

## Tran Anh Dao - Executive Vice President Hochiminh Stock Exchange



Ms. Dao has over 15 years of experience in the capital market. She joined Ho Chi Minh City Securities Trading Center (former of Hochiminh Stock Exchange) in 1998. She is now the Executive Vice President responsible for Listing, Disclosures, Corporate Communications and Internal Control Departments. She also has strong experience in introducing corporate governance practices for listed companies in Vietnam.

### **Qualification:**

- Bachelor degree in International Business - University of Economics in HoChiMinh City
- Master of Commerce in Banking and Finance - University of Sydney

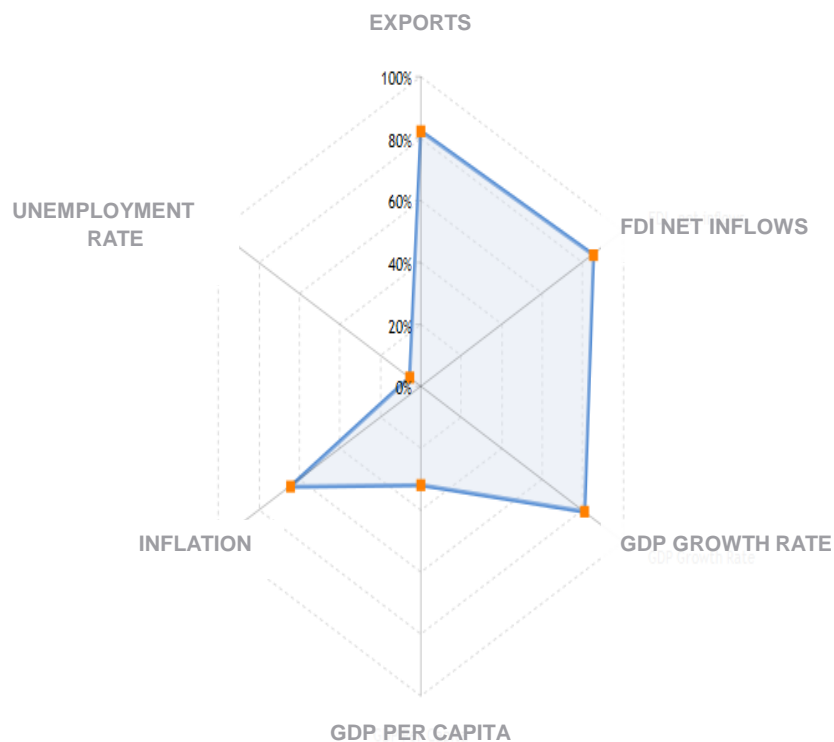


# VIETNAM STOCK MARKET FROM FRONTIER TO EMERGING

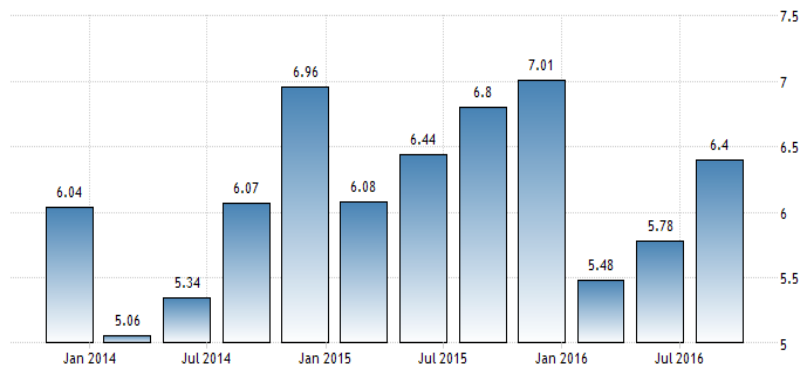
HOCHIMINH CITY, 04/11/2016

- 1. HOSE Snapshot**
- 2. Assessment of Vietnam Stock Market**
- 3. Current Efforts**

# Vietnam at a glance



**VIETNAM GDP GROWTH RATE**

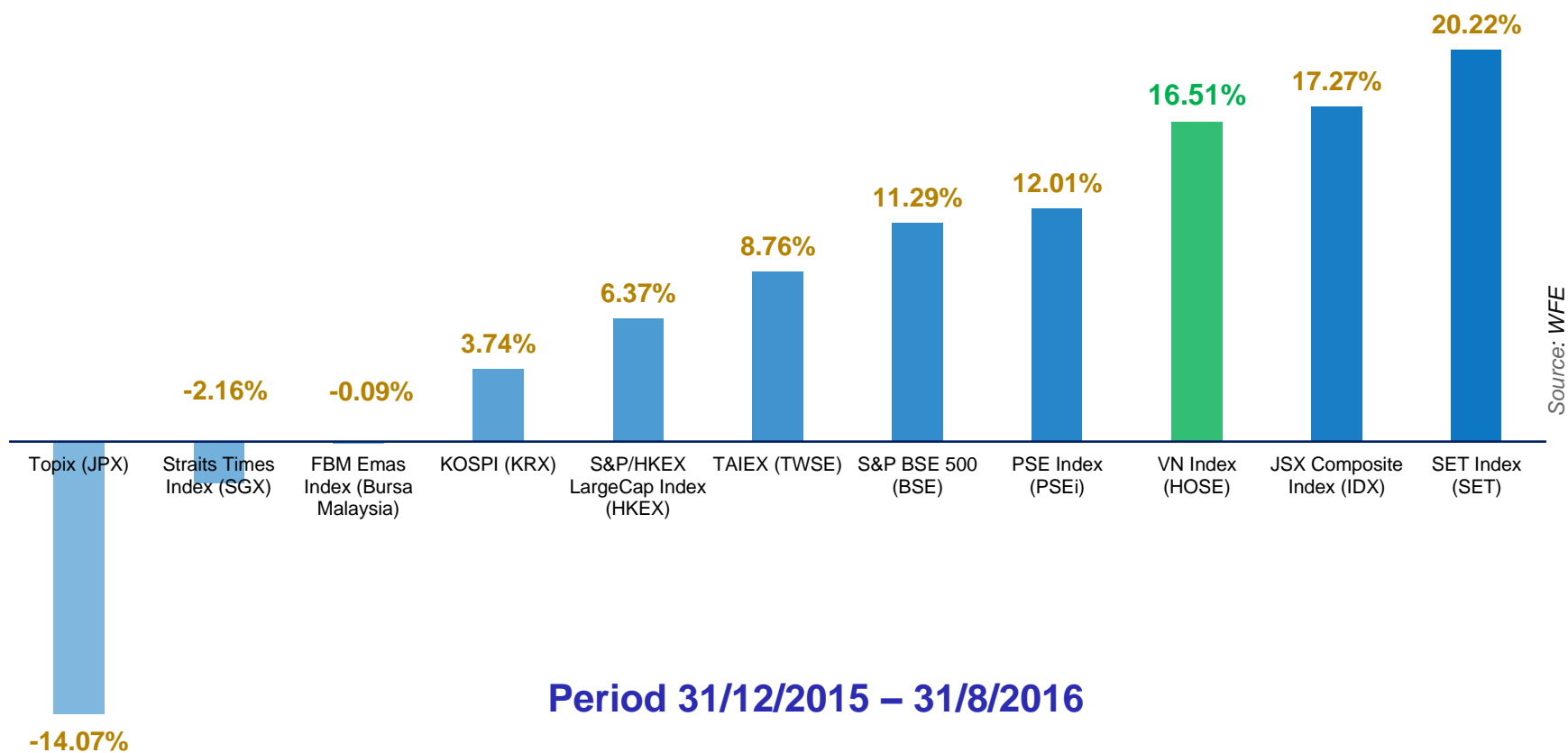


**VIETNAM GDP PER CAPITA**



Sources: world Bank | The General Statistics of Vietnam | [www.tradingeconomics.com](http://www.tradingeconomics.com)

