
Capital Markets

Introduction

The capital market, like the money market plays a significant role in the national economy. A developed, dynamic and vibrant capital market can contribute significantly in the speedy economic growth and development. It mobilizes funds from people for further investments in the productive channels of an economy, activating idle monetary resources and puts them in proper investments. Capital market also helps in capital formation. Capital formation is net addition to the existing stock of capital in the economy. Through mobilization of ideal resources it generates savings; the mobilized savings are made available to various segments such as agriculture, industry, etc. This helps in increasing capital formation. It raises resources for longer periods of time. Thus it provides an investment avenue for people who wish to invest resources for a longer period of time. It provides suitable interest rate return also to investors. Instruments such as bonds, equities, units of mutual funds, insurance policies, etc. definitely provide diverse investment avenues for the public.

The capital market enhances production and productivity in the national economy. As it makes funds available for long periods of time, the financial requirements of business houses are met by the capital market. It helps in research and development. This helps in increasing production and productivity in the economy by generation of employment and development of infrastructure.

The lack of an advanced and vibrant capital market can lead to underutilization of financial resources. The developed capital market also provides access to foreign capital for domestic industry. Thus the

capital market definitely plays a constructive role in the overall development of an economy.

Capital markets consist mainly of Stock (equity) and Debt markets. The capital market provides an avenue for raising the long-term financing needs of business through equity and long term debt by attracting investors with a long term investment horizon.

Pakistan Equity Markets

The Karachi Stock Exchange (KSE) is the biggest and most liquid exchange in Pakistan with an average daily turnover of 254 million shares and market capitalization of US \$ 41.0 billion as of the first week of May, 2012. The international magazine 'Business Week' declared the KSE as the best performing world stock market in 2002. Since then, international investors have given due considerations to the KSE in making decisions regarding foreign investment in equity markets.

Since 1991, foreign investors have an equal opportunity together with local investors to operate in the secondary capital market on the Karachi Stock Exchange. The establishment of the new policy for foreign investors and the privatization initiated in Pakistan has accelerated the development of the KSE, which had 591 companies listed in 2012.

The Karachi Stock Exchange trades the KSE-100 Index. It is a highly-diversified index of 100 largest capitalization companies' stocks from all sectors of Pakistan's economy. A constantly revised index is a good indicator of the overall exchange performance over a period of time. In May, 2012, 92 percent of the KSE total market

capitalization was represented by the KSE-100 Index.

The Lahore Stock Exchange is the second stock exchange established in Pakistan in 1971. Today, the LSE is the only domestic exchange to have more than one trading floor and is also the only exchange in the region to have established a unified order book with another domestic stock exchange in the country. The institution was established to facilitate the investors of Punjab and Northern areas by providing them an access to the capital market and enabling them to take part in the progress of the corporate sector of the country. The Lahore Stock Exchange Twenty Five company index, the LSE25, calculates the performance of stocks of major companies.

The third stock exchange, the Islamabad Stock Exchange, was incorporated as a guarantee limited company in 1989 in Islamabad with the main object of setting up a trading and settlement infrastructure, information system, skilled resources, accessibility and a fair and orderly market place. The purpose for establishment of the stock exchange in Islamabad was to cater to the needs of less developed areas of the northern part of Pakistan. ISE10 index monitors the performance of the ISE.

Developments in 2011-12

The Pakistan stock markets remained range bound during the first half with a predominantly declining trend. The obscure movement of the stock market statistics was consequent to various challenges faced by the country including escalating political upheaval, uncertainty due to worsening law and order situation as well as rumours on the economic front pertaining to reduction in military and civil aid from international donors, the Pak rupee depreciation and increasing fiscal deficit of the government. However, the KSE-100 index resumed its momentum during the 3rd quarter of 2011-12 owing to certain encouraging measures like considerable reduction in discount rate by the SBP during latter period of the first half of Current Financial Year and increase in foreign exchange reserves. Further, the market sentiment was boosted by the proposed promulgation of the Capital Gain Tax Ordinance under which the

National Clearing Company of Pakistan Limited (NCCPL) has been appointed as an intermediary entity to compute, determine, collect and deposit the Capital Gain Tax (CGT) on listed securities. The subject Ordinance was finally promulgated on the 24th April, 2012.

In Pakistan, securities trading remained exempt from CGT for 36 years till June 30, 2010. The imposition of CGT on securities from July 1, 2010 has not only impacted the tax revenue (less than 10 percent of figure three years ago) but also reduced average traded value to the lowest level during the last ten years. During the period of exemption, the investors kept making gains from the securities trading which remained undocumented due to exemption from requirement of filing of income tax returns relating to exempt income. In 2010, after the imposition of CGT, investors were required to file the income tax returns along with declaring the source/evidence of investments for which they did not have the documented details. Due to this the investors reduced investments in the stock markets and the average daily turnover reduced along with the reduction in the share prices.

To address the distress condition of share trading in the stock market, some mechanism was required to provide relief to the investors who were subjected to 100 percent documentation of the gains and increase in the tax revenue. This has now been done with the promulgation of the CGT Ordinance under which NCCPL has been appointed as an intermediary entity to compute, determine, collect and deposit the CGT on listed securities.

NCCPL is a clearing company where all the amounts relating to the trading activity in the stock markets in Pakistan are settled. Therefore the NCCPL can capture and tax all the transaction in which capital gain arises under the income tax law. The NCCPL will compute tax for all type of investors except the few financial intermediaries, foreign institutional investors and any other person specified by FBR. The tax rate for CGT will be 8 percent and 10 percent for investment holding up to six months and 12 months respectively till June 30, 2014. NCCPL will be depositing the tax with the FBR on an annual basis.

In addition, no question relating to the source/nature of money will be asked by the tax authorities if the money remains invested in the stock market for a period of 45 days (till June 30, 2012) and 120 days (till June 30, 2014) before and after the promulgation of CGT Ordinance with a condition that the investor files with FBR a statement of investment, wealth statement, income tax returns and statement that the due tax has been paid. Further the automated system of the NCCPL will be audited on a quarterly basis and the NCCPL will submit quarterly statements to FBR relating to the CGT.

Performance of Karachi Stock Exchange

A total of 591 companies were listed at the Karachi Stock Exchange (KSE) as of May 04, 2012 with a total listed capital of Rs1,059.087 billion. The aggregate market capitalization as on May 04, 2012 stood at Rs. 3,730.489 billion which remained below 18.1 percent of the provisional estimates of GDP, fiscal year 2012.

Market performance in terms of volumes also remained sluggish during the first half of the 2011-12 but volumes gathered pace in the 3rd

quarter. The average daily volume for the nine months was 108.21 million shares.

The investment by foreign investors in the capital markets during the period from July 2011 to March 2012 depicted a net outflow of USD 176.303 million.

