore it would be appropriate if such type of event is planned after the approval of local regulations. Accordingly, the CEO of ADX has proposed the month of Oct for such sort of seminar which would enable SAFE to reach out to certain international asset management companies for seeking their interest in the ETF based on DJI SAFE index.



- g. **Project of the Study on harmonization of Securities Laws:** SG informed the EC that in the light of recommendations of SAARC Finance Ministers (New Delhi, September 15, 2007), a Colloquium was organized by SAARC Secretariat from 21-22 April 2008 at Kathmandu. Among host of other things, the Colloquium had recommended that a study relating to the harmonization of securities market regulations should be carried out so as to bring all the securities regulations within the region in accordance with the standards outlined by IOSCO.

SG informed the EC that in order to achieve this end, the meeting had recommended that a detailed study be carried out with appropriate financial and technical support of relevant international organizations, including ADB. Based on the study, the SAARC Secretariat had decided that the member states may undertake the process of harmonization of laws and regulations in different aspects of capital markets including accounting and corporate governance standards, he informed the EC. He said that the meeting also endorsed that the Member states may also consider undertaking Standardization and Harmonization of Securities Industries Classification with reference to international best practices on their own, which required lots of funding at our resources.

SG informed the EC that while SAARC Secretariat has reportedly initiated the case for the grant from ADB for the required purpose, however side by side, SAFE Secretariat has also taken an initiative, and is on way to send a proposal to the Firstinitiative-a World Bank affiliated/funded organization, which had earlier also supported SAFE in our project of harmonization of listing standards. He further informed the meeting that in this connection, SAFE had sent a draft of the project proposal form to a renowned consultancy firm, viz: The International Securities Consultancy Limited, of Hong Kong (ISC), which had earlier carried out the study relating to the harmonization of listing regulations under the funding from the Firstinitiave. The idea of sharing the draft project proposal with ISC was that a well drafted request may be initiated which had the potential of winning the approval of the firstinitiave Board.

The Ec discussed the matter and appreciated the efforts of the SAFE Secretariat in this regard. The EC however urged the SG to expedite the process so that the project is completed at the earliest possible.



- h. **Contacts with multiple donor agencies for Funding SAFE's agenda/projects:** SG informed the EC that SAFE had been working on a number of projects. Amongst these projects some are the projects that require no extra funding but can be undertaken from within the sources of SAFE such as; the work on the launch of ETF based on DJ SAFE index, the work on launching SAFE mutual fund, publication of SAFE newsletters and holding of SAFE meetings etc. However, he said that there were still some projects of far reaching consequences that required extended funding in the shape of grants or sponsorships for undertaking the same. Some of such projects are appended below:
- i. Study about the differences in the regulatory models being practiced in the member countries
 - ii. Harmonization of regulatory standards through modular regulations based on IOSCO standards
 - iii. Establishment of SAFE Data Center
 - iv. Establishment of SAFE Capital Market Institute
 - v. SAFE Publications (Quarterly research Journal and Economic Review etc)
 - vi. Organization of International Training programs and thematic conferences

In order to undertake the above projects, SAFE has been working on number donor agencies every year to get some sort of funding such as EU, USAID, World Bank, IMF etc., but no fruitful results have been achieved. Of late, SAFE has got the information that the Friedrich Naumann Foundation (FNF) of Germany had been sponsoring some activities of SAARC Chamber of Commerce every year with a grant of USD 100 K every year since its inception. Accordingly, SAFE Secretariat has established the initial contact with the country representative of FNF Mr. Olaf Kellerhoff, who was invited to visit SAFE Secretariat some times ago. Whereas the country representative has appreciated the agenda of SAFE and has opined that FNF may be able to support some of the activities of SAFE, however he had stated that as SAFE is a regional body, therefore its case for funding would be taken up by the regional office of FNF which is located at New Delhi, India. SG informed the EC that Mr. Olaf had proposed that it would be appropriate if a team of SAFE EC may visit the FNF offices at New Delhi to discuss the matter of funding for some of the projects which may have some relevance with the FNF objectives. Accordingly, the SG proposed that SAFE EC may authorize a core team to contact with FNF as well as with other donor agencies to find some funding options for the long term plans for the SAFE.



The EC discussed the idea and requested Mr. Joseph Massey to contact the FNF's regional office at Delhi. The EC also asked the SG to establish its contact with the regional office and coordinate the visit of the SAFE EC accordingly.