## VN-INDEX COMPARISON TO OTHER EXCHANGES

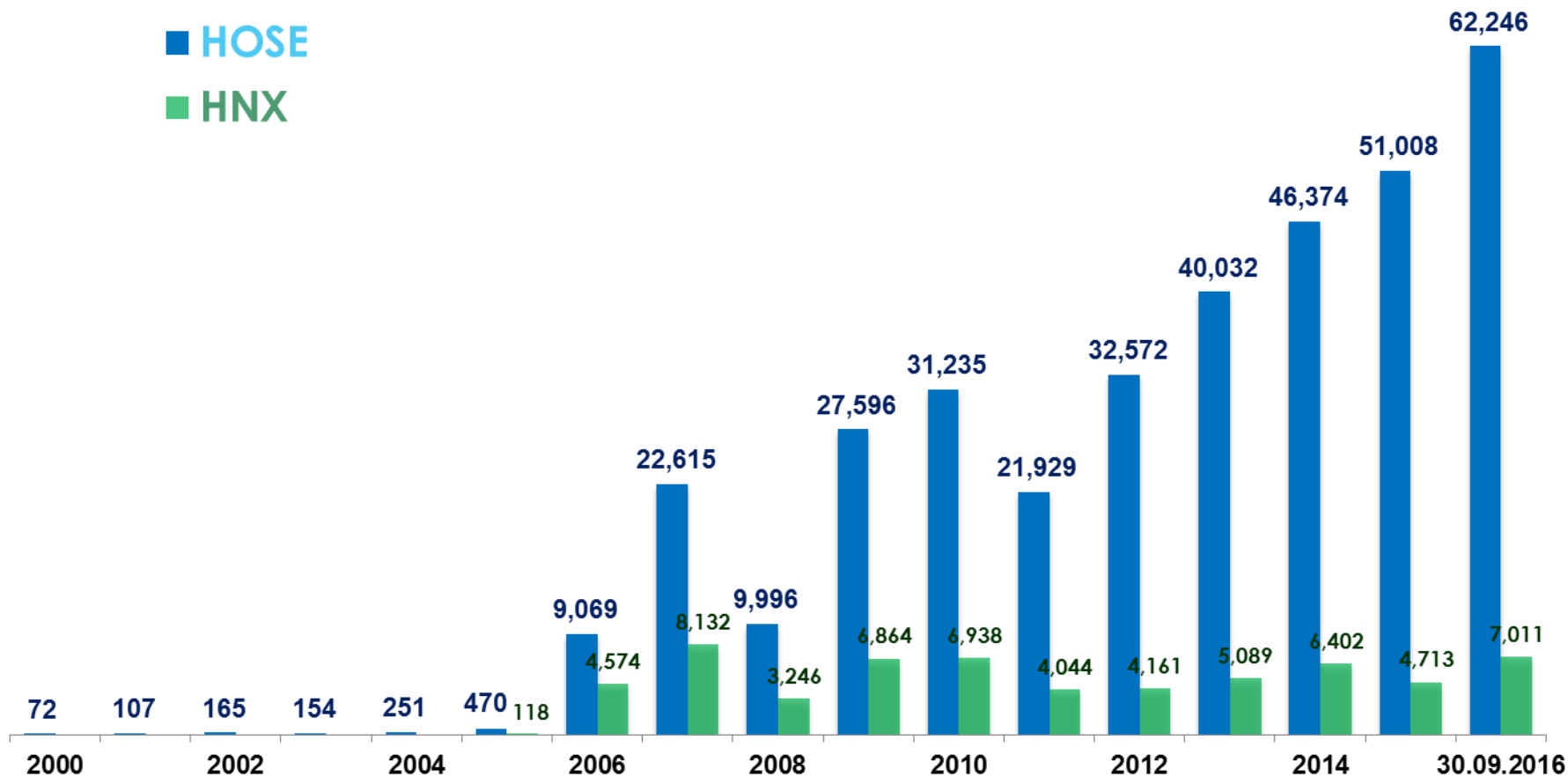


## MARKET CAPITALIZATION

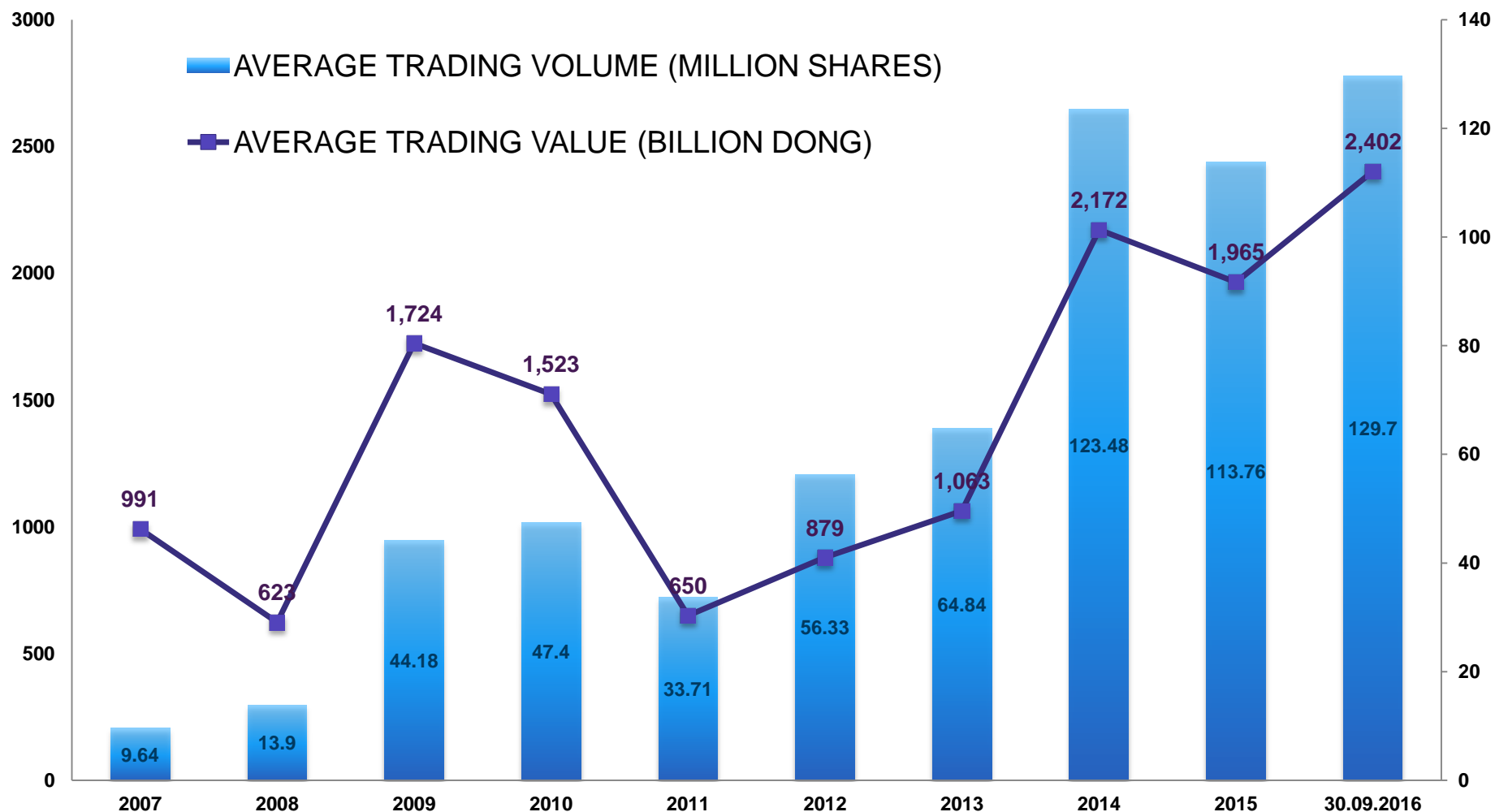
Unit: USD Million

■ HOSE

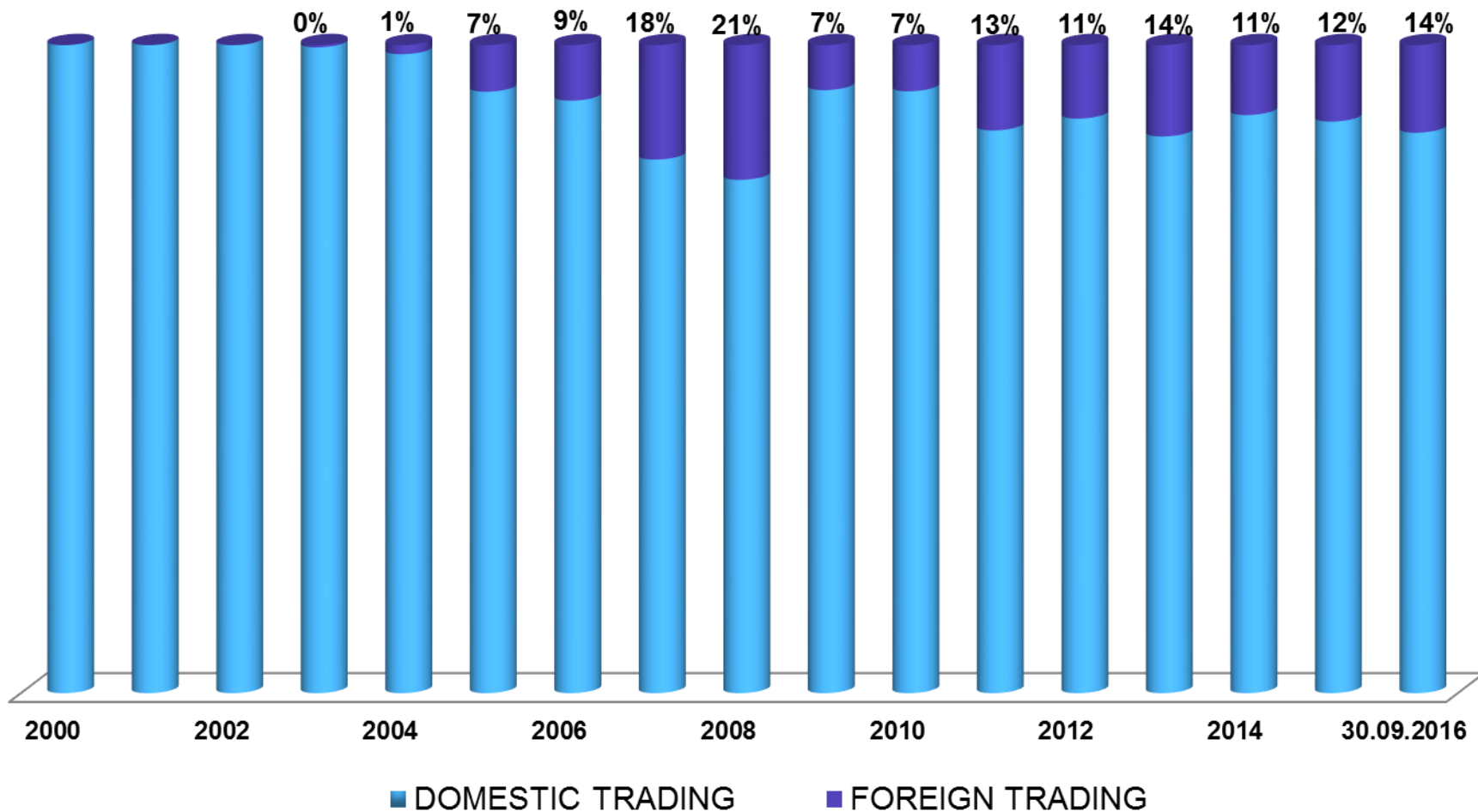
■ HNX



## MARKET LIQUIDITY

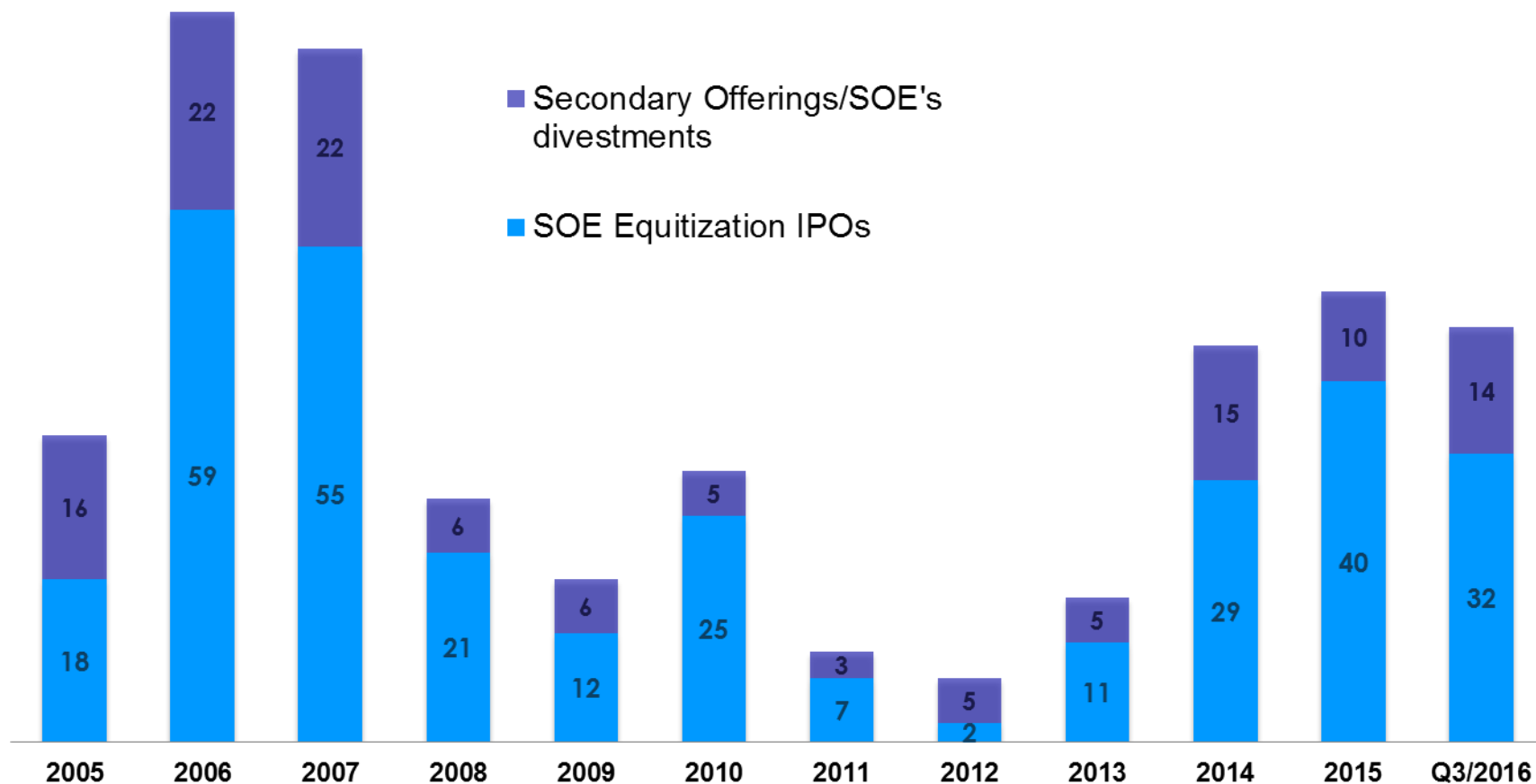


## FOREIGN TRADING





## EQUITY AUCTIONS



# **Assessment of Vietnam Stock Market**

## MSCI size and liquidity requirements for Emerging Market:

*Number of companies meeting the criteria: 3 companies*

- Company size (Full Market Capitalization): 1,269 million USD
- Securities size (Float Market Capitalization): 635 million USD
- Security liquidity: 15% ATVR

*(Source: MSCI Market Classification Framework, June 2016)*

Vietnam currently has 4 listed companies meeting all size and liquidity criteria of MSCI for Emerging market: VNM, VIC, MSN, HPG.

Order	Stock symbol	Full Mkt.cap (mil USD)	Float Mkt.cap (mil USD)	Turnover (ATVR)
1	VNM	9,097	4,094	51.43%
2	VIC	5,255	1,524	31.37%
3	MSN	2,379	951	36.64%
4	HPG	1,724	844	139.58%

## *Foreign Ownership Limits (FOL):*

- + Decree No. 60/2015/ND-CP: Foreign ownership can be up to 100%
- + On HOSE: 8 companies allow investors to own over 49%
- FOL loosening has been slow because of:
  - **Legal constraints:** Interpreting and determining conditional business lines and industries applied on foreign investors are challenging.
  - **Commercial constraints:** Unclear areas between Investment Law (2014) and Decree No.60 for enterprise legal status
  - **Technical matters:** Maintaining decision-making power; shareholders' fear of being taken over.