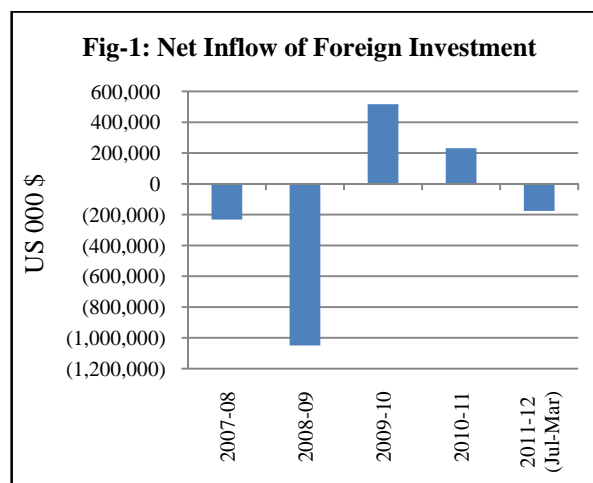


Table 6.1: Profile of Karachi Stock Exchange

Description	2007-2008	2008-2009	2009-2010	2010-2011	2011-12 (end March 2012)
Total listed companies	652	651	652	639	591
New companies listed	7	8	8	1	3
Fund mobilized (Rs. in billion)	62.88	44.95	111.83	31.04	107.29
Total Listed Capital (Rs. in million)	706,419.98	781,793.81	909,893.67	943,732.85	1,058,455.26
Total Market Capitalization (Rs. in million)	3,777,704.89	2,120,650.87	2,732,373.61	3,288,657.32	3,528,143.84
Total Shares Volume (million)	63,316.12	28,332.78	42,959.12	28,018.14	23,633.28
Average Daily Share volume (million)	256.34	115.64	172.53	111.63	127.75

Source: Karachi Stock Exchange

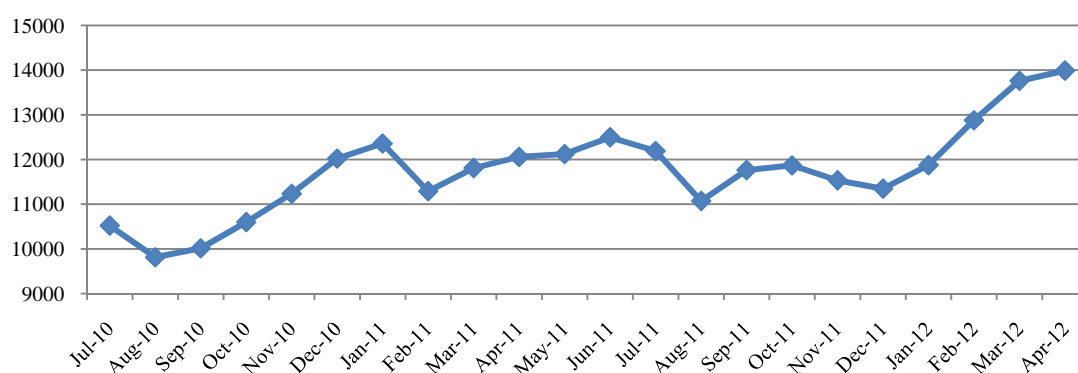
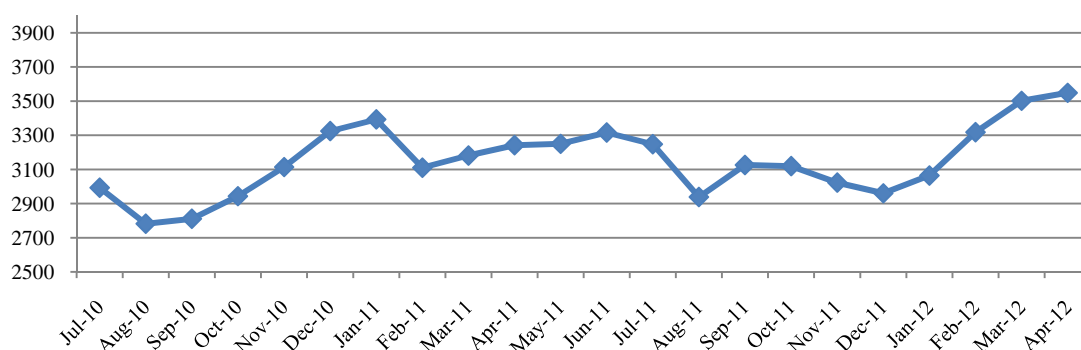
The closing value of KSE 100-index as on May 07, 2012 stood at 14,617.97 points registering a growth of 17.04 percent as compared to July 01, 2011 when the index stood at 12,484.17 points. It

also touched its highest level of 14,617.97 points on May 07, 2012 and lowest level of 10,842.26 points on August 23, 2011.

Table 6.2: Leading Stock Market Indicators on KSE (KSE-100 Index: November (1991=1000))

Months	2010-11			2011-12		
	KSE Index (end month)	Market Capitalization (Rs. Billion)	Turnover Of shares (billion)	KSE Index (end month)	Market Capitalization (Rs. Billion)	Turnover Of shares (billion)
July	10,519.02	2,992.5	1.5	12,190.37	3,247.4	1.2
August	9,813.00	2,781.3	1.2	11,070.58	2,938.0	1.0
September	10,013.31	2,810.3	1.2	11,761.97	3,125.8	1.4
October,	10,598.40	2,943.1	2.2	11,868.88	3,119.1	1.8
November	11,234.76	3,113.8	2.3	11,532.83	3,022.6	0.9
December	12,022.46	3,324.4	2.9	11,347.66	2,960.1	0.8
January	12,359.36	3,392.6	3.6	11,874.89	3,064.0	1.6
February	11,289.23	3,109.9	1.8	12,877.88	3,317.7	3.9
March	11,809.54	3,181.1	2.2	13,761.76	3,501.8	7.0
April,	12,057.54	3,224.8	1.6	13,990.38	3,548.9	6.6
May	12,123.15	3,249.9	1.6			
June	12,496.03	3,315.8	1.7			

Source: Karachi Stock Exchange

Fig-2: KSE Index**Fig-3: Market Capitalization**

Various steps are being taken by the SECP to encourage new listings. These include the following:

- ▶ The management of unlisted public companies is being approached through stock exchanges to motivate them for listing at the stock exchanges. An initial public offering (IPO) summit has also been organized to identify potential IPOs and to attract them to list their companies on the stock exchanges.
- ▶ Various regulatory bodies such as PTA, OGRA, DGPC, PPB, SBP and BOI have been approached so that their regulated entities can be motivated for listing.
- ▶ Formation of a technical committee, comprising members from all the three stock exchanges and the commission to take necessary steps for encouragement of new listing. Such steps include review of the existing regulatory framework for new listing; introduction of venture/SME board for listing of small capital based companies and venture companies; amendments in the listing regulations for reviewing the minimum allocation of capital to the general public; devising a procedure for allocation of capital to various categories of applications during IPOs, and bringing uniformity in the listing regulations of all the three stock exchanges of Pakistan.