- i. **Apex Body Status:** SG Informed the EC that SAFE had taken up the case for the upgradation of its status from being a recognized body to an apex body of SAARC as the higher status enables SAFE to voice its agenda at the policy level of SAARC such as the Council of Ministers etc. Furthermore, he highlighted that an apex body status would also entitle SAFE to get the visa exemption status for its EC as well other members. He said that accordingly SAFE had initiated the case for change in its status through the Ministry of Foreign Affairs of Pakistan. However, he said that the SAARC section of the said Ministry instead of accepting our request had stated that it would be inappropriate to file an application for an Apex Body after a very short time of being given the stratus as a Recognized body which was done during December 2007. In view of the above, SAFE had to postpone any further development in this regard till Dec 2010.
- j. **PCP Evaluation:** The SG informed the meeting that SAFE was granted status of not-for-profit organization for the purpose of tax exemption by the Income Tax Authorities. He said that this status was, however, subject to revision/amendments in the SAFE Charter as advised by the Income Tax Authorities and also submission of performance report dually evaluated by Pakistan Centre for Philanthropy (PCP). He informed the EC that the amendments as advised by the Income Tax authorities had been duly carried out in the Charter. He informed the EC that the matter of SAFE performance evaluation has been taken up with PCP and the process was underway.
- k. **SAFE Newsletter:** SG informed the EC that after overcoming numerous teething problems, SAFE Secretariat was now taking out its quarterly newsletter on a regular basis under the name and title of 'SAFE NEWS'. He said that it was worth mentioning here that for the third time in a row SAFE News shall be meeting its own printing and circulation cost with the help of advertisements. He further informed the EC that from Q2 issue of 2009, its format had been changed and its look has now been made to look like a magazine. He informed the EC that the newsletter besides retaining the traditional features of a newsletter also contained a number of new initiatives such as key trade statistics as well as capital market reviews of SAFE member exchanges/countries. The EC appreciated the efforts of the Secretariat and urged the SG to also circulate an e-copy of the same to all Members.



1. **Daily compiling of market statistics of SAFE exchanges:** The SG informed the meeting that the SAFE Secretariat had completed the task of designing the template containing prominent indexes of South Asian regional exchanges. He said that the Secretariat had been posting the template of the same on the web site of SAFE for trial purpose which was now being updated on daily basis. He informed the EC that soon after the trial efforts would be made to get it published in the prominent business newspapers of the South Asian region on daily basis. He said that 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.

Agenda Item No. 3: Adoption of the Updated Charter of the Federation

1. SG informed that EC that 8th General Assembly in its meeting held on March 11, 2009 at Abu Dhabi, UAE, had carried out certain amendments in the SAFE Charter which primarily dealt with the composition of EC, election of EC Members, Chairman, and Vice Chairmen of the Federation. He said that besides the same, on his suggestions, certain changes were also agreed to by the general body in the objective clause of the SAFE Charter. He informed the EC that the General Assembly, after deliberations, had approved the amendments subject to legal vetting and consent of the EC.
2. He informed the meeting that SAFE Secretariat had got the amendments vetted by its legal counsel, and accordingly the updated Charter was enclosed **Exhibit C**.
3. The EC discussed the matter and carried the following resolution:

“Resolved that the amendments in the SAFE Charter as carried out during the 8th General Assembly be and are hereby dopted.”

“Resolved further that the updated Charter may be placed on the SAFE’s web site for the information of all Members”

Agenda Item No. 4: Membership Affairs of SAFE.

4.1 Withdrawal requests of NSDL and CDSL from the SAFE Memberships:

The SG informed the meeting that M/s NSDL and CDSL, both associate members of SAFE, had requested SAFE Secretariat for withdrawal of their SAFE memberships. He informed that the EC, in its last meeting held on March 11, 2009, had authorized the Chairman to communicate with both the members in the subject matter and convince them to change their minds. He said that the Chairman had taken up the matter of withdrawal with both the members and made every effort to convince them to change their mindset. However, he said that the efforts of the Chairman, did not bear fruits. Accordingly, he said that the EC may accept the request of both M/s NSDL and CDSL for the withdrawal of their SAFE memberships in the light of Article 4.3, which was accordingly acceded to be the EC.