## *Equal Rights to Foreign Investors*

- + Enterprises Law
- Proxy voting, E-voting
- Access information

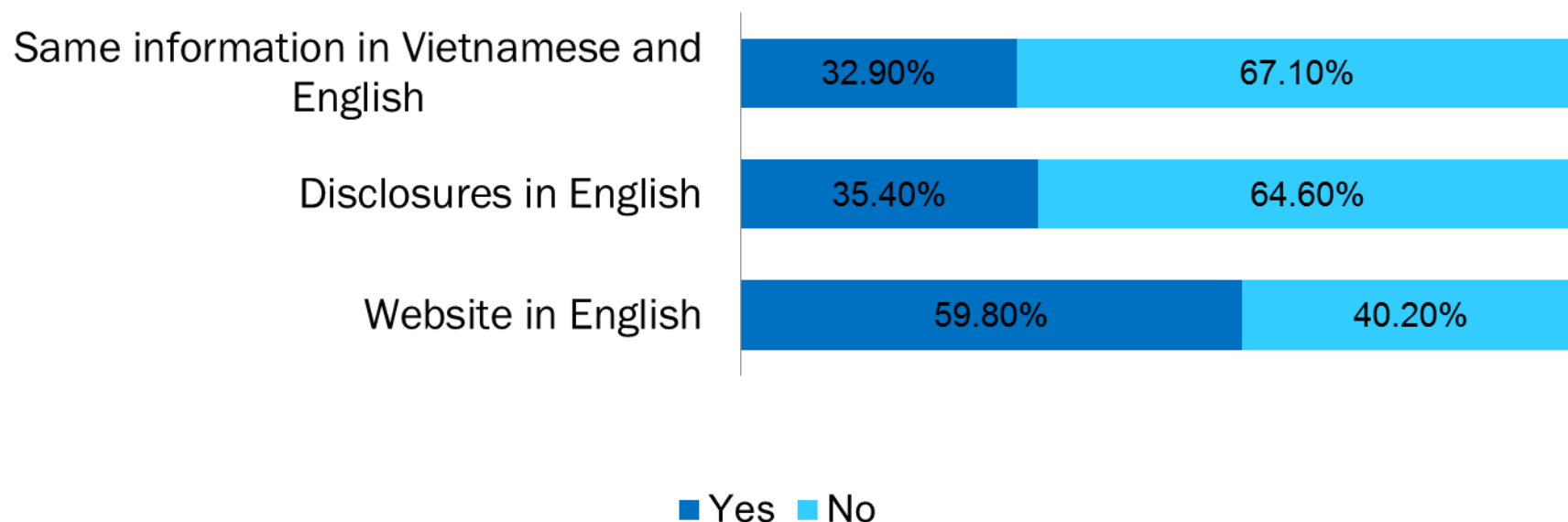
## *Investor Registration & Account Setup*

- + **Securities Trading Code:**
  - Online registration service,
  - Documents in Vietnamese or English
  - Shortening time
- + **Bank Account:**
  - State Bank of Vietnam still requires some documents to be translated into Vietnamese

## *Information Flow*

- Information Disclosures in English:  
Pros: HOSE, HNX and VSD: compulsory  
Cons: Listed companies: voluntary
- IFRS: to be implemented in 2020
- Not all regulations can be found in English

## HOSE's survey on the listed companies' readiness in disclosing information in English



# HOSE's Current Efforts



- **Joining the SSC working group on direct works with MSCI**
- **Improving market scale and liquidity**
  - + Splitting tick size
  - + Increasing trading lot limit from 19.990 to 500.000 units
  - + Creating linkage between SOEs' IPOs and listing
  - + Encouraging potential public companies to apply for listing

## ■ Developing new products

- + Covered Warrant (to be launched in Q3/2017)
- + Sustainability Index (to be launched in July 2017)
- + Unified Index - VNX Allshare (launched on 24/10/2016)
- + Sector Indices (launched in January 2016)
- + ETFs (launched in October 2014)
- + HOSE-Index Series (launched in January 2014)

## ■ In-progress projects

- + Corporate Bonds
- + Start-up

- **Enhancing transparency**

- + HOSE's website:

- ✓ Information from HOSE (*including rules and regulations*): Vietnamese & English

- ✓ Supporting English templates for listed companies' disclosures

- + Providing Roadmap for listed companies to disclose information in English

- + Strengthening monitoring and enforcing activities related to listed companies' disclosure & CG

- **Enhancing transparency (cont.)**

- + Conducting Annual Report Awards & Sustainability Report Awards
- + Supporting listed companies to join ASEAN CG Scorecards
- + Supporting listed companies in implementation of IFRS
- + Co-organizing IR activities with listed companies and securities firms

## Mr. Nguyen Quang Thuan – CEO of StoxPlus



He is co-founder of StoxPlus, he has been devoted to creating innovate financial data and analytics platform and services in Vietnamese market since 2009. Specialist in field of financial advisory services, financial due diligence, corporate valuation and investment manager.

### **Working experiences:**

- 1998 – 2008: Manager at Assurance Services, Transaction Services – PWC (Australia & Vietnam)
- 2007 – 2008: Investment Analyst – Vietnam Holding Asset Management with AUM of US\$125mm

### **Qualification:**

- Master of Finance degree – University of the New South Wales (Australia)
- UK Fellow Chartered Certified Accountant (FCCA)

Vietnam International Investor Conference

# Main Findings from FOL Review and Foreign Investor Survey 2016

HCMC | 4<sup>th</sup> November 2016

Presented by: Mr Nguyen Quang Thuan, CEO, StoxPlus

1

**Overview of FOL implementation in public companies**

2

**Main findings from Foreign Investor Survey 2016**

3

**Recommendations**

# Why do FOL and Emerging Markets matter for Vietnam?

- Vietnam has been on international media headlines as a high growing economy and attractive investment destination but “investability” is an issue for almost all large institutional investors
- The current Frontier Markets status of Vietnam market does not facilitate the capital allocation of passive asset managers such as index-tracking funds.
- Part of that, FOL has been one of main policy developments recently (Decree 60) but it still requires improvement for qualification as Emerging Markets. But only 17 over nearly 1000 public companies changed their FOL as allowed by Decree 60. So why?
- Foreign investors are awaiting for the news but what are their intention for investment strategies if Vietnam announced as approaching the EM classification?

MSCI evaluation of Vietnam market	Results
<b>I. Openness to foreign ownership</b>	
Investor qualification requirement	++
Foreign ownership limit (FOL) level	-/?
Foreign room level	-/?
Equal rights to foreign investors	-/?
<b>II. Ease of capital inflows/outflows</b>	
Capital flow restriction level	++
Foreign exchange market liberalization level	-/?
<b>III. Efficiency of the operational framework</b>	
<b>1. Market entry</b>	
Investor registration & account set up	-/?
<b>2. Market organization</b>	
Market regulations	+
Information flow	-/?
<b>3. Market infrastructure</b>	
Clearing and Settlement	-/?
Custody	++
Registry / Depository	++
Trading	++
Transferability	-/?
Stock lending	-/?
Short selling	-/?
<b>IV. Stability of institutional framework</b>	
	+

++: no issues; +: no major issues, improvements possible;

-/? : improvements needed / extent to be assessed

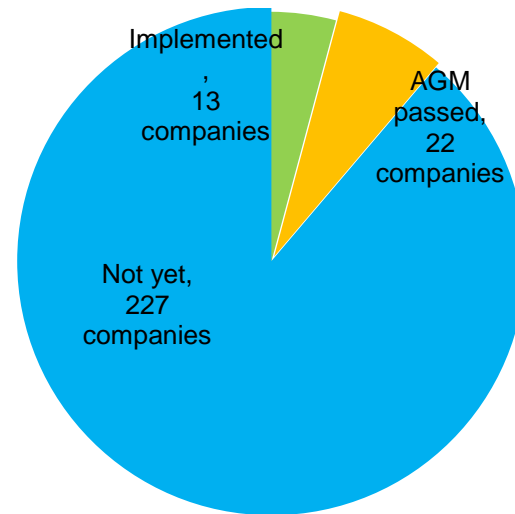


# FOL loosening is rather slow by public companies

Since the issue of Decree 60 in June 2015:

- 13 companies changed its FOL: attracted an additional injection of US\$127mn in marcap value by foreign investors into these companies
- 22 companies planned for FOL changes in their 2016 AGM's resolutions: that's the intention only and various procedures need to go through including legal constraints and commercial hindrances
- 227 companies on HOSE: our detailed review with VN100 has indicated various constraints, not only legal barriers and technical constraints but more important is commercial constraints when they are "Deemed Foreign Investor" under Investment Law 2014.