Sector wise Performance

Oil and gas Sector, food producers, chemicals, construction and materials were the outperforming sectors during the current year. Performance of some of the major sectors is mentioned below.

Oil and Gas

In this sector 12 companies are listed at the Karachi Stock Exchange. In addition to the oil and gas exploration companies, oil marketing companies and refineries are also listed in this sector. Due to global increase in prices and higher consumption, Pakistan's oil and gas sector has also shown good profits, and continued to be the major market player. In the year 2011 the total profit before tax was Rs. 196,116.97 million, whereas profit after tax was Rs. 134,496.29 million. In the

year 2010 the profit after tax was Rs. 104,249.82 million. As on March 31, 2012 the total market capitalization of this sector was Rs. 1,186,015 million as against total paid up capital of Rs. 74,537.225 million.

Chemicals

Within this sector 32 companies are listed, with total paid up capital of Rs. 95,480.23 million and the market capitalization was Rs. 393,536.80 million. The profit after tax of this sector was Rs. 49,515.7 million. Six fertilizer manufacturing companies are included in this sector which has earned good profits during the year. These include Engro Chemicals, Fatima Fertilizer Company, Fauji Fertilizer Company and Fauji Fertilizer Bin Qasim etc.

Construction and Materials

This sector comprises of 36 companies, with total listed capital of Rs. 77,003.96 million and the market capitalization of Rs. 113,500.56. On the back of higher cement prices and increase in local demand the sector also showed growth which translated into good financial results compared to last year. In 2011 the total loss after tax has come down to Rs. 404.275 million as against total loss of Rs. 6,107.25 million in year 2010.

Automobile and Parts

The sector comprises of 16 companies with the total paid up capital of Rs. 6,940.80 million and the total market capitalization was Rs. 43,857.87 million. The sector posted total profit of Rs. 4,519.86 million in year 2011. Automobile sales also picked up in spite of increase in prices of locally manufactured cars.

Personal Goods

This is the largest sector with 188 companies (mostly related to the textile sector) with a listed capital of Rs. 54,366.23 million and market capitalization of Rs. 54,366.23 million. The total profit after tax of this sector was Rs. 26,807.96 million.

Fixed Line Communication

The sector comprises of 5 companies which includes PTCL with capital of Rs. 51,000 million.

The total paid up capital of this sector is Rs. 68,858.86 million and the market capitalization of Rs. 51,638.25 million. The total profit after tax was Rs. 2,828.473 million in year 2011.

Food Producers

This sector comprises of 57 companies (mostly sugar related) with total paid up capital of Rs. 20,476.29 million and market capitalization of Rs. 383,406.15 million. The profit after tax of this sector was Rs.16, 462.50 million in year 2011.

Commercial Banks

The sector comprises of 23 listed banks with listed capital of Rs. 382,507 million and market capitalization of Rs. 774,521.13 million. The total profit after tax of this sector increased to Rs. 104,213.46 million from Rs. 65,060.58 million in year 2010.

Pharmaceuticals and Bio Tech

The sector comprises of 9 listed pharmaceutical companies with paid up capital of Rs. 4,955.77 million; whereas the market capitalization was Rs. 33,509.46 million. The total profit after tax of this sector was Rs. 4,041.26 million.

Performance of some Blue Chips

During July-March 2011-2012, the total paid up capital of fifteen big companies (Oil & Gas Development Company Limited, Pakistan Petroleum Limited, Nestle Pakistan Limited, Fauji Fertilizer Company Limited, Habib Bank Limited, MCB Bank Limited, Pakistan Oilfields Limited, Unilever Pakistan Limited, National Bank of Pakistan, United Bank Limited, Allied Bank Limited, FATIMA Fertilizer Limited, Fajui Fertilizer Bin Qasim limited, Hub Power Company Limited and Pakistan Telecommunication Limited) was Rs. 215.87 billion, which constituted 20.7 percent of the total listed capital at KSE.

These fifteen companies earned a profit after taxation of Rs.248.19 billion in the fiscal year up to March 2012. Out of the total profit after tax, the share of OGDCL and PPL was Rs. 94.98 billion representing 38.3 percent of the fifteen big companies. For the period ending March 31, 2012, earnings per share for the top rated companies ranged from a 1.46 in the case of PTCL to 307.98 in respect of Unilever Pakistan. This indicates that the business environment in the current fiscal year has improved considerably for the blue chip companies (Table 6.3).

Table 6.3: Price to Earnings Ratio of Top Fifteen Companies

Name of Company	Profit After Tax in (Rs. billion)	Paid up Capital (Rs. billion)	EPS	Market Price (Rs.) March 31, 2012	PE ratio	Market Capitalization (Rs. billion)
Oil & Gas Development Company Limited	63.53	43.01	14.77	167.66	11.35	721.09
Pakistan Petroleum Limited	31.45	11.95	26.31	182.79	6.95	218.43
Nestle Pakistan Limited	4.67	0.45	102.94	4447.00	43.20	201.67
Fauji fertilizer Company Limited	22.49	8.48	26.52	124.84	4.71	105.88
Habib Bank Limited	20.74	11.02	18.82	111.37	5.92	122.74
MCB Bank Limited	19.42	8.36	23.23	175.44	7.55	146.71
Pakistan Oilfields Limited	10.82	2.37	45.72	365.24	7.99	86.40
Unilever Pakistan Limited	4.09	0.66	307.98	5601.00	18.19	74.46
National Bank of Pakistan	17.60	16.82	10.47	45.62	4.36	76.30
United Bank Limited	15.50	12.24	12.66	76.68	6.21	93.18
Allied Bank Limited	10.14	8.60	11.79	63.92	5.42	54.99
FATIMA Fertilizer Limited	4.12	20.00	2.06	23.72	11.52	47.44
Fajui Fertilizer Bin Qasim limited	10.77	9.34	11.53	41.57	3.61	38.83
The Hub Power Company Limited	5.42	11.57	4.69	37.63	8.03	43.54
Pakistan Telecommunication Limited	7.43	51.00	1.46	12.31	8.45	62.78

Source: Karachi Stock Exchange

Performance of Lahore Stock Exchange

The top market indicators witnessed an encouraging trend at the Lahore Stock Exchange (LSE). The turnover of shares on the LSE during Jul-March, 2011-12 was 0.587 billion shares compared to 0.923 billion during the same period last year. The total paid-up capital with the LSE increased from Rs. 888.2 billion in June, 2011 to

Rs. 981.7 billion in March, 2012. The LSE25 index which was at 3,051.1 points level in June, 2011, increased to 3,707.6 points in March, 2012. The market capitalization of the LSE has increased from Rs. 3,166 billion in June, 2011 to Rs. 3,294.1 billion in March, 2012. Two new companies were listed with the LSE during Jul-Mar 2011-12 in addition to listing of seven Open End Funds and one TFC and Bond during the same period.