4.2 Matter of Non Communication from Certain members: The SG also presented a list of those Members who had not yet paid their subscription dues to the SAFE Secretariat. The EC discussed the matter and asked the SAFE Secretariat to urge the non-paying members to pay their dues in a timely fashion.

Agenda Item No. 5: Financial Matters of SAFE.

1. Half yearly un-audited accounts of SAFE: The SG presented the detailed report on the half yearly un-audited accounts for the period ending June 30, 2009. He highlighted the following salient aspects to the EC:

- Income on account of annual subscription stood at US\$49,750 by June 30, 2009 as compared to US\$ 44,250 received by SAFE during the same period last year thereby registering 12% rise over 2008 figure. However, overall income of the Federation registered a decline in 2009 to US\$ 53,300 from US\$ 67,053 in 2008 due primarily to the non receipt of any money on account of surplus earned by SAFE from the conferences/seminars. As no income was recorded during the ongoing year in this head, therefore the overall income figure is less than what was earned during corresponding period last year. Similarly, when compared with half yearly figure of budgeted income, the actual income figure for the period ending June 30, 2009 remains short by US\$17,100 due mainly



to non-realization of SAFE share in surplus incomes from various projects.

- On the expenditure side, the overall expenditure showed a decline of 5.75% from US\$ 37,387 in 2008 to US\$ 35,238 in 2009 despite rising inflationary trends in prices. This has been made possible due to effective control of management on overseeing the Secretariat expenses. The variance has become more pronounced when actual expenses are compared with the expense provisions as provided in the budgeted estimates. The figure of actual expenses of US\$ 35,238 compares very favorably with the budgeted outlay of US\$ 55,798.
 - Overall, SAFE earned a surplus of US\$18,062 during the first six months period ending June 30, 2009 (US\$29,668 for the corresponding period last year).
 - The financial position of SAFE remained stable during the six months. The surplus figure witnessed an increase of 22% over the corresponding period last year. While current ratio has improved considerably during the six month period ending June 30, 2009. It has gone up from 1.1:1.0 last year to 1.6:1.0 in 2009.
 - As may be seen from the figure of cash flows, SAFE has a cash of about US\$ 55 K available with it. Excluding the likely expenses of about US\$ 35 (in line with first six months expenses), the cash flow position of the Federation shall be quite low.
2. SG informed the meeting that a copy of the half yearly un-audited accounts of SAFE was enclosed with the agenda papers as an Exhibit (**Exhibit D**). The EC discussed the matter and passed the following resolution:
- ‘Resolved that half yearly un-audited accounts for the period ending June 30, 2009 be and are hereby approved.’***
3. SG also suggested some cost cutting measures such as the purchase of office for SAFE at the ISE Towers and reduction in the traveling head by requiring the EC members to travel in the cabin class. The EC discussed the matter and authorized the Chairman SAFE to make a policy decision in this regard. The EC also agreed that in case of any additional funds are required for the purchase of the office for SAFE Secretariat, then the same be asked from the Members as one time donation.



Agenda Item No. 6: Future Activities of SAFE.

1. SG informed the EC that since after the inception of SAFE, the most profitable and full of activity period for SAFE has been the period of last few years when SAFE started on the implementation of its objectives with full vigor. He said that during the past three years, SAFE had not only held its annual general assembly meetings on regular basis but had also combined the same with the holding of thematic conferences. He said that likewise, whereas SAFE had arranged two successful international training programs for the uplift of the HR related to the member stock exchanges, however the security situation again prevented the holding of any further program during the last year. He said that this state of affairs had also resulted in the delay of work related to the establishment of SAFE Institute of Knowledge Management as well as the launch of quarterly research journal from the platform of SAFE. He informed the meeting that the worsening security situation had kind of handicapped SAFE from organizing any large scale event or get-togethers in any one country.
2. In view of the above, he said that he had held various consultations with the Chairman SAFE and other stakeholders so as to reorientate the activities of SAFE to enable the Federation to continue moving forward on its agenda. He said that in this respect, he had also sought a proposal from FT Knowledge Management Company which was subsequently discussed in the Management Committee meeting of SAFE comprising of the Chairman and SG.
3. The SG stated that after extensive discussion, the Management Committee had proposed the following broad initiatives to be undertaken, which are in line with the proposal submitted by FT Knowledge Management Company. The EC discussed the following and decided on the implementation of the same:
 - a. In view of the lukewarm reply from the member exchanges towards their participation and involvement in the launch of a quarterly SAFE capital markets journal, instead a series of annual publication named "South Asian Financial Market Review," should be initiated. This publication may be launched under the arrangements and supervision of FT Knowledge Management Company, towards which SAFE Secretariat may only assist from the perspective of editorial contribution or advertisements primarily from Pakistan. The profits after deducting the costs should be made shareable in the ratio of 70:30 between FT Knowledge Management Company and SAFE Secretariat.