Status of FOL Implementation by 312 companies on HOSE

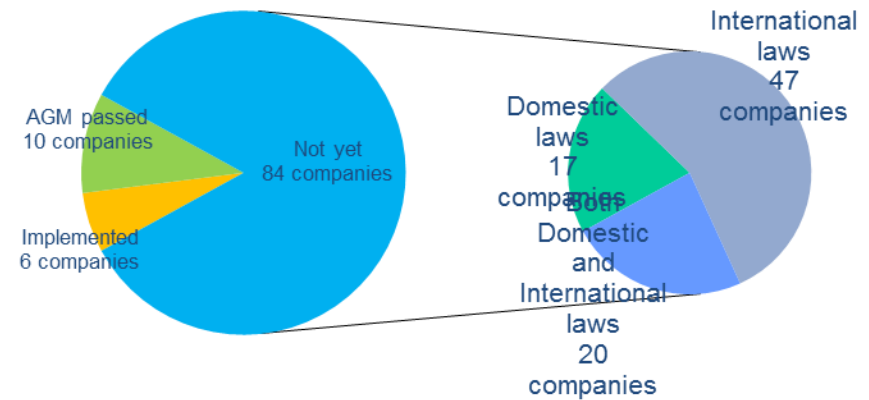


Source: StoxPlus

# Legal constraints are prevailing for almost all companies

- If we look into registered business lines of public companies in their Enterprise Registration Certificate – almost all companies will have to review their business model and amend it ERC and Charter for changing FOL. On average, each company has 20 registered business lines while actual business model would be not that much
- VN100 Results: 25 companies can increase its FOL to 100%, 25 companies keep existing caps 30% or 49% or can increase marginally to 51%; and remaining 22 companies would have to reduce to 0% because of the legal constraints as per its ERC
- However, it would be straightforward if the restricted businesses are not in existence in reality nor it is very insignificant. For example, a plastic company has an “advertising services” line while in actual they don’t do it.
- In many cases, it is not only in the parent company business but it is with their subsidiaries and associate companies. This is not mentioned in current regulations actually and this makes companies more complicated in dealing with FOL issue

## Legal Constraints by VN100 Companies on HOSE



Source: StoxPlus

# Commercial constraints are more prominent issue

- **Biased treatment in business practice:** foreign invested enterprise could face more difficulty while working with local agencies compared to local enterprise. We noticed from our interviews that they may be treated differently in their bidding process especially for telecom and network equipment to the Government funded projects if they are classified as a foreign firm although there are no explicit legal restrictions.
  - Investment activities including trading and offshore investments
  - Taxation matters
  - Credit and applying for bank loans
  - etc
- **The right to distribution:** Pharmaceutical industry has a 100% FOL which means any current pharma firm can lift their limit. However, this would restrict them from the ability to distribute medicines and drugs directly to Vietnamese public hospitals as per the regulation by Ministry of Health. The only benefit of lifting the FOL for a pharma firm is to receive enough funding for their R&D department.
- **Economic Needs Test (ENT) is another constraint.** The ENT currently requires foreign investors in the retail sector (including supermarkets, malls, and convenience stores) to undergo licensing procedures for each new outlet they intend to open beyond the first one. This has long been seen as a barrier to market access if the public company becomes a foreign player by the definition of the Law.

# Technical matters are main constraints with privately owned companies

- Not loosening FOL as way to unwanted M&A: We noticed from 2 over 10 interviews who are reluctant to increase their FOL due to the fear of being taken over by foreign investors. They are both privately owned companies and it is their strategy to limit their FOL as the current 49% or even to a very minority threshold of less than 35%.
- Not loosening FOL as way to maintain veto rights in important decision-making process: we noticed a number of cases where the major shareholder of the Company doesn't want to lift their FOL as way to simplify their decision making in their business strategies including the investment in large projects or greenfield businesses. For these companies, having a low percentage of foreign participation would help them speed up the decision making process during the AGMs or BOD meetings.

# The objective

**1**

**Overview of FOL implementation in public companies**

**2**

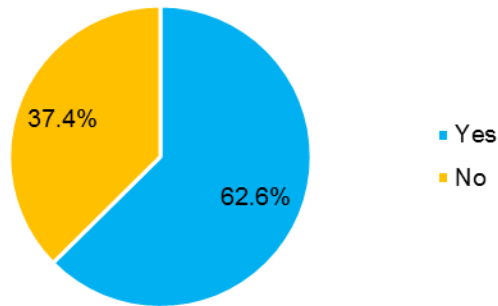
**Main findings from Foreign Investor Survey 2016**

**3**

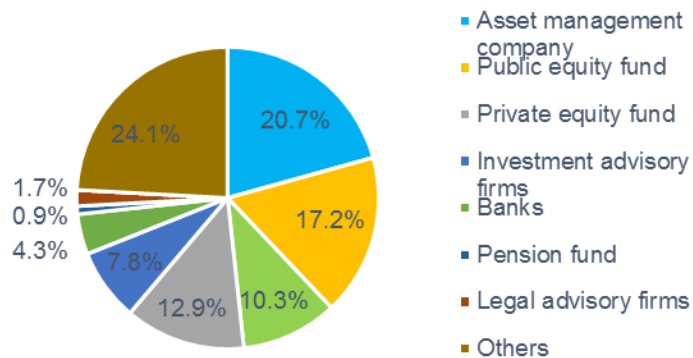
**Recommendations**

# We have asked 120 representatives from 105 institutional investors. 72 of them who disclosed AUM of US\$2 trn in which US\$10.8bn allocated for VN

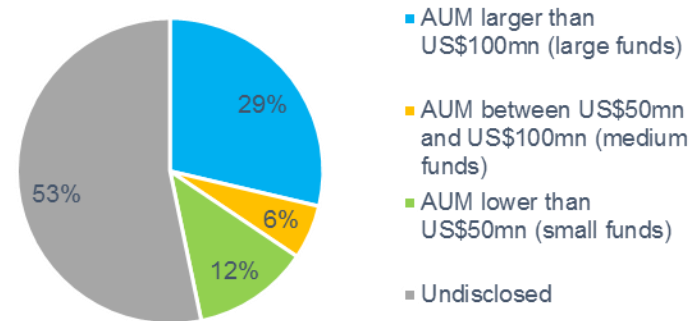
## Respondents who had investments in Vietnam in the past 12 months



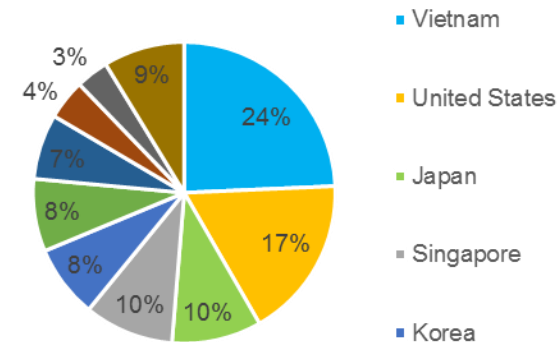
## Type of Respondent Investment Institution



## Type of Respondent Company's AUM by size

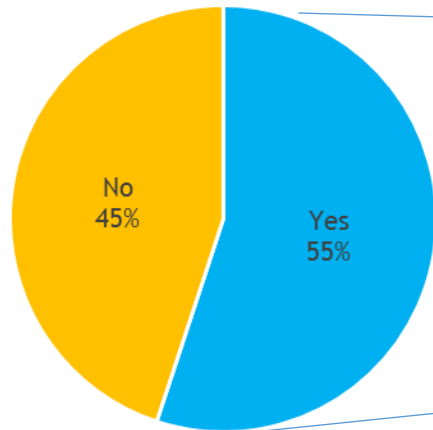


## Respondent Organization Headquarter

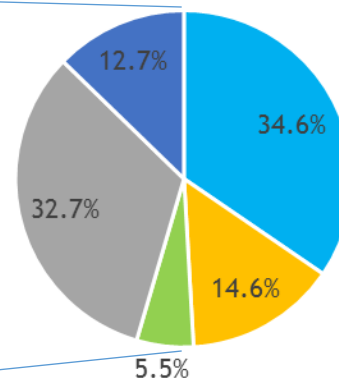


# Their mixed perception on FOL in their invested companies but 82% of them responded an increase in Vietnam if FOL implemented in reality

Do you currently have ownership in a public company that has not yet loosen the FOL ?