Table 6.4: Profile of Lahore Stock Exchange

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (Jul-Mar)
Total Number of Listed Companies	520	514	511	510	496	460
New Companies Listed	10	2	9	25	9	2
Fund Mobilized (Rs billion)	38.8	29.7	32.8	67.5	18.1	5.5*
Listed Capital (Rs billion)	594.6	664.5	728.3	842.6	888.2	981.7
Turnover of Shares (billion)	8.2	6.5	2.7	3.4	1.1	0.6
LSE 25 Index	4,849.9	3,868.8	2,132.3	3092.7	3,051.1	3,707.6
Aggregate Market Capitalization (Rs billion)	3,859.8	3,514.2	2,018.2	2622.9	3,166.0	3,294.1

* : Funds mobilized through Right issues.

Source: Lahore Stock Exchange

Performance of Islamabad Stock Exchange

The Islamabad Stock Exchange (ISE) witnessed a mixed trend during the first nine months of 2011-12. The ISE-10 index started at 2,722.8 points on July 01, 2011 and closed at 2,821.9 points level at the end of March, 2012 showing an increase of 99.1 points (3.6 percent). The highest level of the

index 2,907.97 was witnessed on March 05, 2012 as compared to the lowest level of 2,302.8 as on August 23, 2011. The average daily turnover of shares in the ISE during Jul-March, 2011-12 was 0.11 million shares as compared to 0.14 million shares during 2010-11. ISE index however increased to 2,942.01 points on May 07, 2012.

Table 6.5: Profile of Islamabad Stock Exchange

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (Jul-Mar)
Number of Listed Companies	246	248	261	244	236	254
New Companies Listed	12	7	15	2	-	-
Fund Mobilized (Rs. billion)	30.7	24.6	24.8	76.7	17.8	20.8
Listed Capital (Rs. billion)	488.6	551	608.6	715.7	727.0	830.5
Turnover of Shares (billion)	0.2	0.6	0.3	0.2	0.04	0.01
ISE 10 Index	2,716	2,749.6	1,713	2,441.2	2,722.8	2,821.9
Aggregate Market Capitalization (Rs billion)	3,060.6	2,872.4	1,705.1	2,261.7	2,621.1	2,824.4

Source: Islamabad Stock Exchange

The total funds mobilized during Jul-Mar, 2011-12 in the three stock exchanges amounted to Rs. 133.6 billion compared to Rs. 66.9 billion in the last fiscal year. The total turnover of shares in the three stock exchanges during the first three quarters of the current fiscal year was 24.24 billion shares,

compared to 29.16 billion shares during the last financial year.

Corporatization and Demutualization of Stock Exchanges

The Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, was

promulgated with the signing of the bill by the President of Pakistan on May 7, 2012. The demutualization bill was approved on March 27, 2012, in a joint session of the Parliament.

The demutualization law provides a framework for the corporatization, demutualization and integration of the stock exchanges and had been drafted by the SECP after consensus with all the stakeholders. The law requires the stock exchanges to be demutualized within 119 days of its promulgation in line with pre-defined timelines specified for completion of various milestones involved in the demutualization exercise.

At present, the Pakistan stock exchanges are operating as non-profit companies with a mutualized structure wherein the members have the ownership as well as trading rights. This structure inherently creates conflict of interest as members predominantly control the affairs of the stock exchange which results in lack of transparency in the operations of the stock exchange and compromises investors' interest. Also, due to lack of resources our exchanges have not been able to grow to the expectations of investors, as trading activity is mostly concentrated of these exchanges with the dominant share going to the Karachi Stock Exchange.

Corporatization and demutualisation of stock exchanges would entail converting the stock exchanges' structure from non-profit, mutually owned organizations to for-profit entities owned by

shareholders. Demutualization would result in enhanced governance and transparency at the stock exchanges and greater balance between interests of various stakeholders by clear segregation of commercial and regulatory functions and separation of trading and ownership rights.

Demutualization will assist in expansion of market outreach, resulting in larger number of investors, improved liquidity and better price discovery. A demutualized stock exchange will be in a better position to attract international strategic partners and good quality issuers. Demutualization will also facilitate consolidation of brokers leading to financially strong entities.

Demutualization is a well-established global trend and almost all stock exchanges worldwide operate in a demutualized set up. The enactment of this law will bring the Pakistan capital market at par with other international jurisdictions such as India, Malaysia, Singapore, the US, the UK, Germany, Australia, Hong Kong, and Turkey.

Listing Guide Book

In order to facilitate the issuers/offers of securities and to create awareness among the general public about the process of initial public offerings (IPOs), a listing guide book (LGB) has been published by the SECP. LGB not only contains general information about the purpose and benefits of listing but also contains all major legal requirements applicable to IPOs and listings.

Box-1

Measures to encourage New Equity Listings:

Various steps are being taken to encourage new listings which include the following:

- ▶ The management of unlisted public companies is being approached through stock exchanges to motivate them for listing at the stock exchanges. An IPO Summit has been organized to identify potential IPOs and to attract them to list their companies on the stock exchanges
- ▶ Various regulatory bodies such as PTA, OGRA, DGPC, PPIB, SBP and BOI have been approached so that their regulatees can be motivated for listing
- ▶ Formation of a technical committee, comprising members from all the three stock exchanges and the commission to take necessary steps for encouragement of new listing. Such steps include
 - revision of the existing regulatory framework for new listing
 - introduction of SME board for listing of small capital based companies and venture companies
 - amendments in the listing regulations for reviewing the minimum allocation of capital to the general public

- devising a procedure for allocation of capital to various categories of applications during IPOs, and
- bringing uniformity in the listing regulations of all the three stock exchanges of Pakistan

Global Stock Markets

During fiscal year 2011-12, the leading stock markets indices of the world observed mixed trends. Some of the markets witnessed negative growth ranging from 18.1 percent (China) to 3 percent (UK). Whereas major stocks which observed positive growth include, Philippines (19.03 percent), Pakistan (10.13 percent), US S&P

500 (6.65 percent), Indonesia Jakarta composite (5.99 percent) and Tokyo Nikkei 225 (2.72 percent). It may be noted that compared with the other world indices, the Pakistan stock market performed well during the current fiscal year. This was mainly due to the steps taken by the current government to boost the confidence of the equity market investors which included reforms in the Capital Gains Tax, etc.