- b. Holding of Thematic Country Roundtables: These roundtables should be organized and hosted by the member exchanges once in six months, with the coordination from SAFE. The tentative program of the country round table could be as under:
- | | | |
|-------|-------------|---------------------------|
| i. | India | 2 nd Half 2009 |
| ii. | Pakistan | Ist Half 2010 |
| iii. | Bangladesh | 2 nd Half 2010 |
| iv. | Sri Lanka | 1 st Half 2011 |
| v. | Nepal | 2 nd Half 2011 |
| vi. | Mauritius | Ist half 2012 |
| vii. | Bhutan | 2 nd Half 2012 |
| viii. | Maldives | 1 st Half 2013 |
| ix. | Afghanistan | 2 nd Half 2013 |
- c. South Asian Capital Markets Conferences: The series of these conferences which had been introduced during 2006 should continue to be held on rotational basis under the prime responsibility of the host institution and coordination from SAFE. The third series of the conference which was supposed to be held under the arrangements of MCX should be finalized and held during 2010.
- d. SAFE Financial Forum: This should be an annual training/continuing educational event to be organized primarily by the SAFE Secretariat through its associated entity SAFE Institute of Knowledge Management at any of locations such as Islamabad, Lahore or Karachi under the arrangements of SAFE and with the help of other two exchanges in Pakistan.
- e. The arrangements for the sharing of the surplus for events should be that 40% surplus should be kept by the host exchange (which should provide funds for the organization of the events in the first place), 40% to go to any coordination agency (such as BSE Training Institute, FT Knowledge Management Company, SAFE Institute of Knowledge Management or any other event organizer) and 20% to the SAFE Secretariat.

Agenda Item No. 7: Next General Assembly Meeting and SAFE Conference.

1. SG apprised the EC that as per the decision of the last general assembly meeting held at Abu Dhabi during March 2009, MCX was supposed to hold the next general assembly meeting and the SAFE Conference. He said that the same was earlier scheduled to be held during Dec 2009,

however the same had to be postponed due to the security situation following the 26/11 incident at Mumbai, India. He said that MCX may be asked to hold the next meeting at any of the foreign locations where its parent company FT India may be present.

2. EC discussed the matter, and upon the offer of Mr. Joseph Massey agreed to the holding of the next SAFE Conference and AGM at Mauritius through the hosting of GBoT-an exchange venture of FT India.

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

1. While discussing agenda item # 4 regarding the membership dues, the EC asked the SG to look into the prospects of issuing Affiliate Memberships to certain capital market related institutions as allowed by the relevant Articles of the SAFE Charter such as brokers, mutual funds, technology companies, registrars & trustee services entities etc. Furthermore, the EC decided that for all such members, the subscription rate would be US\$ 1,000/- per year and such members would be allowed participation in all SAFE events and would be given 20% rebate on all events requiring fee based registrations. The EC also decided that the logos of such Members would be placed and their names would be included in all electronic or print media publications released/prepared by SAFE. EC further emphasized that the SG should make all out efforts to extend the outreach of the SAFE and have some members included from the ASEAN and EU region as well.
2. On discussions on agenda item # 5, the EC noted that the financial health of the Federation allowed the hiring of a DSG so as to provide full time support to the strategic work of the SG. For this purpose, the EC noted that the Research Officers hired for two different projects may be relieved of their duties in case the SG feels that the relevant projects would not be economically feasible for the Federation. The EC authorized the Chairman and SG to make a decision with regards to the hiring of some best resource for the job and also allowed them to consider a higher budget for the position in case of some exceptional candidate. The EC also appreciated the efforts and the services of the incumbent SG and other Secretariat staff for their efforts and dedication towards the achievement of the objectives of the Federation.

There being no other item, the meeting ended with a vote of thanks to the Chair.

Adnan Afridi
Chairman SAFE