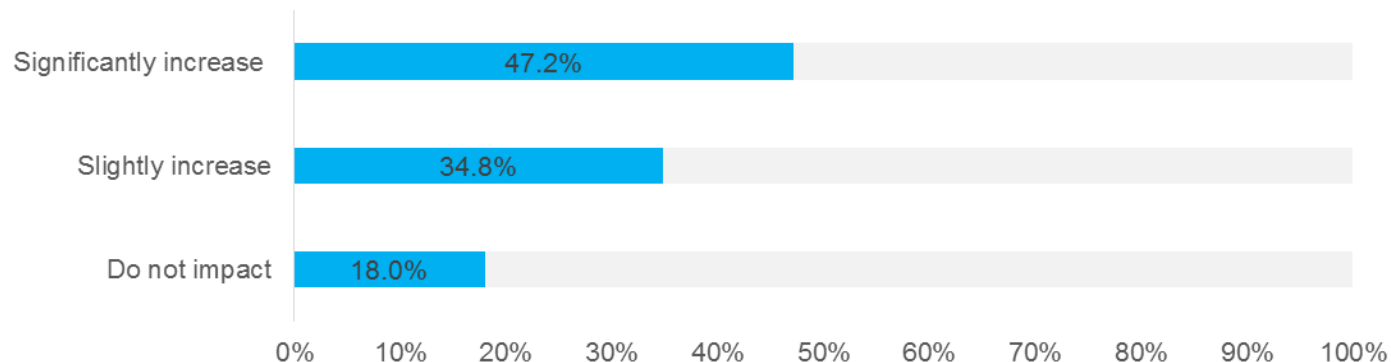


If yes, reasons that the company has not considered to increase foreign ownership room?



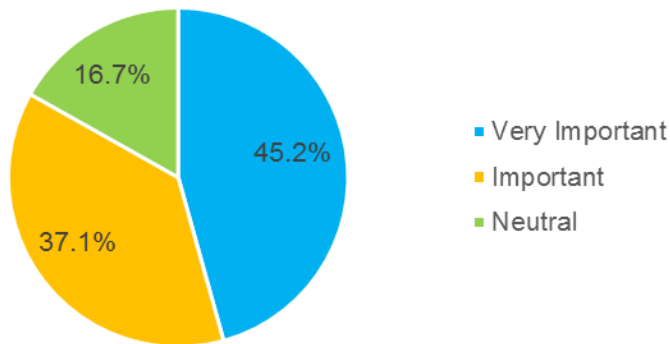
- Legal constraints
- Commercial constraints
- Technical constraints
- Do not want to be takeover or M&A
- Others

If FOL is removed to all companies in HOSE and HNX as per Decree 60 (meaning foreign investors can be able to have 100% equity ownership), how would this change your organization's investment strategy for Vietnam?

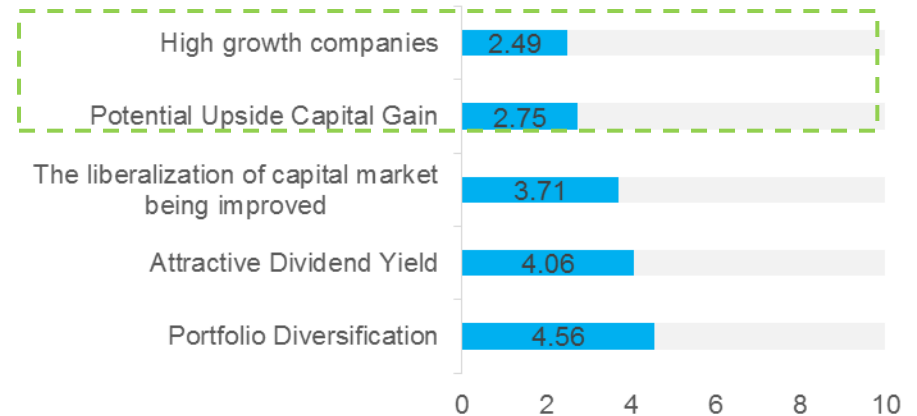


# They consider the floating of SOE shares upon IPO are important and look for capital gain than the dividend yield

Based on your view, how do you rate the importance of speeding up SOE privatization and having the privatized SOEs to go listing on Exchanges to your investment consideration into Vietnam?



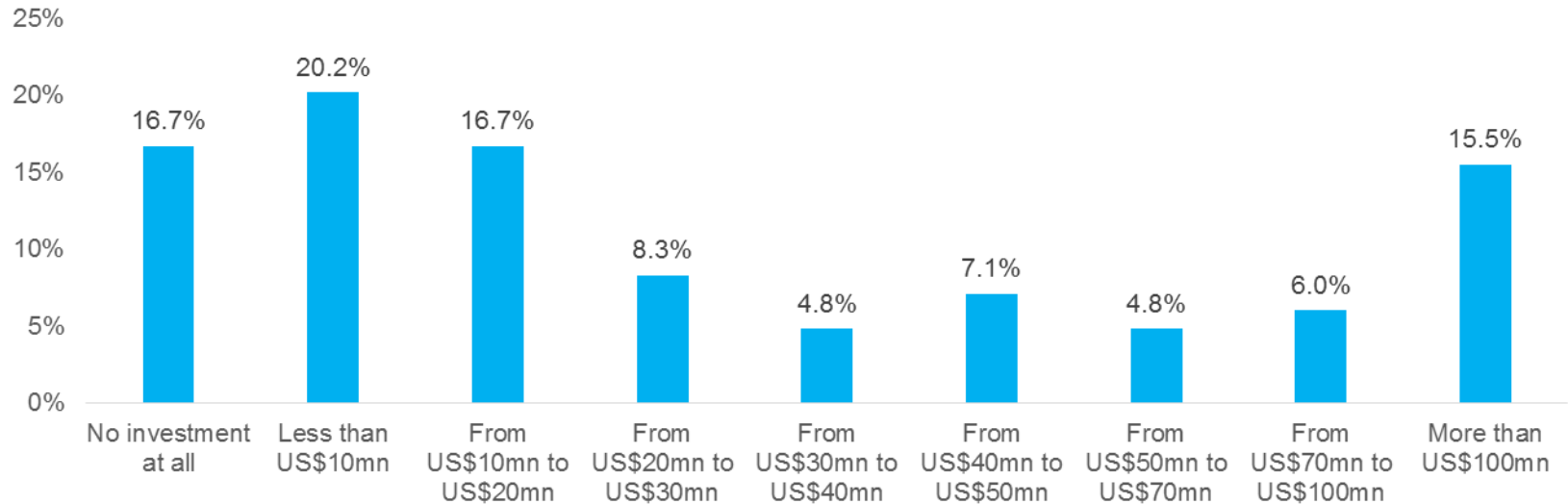
What do you believe are the greatest opportunities when investing in Vietnam Stock Market? Please rank the sectors from 1 to 10 (1 most attractive, 10 least attractive).





## 83.3% of them said they will increase AUM for Vietnam if Vietnam is classified as an Emerging Market

In an approximation, what is the range of investment size that your organization would consider to increase the AUM for Vietnam market if Vietnam Stock Market is officially upgraded to Emerging Markets classification in the next 12 months?



# The objective

**1**

**Overview of FOL implementation in public companies**

**2**

**Main findings from Foreign Investor Survey 2016**

**3**

**Recommendations**

# A number of recommendations

- ① **Further guidance to Decree 60 should be issued:** the Government should consider to provide further detailed guidance on the FOL matter including, but not limited to, the following:
  - Issuing a complete list of industries with conditions applicable to foreign investors (including restrictions by other laws and WTO commitments) which clearly sets forth: (i) the detailed FOL imposed on each business line under WTO commitments and the other laws); and (ii) business lines with conditions applicable to foreign investors but there is not yet any specific provision on FOL (then the FOL of 49% will be applicable).
  - Specific guidelines, agreed among government departments regarding ambiguous and unspecified business lines with foreign ownership limits to facilitate companies in lifting their FOL. This will significantly shorten the process of companies checking with competent State agencies.
- ② **The “lowest room applicable” rule should be considered for revision:** consider for replacing the “lowest room applicable” rule under Decree 60 by a rule which bases on the main business line of public companies for determination of their FOL. The “main business line” can be defined based on the actual contribution such as in sales or net earnings to the company.