Table 6.6: Global Stock Indices during June 30, 2011 to March 2012

	Index	Date		Change June 2011-Mar 2012		Local Currency V/s US\$	
		30-Jun-2011	31-Mar-2012	Points	%	30-Jun-2011	31-Mar-2011
KSE	100 Index	12496.03	13,761.76	1265.73	10.13	85.95	91.02
Philippines	PSE Composite	4291.21	5,107.73	816.52	19.03	43.33	42.90
Jakarta	Composite	3888.57	4,121.55	232.98	5.99	8,570.00	9,138.00
Kuala Lumpur	KLSE Composite	1579.07	1,596.33	17.26	1.09	3.02	3.06
US	S&P 500	132064	1,408.47	87.83	6.65	-	-
New Zealand	NZX 50	3448.35	3,509.55	61.20	1.77	1.21	1.22
UK	FTSE100	5945.70	5,768.50	-177.20	-2.98	0.62	0.62
Australia	AORD	4659.80	4,420.00	-239.80	-5.15	0.93	0.97
Seoul	Composite	2100.69	2,014.04	-86.65	-4.12	1,068.88	1,131.95
Tokyo	Nikkei225	9816.09	10,083.56	267.47	2.72	80.73	82.84
Singapore	Strait times	3120.44	3,010.46	-109.98	-3.52	1.23	1.26
Hong Kong	Hang Seng	22398.10	20,555.58	-1842.52	-8.23	7.78	7.77
Bombay	Sensex	18845.87	17,404.20	-1441.67	-7.65	44.70	50.87
Taiwan	T.weighted	8652.59	7,933.00	-719.59	-8.32	28.79	29.53
China	Shanghai Comp	2762.08	2,262.79	-499.29	-18.08	6.46	6.30

Source: Karachi Stock Exchange

Debt Capital Markets

The importance of a sound and diversified financial sector, which efficiently performs the function of financial intermediation, can hardly be overemphasized. However, it has been observed over the years that Pakistan's economy relied mostly on the banking system to meet the financing needs of the economy, whereas the capital markets developed relatively slowly. In Pakistan, within the overall capital markets, equity markets have grown more significantly. During the past few years the significance of debt markets and in particular, the bond markets has been realized as a complementary source of finance. Notably, the

government has a 'market-completion' role in the development of the debt market. As the primary issuer of sovereign bonds of various tenors, the government effectively establishes the benchmark for the pricing of private sector debt instruments. In most Asian countries, as in Pakistan, the bond market is dominated by government bonds.

The major drivers of financial assets in Pakistan are deposits and government bonds, whereas corporate bonds remain a very small portion. Pakistan Investment Bonds (PIBs) remain the longest tenor sovereign bonds, providing the benchmark yield curve for private issuances. The National Savings Schemes (NSS), on the other

hand, with tenors up to 10 years, provide risk-free investment options to retail and institutional investors.

Government Securities

Pakistan Investment Bonds (PIBs) are long term bonds issued by the Government of Pakistan and sold through the State Bank of Pakistan via periodic auctions. These are long term Bonds issued by the Government of Pakistan, offering a risk free investment to the bond holders at premium interest rates depending on the maturity of the bond. PIBs are issued with tenors of 3, 5, 7, 10, 15, 20 and 30 Years. Backed by the government, they present a low risk long term investment option. The Pakistan Investment Bonds offer a fixed semiannual coupon and repayment of principal at maturity. They are highly liquid Statutory Liquidity Requirement (SLR) eligible securities that are actively traded in the secondary market. The minimum denomination of PIBs is Rs.100, 000.

The government conducted fourteen auctions of PIBs in 2009-10, seven in 2010-11 and seven in 2011-12 (Jul-Mar) raising Rs. 64.7 billion, Rs.169.291 billion and Rs. 159.246 billion respectively.

A well-developed corporate bond market is essential for the growth of the economy as it provides an additional avenue to the corporate sector for raising funds for meeting their financial requirements. During the period under review July-December 2011 two listed debt instruments were offered to the general public i.e. offering Rs. 2 billion Term Finance Certificates (TFC) with a Greenshoe Option of Rs. 1 billion by Engro Corporation Ltd and offering Rs. 1.5 billion TFCs by Summit Bank Limited. The TFCs by Engro Corporation Ltd., were offered to retail investors only whereas, TFCs offered by Summit Bank Ltd., were offered to both institutional and retail investors. TFC Issue by Engro Corporation Ltd., was oversubscribed, whereas, TFC Issue by Summit Bank Ltd., was under subscribed.

Table 6.7: Listing of Debt Instruments during July 2011 to March 2012

S.No.	Name of the Company	Floated on	Formal Listing Date	Listed at	Issue Size: (In billion rupees)
i.	Engro corp. Ltd. (2 nd Issue) (2 nd issue-Engro Rupiya Certificate)	June 01,2011- August 31,2011	November 04, 2011	KSE LSE	2.00
ii.	Summit Bank Limited	October 27, 2011	01-Dec-11	KSE	1.50
TOTAL					3.50

Source: Securities Exchange Commission of Pakistan

Further, in addition to the above, during the period July 2011 to March, 2012 a total of five debt

securities issued through private placement were reported. The details of these privately placed corporate debt issues are as follows:

Table 6.8: Debt Securities issued through Private Placement during July 2011 to March 2012

S. No.	Name of Security	No. of Issues	Amount (In billion rupees)
i.	Private Placed Term Finance certificate)	01	1.00
ii.	Sukuk*	04	112.29
iii.	Commercial Papers	01	0.21
	Total	06	113.51

*includes two Sukuk Issues of Rs.108.393 billion by Pakistan domestic Sukuk company Limited.

Source: Securities Exchange Commission of Pakistan

As of March 31, 2012 a total of 131 corporate debt securities were outstanding with an amount of Rs.

500.433 billion. Details are presented in Table 6.9 below:

Table 6.9: Debt Securities Outstanding as on March 31, 2012

S. No.	Name of Security	No. of Issues	Amount outstanding (In billion rupees)
i.	Listed Term Finance Certificates (L-TFCs)	37	66.51
ii.	Private placed term Finance certificates (PP-TFCs)	39	68.18
iii.	Sukuk	54	365.53
iv.	Commercial Papers	01	0.21
	Total	131	500.43

Source: Securities Exchange Commission of Pakistan

Box-2**Measures for the development of debt markets:**

- ▶ In order to encourage listing of debt securities on the exchanges, a separate set of regulations for debt securities are being framed
- ▶ Regulatory framework for the credit rating agencies (CRAs) are being revamped so that CRAs play a more effective role in the development of the debt market. In this regard a committee, comprising of the representative of SECP and SBP and CRA has been constituted by the Commission which has been mandated with the tasks of:
 - Review of the existing regulatory framework for CRAs in line with the international best practices
 - Strengthening of the existing regulatory Framework for CRAs viz the credit rating companies rules, 1995 and the code of conduct for CRAs dated February 17, 2005
 - Review of the proposals of CRAs regarding enhancement of the rating universe
 - Diversification of capital structure of CRAs and their listing on the stock exchanges
 - Regulatory framework for establishment of a Bond Pricing Agency (BPA)
 - In order to rationalize the cost of issue of corporate bonds, steps are being taken to reduce the rate of stamp duty applicable on issue and transfer of Term Finance certificates (TFCs) and commercial papers.