3

## **Definition of the “Deemed Foreign Investors” under the Investment Law (2014)**

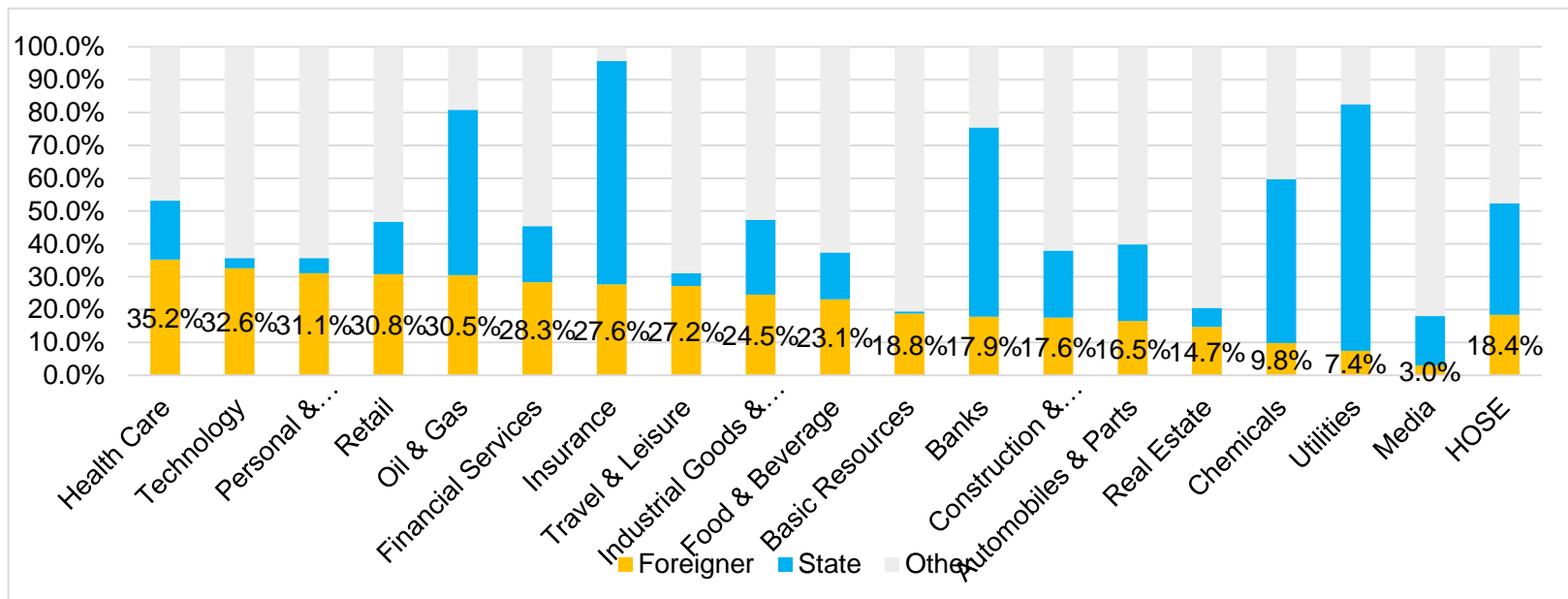
**should be revised:** The Investment Law, Article 23.1 stipulates that if 51% or more of charter capital of a company is held by foreign investors, such company must satisfy the conditions and carry out investment procedures in accordance with regulations applicable to foreign investors upon investment for establishment of an economic organization; investment in the form of capital contribution or purchase of shares or portion of capital contribution to an economic organization; or investment on the basis of a business cooperation contract.

- considering an amendment to such provision of Article 23 of the Investment Law to a way that such Article 23.1 shall not be applicable to listed companies.
- In addition, companies and market stakeholders are awaiting for further regulations to provide specific and consistent guidance for companies upon they changed their FOL in accordance with the current regulation especially governing the situation when companies have more than 51% foreign ownership

# A number of recommendations

- ④ **Speeding up the SOE IPO and divestments of State capital as planned:** this would create more room for not only foreign investors but increased free float and trading liquidity. Take HOSE as an example by the table below

**HOSE Foreign Ownership % by Sector, 30 Sep 2016**



- ⑤ **More products for foreign investors:** such as non-voting depository receipts as a way to promote public companies loosening their FOL while still ensuring a controlling power in their business strategies and avoiding hostile takeover or M&A.



## **Ms. Sylviane Carot - Vice President of Index Client Coverage, APAC, MSCI Inc.**



Ms. Carot has 13 years of experience in business development for the financial industry across Asset Managers, Private Banks, Pension Funds and Insurances.

### **Working experiences:**

- SIX Financial Information, Interactive Data (now ICE)
- BNP Paribas and CDC Ixis Capital Market.

### **Qualification**

- Master's degree in Finance from Pantheon-Sorbonne University in Paris.
- Sylviane is also the author of Risk Country analysis articles in BNP Paribas and CDC IXIS Capital Market economic review.

# VIETNAM MARKET CLASSIFICATION

October 2016



# OUTLINE

- MSCI Market Classification Framework
- Vietnam Market Classification

# MSCI MARKET CLASSIFICATION FRAMEWORK

# INTRODUCTION OF MSCI MARKET CLASSIFICATION FRAMEWORK

- The MSCI market classification framework offers a consistent and objective rules-based approach using standardized criteria
  - MSCI's framework reflects the experiences, requirements, and constraints of international institutional investors
  - MSCI's approach employs objective indicators in three areas: economic development, size and liquidity, and market accessibility
  - MSCI uses the same classification criteria for all countries
- Therefore, investors can depend on predictability and consistency across markets: country markets within a classification are more alike than country markets in different classifications
- Based on its framework, MSCI classifies countries as either Frontier, Emerging or Developed Markets

# MSCI MARKET CLASSIFICATION FRAMEWORK CRITERIA

Criteria	Frontier	Emerging	Developed
<b>A Economic Development</b>			
A.1 Sustainability of economic development	No requirement	No requirement	Country GNI per capita 25% above the World Bank high income threshold* for 3 consecutive years
<b>B Size and Liquidity Requirements</b>			
B.1 Number of companies meeting the following Standard Index criteria Company size (full market cap) ** Security size (float market cap) ** Security liquidity	2 USD 635 mm USD 47 mm 2.5% ATVR	3 USD 1269 mm USD 635 mm 15% ATVR	5 USD 2538 mm USD 1269 mm 20% ATVR
<b>C Market Accessibility Criteria</b>			
C.1 Openness to foreign ownership	At least some	Significant	Very high
C.2 Ease of capital inflows / outflows	At least partial	Significant	Very high
C.3 Efficiency of the operational framework	Modest	Good and tested	Very high
C.4 Competitive landscape	High	High	Unrestricted
C.5 Stability of the institutional framework	Modest	Modest	Very high

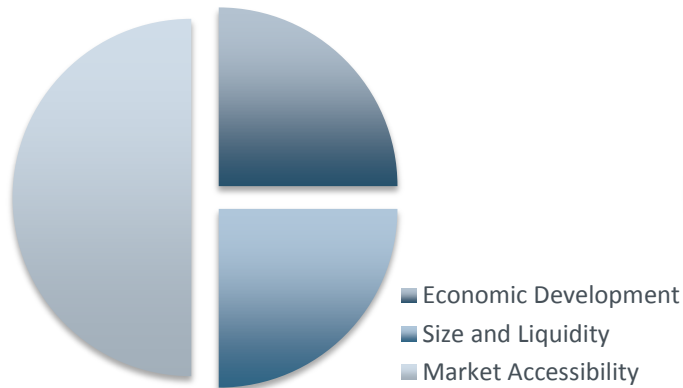
\* High income threshold for 2014: GNI per capita of USD 12,746 (World Bank, Atlas method)

\*\* Minimum in use for the May 2016 Semi-Annual Index Review, updated on a semi-annual basis