Development of new regulatory framework

In one of the major moves towards development of a vibrant debt market in Pakistan, the Securities and Exchange Commission of Pakistan has recently approved notification of the Debt Securities Trustee regulations (DST Regulations). The main objective of the DST Regulations is to protect the interests of debenture holders and to safeguard the breach of provisions of the Trust Deed, monitor the working of debenture trustees by calling for details regarding compliance by the issuers of the terms of the trust deed, creation of security, payment of interest, redemption of debentures and redress of complaints of debenture holders.

Development of New Regulatory Regime for Brokers

In order to ensure that standards and principles adopted in the markets conform to international

best practices, a revised market participant regime is being proposed. The proposed regime would address some of the most significant issues pertaining to the business of stock brokerage and is expected to increase the efficiency of our capital market.

Capital Market Reforms and Development Activities

During the period under review, the Securities and Exchange Commission of Pakistan (SECP) continued with its reform agenda for strengthening the Pakistani capital market with the objectives of improved risk management, increased transparency, investor protection and new product/market development. The highlights of reform measures introduced during the period under review are as follows:

- For development of the debt market, the Bonds Automated Trading System (BATS) at the

stock exchange was revamped along the lines of the Bloomberg-based-E-Bond with various system enhancements for facilitating the price discovery process of debt instruments and price negotiation between the market participants. Further, to facilitate investors trading in Term Finance Certificates (TFCs) listed at different exchanges, a regulatory framework was introduced for facilitating inter-exchange trades in listed TFCs. A broker-to-broker functionally was introduced in BATS which enables settlement of the inter-exchange trades directly with the National Clearing Company of Pakistan Limited (NCCPL); resulting in greater efficiency and transparency in the trading and settlement process. Also, a centralized platform was developed at the NCCPL for mandatory reporting of trades executed in the unlisted TFCs, which provides access to real-time trading information in unlisted TFCs thereby providing better price discovery and transparency.

- To fulfill the hedging requirements of various groups of investors in the commodities market, new futures contracts were introduced at the Pakistan Mercantile Exchange Limited (PMEX) in sugar, cotton, wheat, crude oil (10 barrel), silver (100 ounces), silver (10 tola) and gold (10 ounces). Further, the concept of market makers was introduced which will promote liquidity and investors' confidence through enhanced profitability, reduced volatility in prices and efficient execution of orders.
- To ensure easy access to financing and liquidity to the market, amendments were approved to the Securities (Leveraged Markets and Pledging) rules, 2011 thereby removing practical hindrances and creating flexibility for margin financing and margin trading products. Through the amended rules, reduced cash margin requirements were prescribed and individual investors were allowed to participate as financiers in the margin trading market, along with waiver of the mandatory condition of prescribing minimum liquidity requirement for selecting securities eligible for margin financing.
- To add depth and diverse investment alternatives to the market, various new product/system development initiatives were

undertaken. In line with international best practices, Exchange Traded Funds (ETFs) were introduced at the Karachi Stock Exchange (KSE). ETFs are a globally popular investment product which allow investment in a diversified portfolio of securities tracking a benchmark index and provide investors with benefits such as trading flexibility, overall portfolio diversification and transparency.

- To implement robust Anti-Money Laundering and combating the financing of Terrorism regime in the Pakistan capital market in light of the Financial Action Task Force (FATF) recommendations and international best practices, effective Know-Your-Customer (KYC) and Customer-Due-Diligence (CDD) policies and procedures were introduced for the capital market and its intermediaries.
- To ensure improved monitoring of internet trading activities offered by the brokers, internet trading regulations were approved for KSE which comprehensively cover various aspects while effectively addressing issues unique to this segment including risk management and privacy of investors' accounts.
- To strengthen monitoring and compliance by market intermediaries with the applicable regulatory provisions and to improve enforcement power of the regulators, regulations governing system audit of the brokers of KSE were revamped with major changes in the brokers' audit process and scope.

National Savings Schemes

Central Directorate of National Savings (CDNS) is engaged in making innovative efforts to promote a saving culture in the country. The CDNS offers attractive saving products to various categories of people to suit their specific needs. CDNS is currently engaged in restructuring of the CDNS to better cater for the needs of the investors and introduce more profitable products. Focus is on introducing short term saving certificates and expansion of CDNS network not only across the country but also to overseas Pakistanis. Details of the investment made in the saving schemes are given in Table: 6.10.

Table 6.10: National Savings Schemes (Net Investment)

(Rs. Billion)

S.No.	Name of Scheme	2007-08	2008-09	2009-10	2010-11	2011-12 (Jul-Mar)
1	Defence Savings certificates	(4,317.43)	(27,411.28)	(32,493.15)	9,748.10	4,656.64
2	National Deposit Scheme	0.05	(2.71)	(0.13)	(1.01)	(0.71)
3	Khaas Deposit Scheme	(6.99)	(1.64)	(3.84)	(2.62)	(0.26)
4	Premium Saving Certificate	--	--	--	--	--
5	Special Savings Certificates(R)	13,800.57	128,469.03	61,856.60	43,960.21	(24,189.99)
6	Special Savings Certificates(B)	(0.18)	(8.53)	(0.30)	(0.74)	(0.70)
7	Regular Income Certificates	(273.53)	40,094.28	44,538.27	46,946.79	31,419.74
8	Bahbood Savings Certificates	38,799.69	78,537.96	59,267.18	61,731.56	38,128.51
9	Pensioners' Benefit Account	18,695.93	22,215.74	18,166.85	17,940.32	11,107.85
10	Savings Accounts	8,989.12	(10,899.15)	1,021.30	(625.30)	1,566.09
11	Special Savings Accounts	5,521.48	21,627.05	31,375.53	14,240.79	3,331.26
12	Mahana Amdani Accounts	(24.97)	(50.03)	(195.73)	(77.94)	61.62
13	Prize Bonds	8,277.07	14,649.97	38,556.68	41,083.40	41,314.32
14	National Savings Bonds	--	--	3,625.16	--	--
	Total	89,460.81	267,220.71	225,714.46	234,943.98	107,484.37

Source: Central Directorate of National Savings

Mutual Funds

The period July 2011 to March 2012 marked a substantial rise in mutual funds with total assets of the industry surging by 24 percent from Rs. 290 billion to Rs. 400 billion. As of March 31, 2012, the number of mutual funds in the industry stood at 146 compared to 137 in June 2011. The upward trend in the assets of the mutual funds industry is primarily attributed to soaring investment in money market and capital protected funds since the industry continues to be predominantly risk averse. Though the equity markets have depicted a bull run in the current financial year, equity funds have not been very successful in attracting substantial inflows. Influx in income funds is expected to remain subdued so long as the debt market is revitalized.

During the period July-March, 2011-12, the Securities Exchange Commission of Pakistan, in its continuous efforts to curb money laundering, issued a circular on reporting/submission of suspicious transaction/currency transaction by Non Banking Finance Companies (NBFCs) to the Financial Monitoring Unit under the Anti-Money

Laundering Act 2010. Further, SECP to facilitate the industry, brought about significant amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Some of the important amendments made included the following:

- Registration of trustee to bring it within the regulatory ambit
- Eliminating the seed capital requirement for new funds
- Empowering unit holders of a mutual fund to change its management rights in case redemption of units is suspended beyond fifteen days, and
- Enhanced oversight by trustee of a mutual fund in line with best international practices.

Furthermore, the SECP also allowed equity-oriented mutual funds to invest in all kinds of futures contracts to effectively achieve their investment objectives. This measure was also taken in anticipation of its potential impact on growth and development of the futures market.

Table 6.11: Major highlights of mutual funds during February 2012

Total assets of Industry*	Rs. 399 billion*
Total number of funds*	128
Total number of AMCS/IAs*	24
Assets Size of AMCs/IAs*	Rs. 43.136 billion
Discretionary /Non-discretionary portfolio	Rs. 44 billion
Funds launched during the month	-

Source: Securities Exchange Commission of Pakistan

*include assets under management of Arif Habib and MCB amounting to Rs.34.9 billion.

Modaraba

The modaraba sector has an established legal framework that allows it flexibility to provide a wide range of financial products and services under the tenets of Islamic shariah which reflect the innovative and dynamic nature of the industry. Modarabas have played a vital role in the development and growth of Islamic modes of financing in the country and the capital markets since their inception in 1980. Most of the Modarabas in Pakistan are doing business in the financial sector while a few are engaged in the industrial, trading or other services sectors. Like any other industry, modarabas create a distinctive value proposition that meets the needs of its customers.

Despite the prevailing financial and economic crises in the country, most of the modarabas continued to perform well and record profits. Currently, 40 registered modaraba companies are in existence and the total number of operational modarabas are 26. As per the quarterly financial statements of modarabas, as on February 29, 2012, the aggregate paid-up fund of modarabas was Rs. 8.896 billion. The total assets of the modaraba sector stood at Rs. 26.757 billion against Rs. 26.392 billion in June, 2011. Similarly, total equity of the modaraba sector was Rs. 11.486 billion (inclusive of revaluation reserves) compared to Rs. 11.560 billion during June, 2011.

In order to improve the financial standing and image of modarabas in the financial sector of the country, the SECP, after detailed consultation with stakeholders and industry experts, introduced “*Shariah compliance and Shariah audit Mechanism*” for modarabas. These will strengthen the Shariah compliance by modarbas and help them to be recognized as true Islamic financial institutions in the financial sector. In terms of the

said mechanism, the modarabas are required to appoint independent Shariah advisors who would provide necessary guidance to the management companies to carry out the business operations of modarabas in accordance with the Shariah principles. The first report of the Shariah Advisors on the affairs of modarabas will be disseminated to the stakeholders with the annual audited accounts of modarabas for the year ending June 30, 2012.

During the current financial year, the joint session of the Parliament unanimously approved the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, (Ammendment) Bill, 2009. The bill seeks to empower the Securities and Exchange Commission of Pakistan to make regulations and issue circulars, code and guidelines etc. so as to strengthen regulatory framework for the modaraba sector and enable the Commission to safeguard the interest of stakeholders in a more proactive and effective manner.

Investment Banks and Leasing Companies

Investment banking started to take root in Pakistan in the second half of the 1980s. A broad range of business services were envisaged that include money and capital market activities, project financing, corporate financial services, and operations in the call and money market. The investment banking sector showed a strong performance and continued to flourish till the mid-1990s. However, due to non-diversification of their portfolio, they could not absorb the changing economic conditions of the country. Therefore, this sector started facing severe problems and witnessed a declining trend. At present, there are only seven functional investment banks operating in Pakistan compared to 13 in 2005. Significant reasons for the downfall of investment banking sector are small capital bases with limited ability to absorb significant shocks, focus on quasi banking

activities, maturity mismatch in their assets and liabilities, failure to develop competencies for delivering non-fund based services, high cost of funds, limited capacity to expand outreach, and the rise of universal banking.

In order to revive the investment banking sector, necessary amendments were made to the regulatory framework to allow investment banks to undertake brokerage business from their own platform instead of forming a separate company. The objective was to encourage investment banks to focus on providing non-fund based services; to play a crucial role in the capital market; to promote corporate brokerage houses culture; and, to address the corporate governance issues in the brokerage industry. Presently, the possibility of introducing an appropriate regulatory regime for non-deposit-taking and non-listed Non Banking Finance Companies and ensuring that only licensed entities engage in investment banking activities are being explored for reviving the investment banking sector.

Table 6.12: Financials of Investment Banks in February, 2012

Particulars	Amount (Rs in millions)
Total Assets	18,273
Total Equity	3,300
Total Deposits	7,040

Source: Securities Exchange Commission of Pakistan

Leasing is a mature business model. However, the leasing sector in Pakistan has been facing a multitude of challenges like liquidity issues, low capitalization, limited sources for resource mobilization, high cost of funds, high level of non-performing assets and limited outreach. Several important amendments to the applicable regulatory framework have been made over a period of time in order to promote this sector. During 2011, an important amendment was made in the Non Banking Finance Companies & Notified Entities (NBFC & NE) Regulations, 2008 i.e. deleting the condition that requires a leasing company to fix the period of finance lease for not less than three years. The amendment is expected to increase in the business volumes of leasing companies as they will be able to entertain customers who desire a shorter lease period and finance assets with a shorter

economic life. The total number of active leasing companies was 9 as of February 29, 2012.

Table 6.13: Financials of Leasing Companies in February, 2012

Particulars	Amount (Rs in millions)
Total Assets	34,242
Total Equity	4,566
Total Deposits	5,650

Source: Securities Exchange Commission of Pakistan

Voluntary Pension System

The last two decades witnessed pension reforms globally. In high-income countries, the driving force has been the threat that the current pension system will become unaffordable as demographic developments presented a major risk. The countries that were in the process of transition from a controlled economy to a market economy confronted the challenge of introducing a public pension system in place of social security available to their populace under the socialist system. However, again the demographic change and affordability have been the driving force for reforms in these countries. It is anticipated that Pakistan shall also face similar challenges in the near future. Lately, the government has been considering reforming the current pension system. Luckily, the dependency ratio at this point of time is extremely favourable for Pakistan to shift from a defined benefit system to a defined contribution system. While reforms at the national level will take some time, the SECP has introduced Voluntary Pension System (VPS), with the approval of the government. VPS envisages contributions by Pakistani nationals in a pension fund approved by the SECP. The pension fund promises a stream of income to its members after retirement. The government has given tax incentives to individuals under the current tax regime.

The penetration of VPS is low at the moment because these are still new to Pakistan and non-binding upon employers and individuals. It is hoped that, with the passage of time and complementary reforms in defined benefit retirement schemes, the system would gain a foothold and acquire substance. So far, 11 pension funds have been launched under VPS.

Table 6.14: Growth of Pension Funds since 2007

Date	No. of pension funds	Net assets in Rs. million
30-JUN-07	4	420
30-JUN-08	7	766
30-JUN-09	7	870
30-JUN-10	9	1,301
30-JUN-11	9	1,557
31-DEC-11	11	1,829
29-FEB-12	11	1,979

Source: Securities Exchange Commission of Pakistan

Before June 2011, the maximum limit for tax credit for savings through VPS to individuals was up to Rs. 500,000 of taxable income. In the last budget the limit has been increased up to 20 percent of taxable income. The limit is still lower than that available to those employed in private or public sector institutions. To encourage funding of retirement schemes VPS needed to be made interchangeable with other retirement schemes, provident fund, and gratuity and superannuation funds. This will encourage funded schemes leading to accumulation of assets and efficient deployment of retirement savings.

REIT

Real Estate Investment Trusts (REITs) provide property owners an opportunity to securitize their properties. It also provides the investors with small capital base an opportunity to invest in the real estate assets. Currently there are two REIT management companies, operating in Pakistan. Keeping in view the macroeconomic indicators, the SECP has taken necessary measures to attract entrepreneurs to venture into the regulated real estate business. Amongst these, amending the REIT regulations in 2010 was one notable initiative. Significant amendments included reduction of fund size, introduction of hybrid REITs and reduction in share capital for the REIT management companies (RMCs). However, these measures still proved inadequate in attracting high yield properties into REITs. To improve the regulatory framework a committee has been formed which includes the leading market players. This committee will review the REIT models in different jurisdictions and suggest an appropriate regulatory model for our market. Currently, work of the committee is in progress.

Box-3

Future Road Map

In consultation with relevant stakeholders, a comprehensive three-year Capital Market Development Plan (2012-14) has been drafted. The plan envisages introduction of key structural and regulatory reforms, development of equity, derivative, debt, commodities and currencies markets, development of Shariah-compliant investment alternatives, and measures for improving governance, risk management, efficiency and transparency in capital market operations. Efforts are underway for achieving the plan's objectives within timelines provided, most important of which are given below:

- ▶ The Stock exchanges (Corporatization), Demutualization and Integration Bill has been approved in the joint session of Parliament in March 2012. The bill provides a framework for the corporatization, demutualization and integration of the stock exchanges. Demutualization would result in enhanced governance and transparency at the stock exchanges and greater balance between interests of various stakeholders by clear segregation of commercial and regulatory functions and separation of trading rights and ownership rights. It will also assist in expansion of market outreach, resulting in larger number of investors, improved liquidity and better price discovery at the stock exchanges. A demutualized stock exchange will be in a better position to attract international strategic partners and good quality issuers. Demutualization will also facilitate consolidation of brokers leading to financially strong entities. The SECP, along with the stock exchanges, is in the process of ensuring that subsequent to the enactment of the law, the activities set out therein are completed in a timely manner.
 - In line with international best practices, efforts will be undertaken for NCCPL to function as Central Counter Party; establishment of a settlement guarantee fund; and transfer of risk management to NCCPL.
- ▶ For developing the commodities market, the SECP may explore the possibility of allowing new commodity exchanges to function in the country, as presently the potential offered by this market segment is not being utilized to the maximum. This measure will also facilitate healthy competition and business generation in this segment while contributing towards greater market outreach to the investors resulting in growth in the size of the commodities market.

- ▶ For developing an Islamic capital market in line with global best practice, the SECP is contemplating the establishment of a Shariah Board comprising of eminent Islamic scholars and market professionals to ensure that all products/services offered under this umbrella are in conformity with the Shariah principles. Also, efforts will be made for consideration of existing Islamic institutions and development of innovative Shariah compliant institutions, products and services in order to deepen the capital market.
- ▶ Regarding new product/system development, the future SECP agenda includes introduction of trading in index option to provide investors with avenues to develop better investment and hedging strategies. Also, to boost activity in index futures market, dialogue will be initiated with foreign stock exchanges for cross listings of foreign indices at Pakistani stock exchanges. For investors in the commodities segment, efforts will be made for introduction of new futures contracts in commodities like cotton seed, oilcake, crude palm oil and maize, and rolling currency contracts on foreign currency exchange rate pairs. Also, work is underway for establishment of a collateral management company that would have a national network of approved warehouses with storage, grading/certification capabilities for commodities market.
- ▶ To accelerate growth in the debt market, endeavors will be made for listing of government debt instrument at the stock exchanges and integration of National Savings Schemes instruments in to the mainstream capital market, in coordination with relevant stakeholders including the federal government and the State Bank of Pakistan. Also, to promote transparency and price discovery of debt securities and minimize pricing issues of debt securities, establishment of an independent Bond Pricing Agency (BPA) conforming to international standards, is in the pipeline. The BPA is expected to contribute towards stimulating activity in the primary and secondary debt markets, increasing market depth, reducing information asymmetry, increasing credibility of financial statements through accurate asset-liability valuation, product development etc.

From the standpoint of risk management and transparency, a Centralized KYC Agency will be established for registration and maintenance of investors' KYC records in line with the international best practices pertaining to KYC and CDD policies. These KYC records will be available for access by all market intermediaries and this measure will assist in removing the duplication presently faced in the KYC process by bringing uniformity to the same.

Conclusions

The performance of stock markets presented a mixed trend during the current fiscal year. Various factors such as unstable law and order situation, natural disasters, rumours on the economic front pertaining to reduction in military and civil aid from international donors, the Pak rupee depreciation and increasing fiscal deficit of the government have all contributed to the underperformance of the capital market during first half of current fiscal year. However, the KSE-100 index resumed its momentum during the 3rd quarter of the 2011-12 owing to certain encouraging measures like considerable reduction in discount

rate by the SBP during latter period of the first half of current fiscal year and increase in foreign exchange reserves. Further, the market sentiment was boosted by the proposed promulgation of the Capital Gain Tax Ordinance under which the National Clearing Company of Pakistan Limited (NCCPL) has been appointed as an intermediary entity to compute, determine, collect and deposit the Capital Gain Tax (CGT) on listed securities. The subject Ordinance was finally promulgated on the 24th April, 2012. The government is committed to formulating timely and effective policy to spur activity in, and shore up the strength of, the capital market.