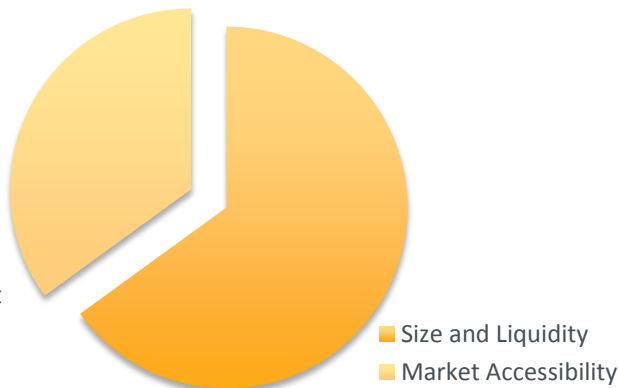
# EMPHASIS ON MARKET ACCESSIBILITY

- Market accessibility has proven to be critical for institutional investors

## Developed Markets



## Emerging Markets



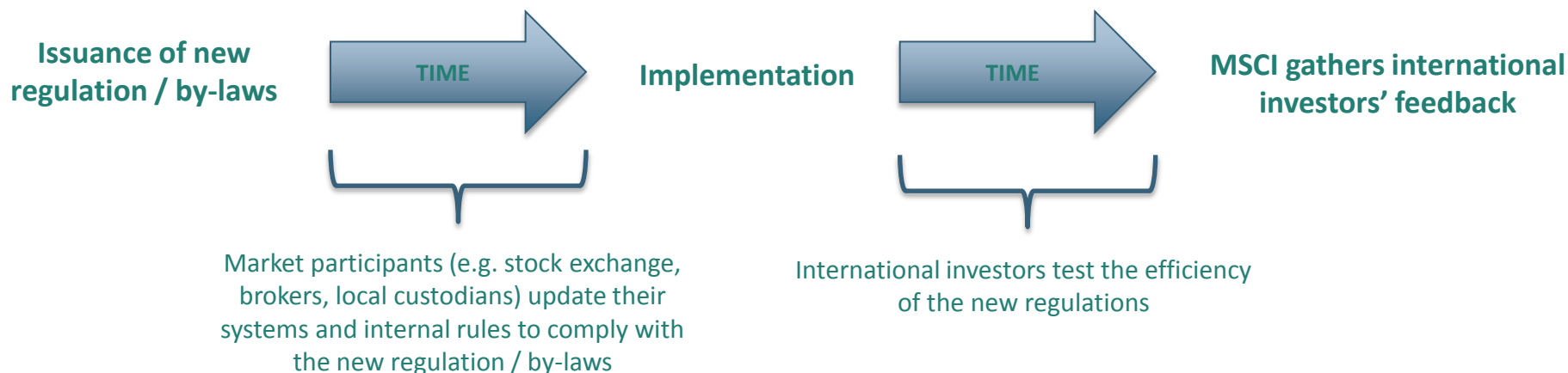
## Frontier Markets



- MSCI applies a set of 18 measures\* to determine a market's accessibility
  - For Emerging Markets, chief among these are
    - ✓ Protection of investor assets
    - ✓ Openness to foreign ownership
    - ✓ Ease of capital inflows / outflows
  - For Developed Markets, all market accessibility criteria are considered to be equally important

# ANNUAL MARKET CLASSIFICATION REVIEW

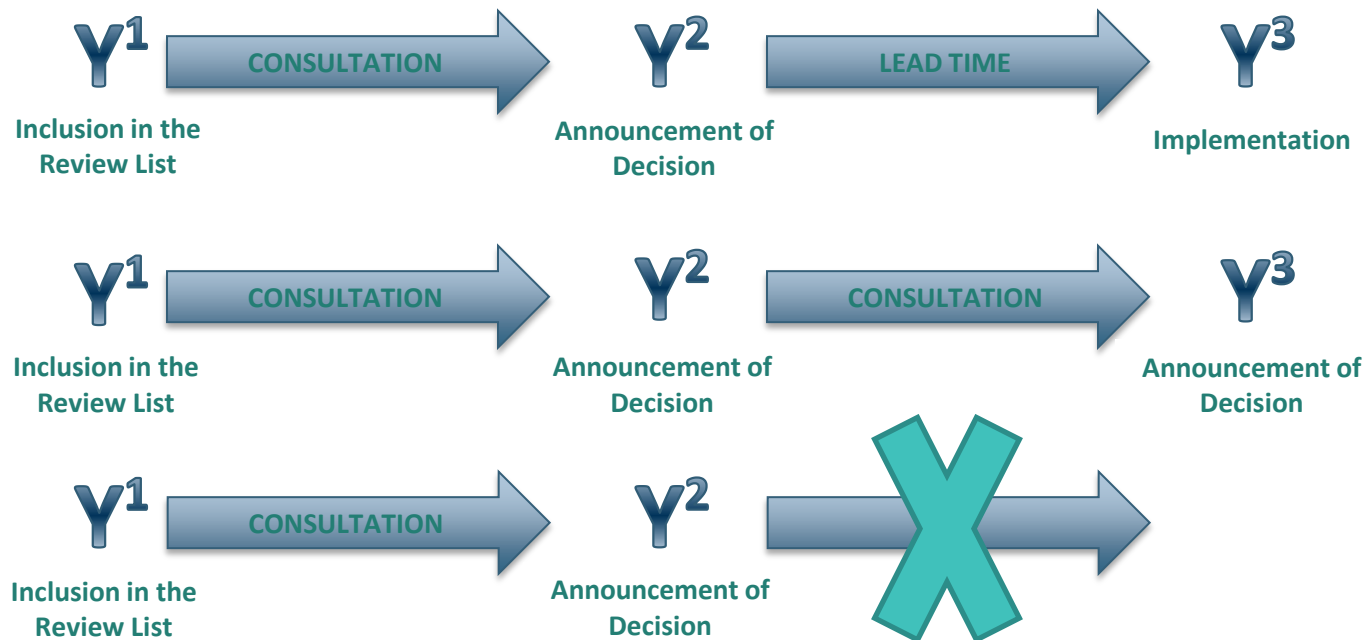
- Most often, market accessibility issues can be handled only via changes in market regulations
- A long time may be necessary for such changes to be implemented and fully tested / absorbed by the market
- Typical timeline:



- MSCI reflects regulatory changes in its accessibility assessment only once international institutional investors are able to provide meaningful feedback, i.e., only after they have fully tested / absorbed the changes

# MSCI MARKET CLASSIFICATION FRAMEWORK CRITERIA

- MSCI regularly reviews the classification of all countries included in the MSCI indexes to reflect market changes
- Typical scenarios:



- MSCI considers only those markets for reclassification for which a change in classification status can be viewed as irreversible

# ANNUAL MARKET CLASSIFICATION REVIEW

- As a trusted index provider for over four decades, MSCI understands the investment process of institutional investors and exercises great diligence in the consideration, evaluation and implementation of major changes in its indexes

**Diligence** = **Acceptance**

**Diligence** ≠ **Slowness**

- MSCI's process is thorough and careful
  - MSCI does not unilaterally impose changes in its indexes
  - It acts once the views of market participants converge
  - Hence decisions do not come as a surprise



# MARKET ACCESSIBILITY MEASURES

	Definition
Openness to foreign ownership	
Investor qualification requirement	Existence of qualifying conditions for international investors. Existence of a level playing field for all international investors.
Foreign ownership limit (FOL) level	Proportion of the market being accessible to non-domestic investors.
Foreign room level	Proportion of shares still available for non-domestic investors. Existence of a foreign board where non-domestic investors could trade with each other.
Equal rights to foreign investors	Equal economic and voting rights as well as availability of information in English. Equal rights for minority shareholders.
Ease of capital inflows / outflows	
Capital flow restriction level	Existence of restriction on inflows and outflows of foreign capital to/from the local stock market (excluding foreign currency exchange restrictions).
Foreign exchange market liberalization level	Existence of a developed onshore and offshore foreign exchange market.
Efficiency of the operational framework	
Market entry	
Investor registration & account set up	Existence/level of complexity of registration requirements for international investors such as Tax IDs as well as ease/complexity for setting up local accounts (e.g., documents to be provided, approvals required). The time to complete the process includes the preparation of the documents.
Market organization	
Market regulations	Level of advancement of the legal and regulatory framework governing the financial market, the stock exchange and the various other entities involved in the financial markets, an important weight is assigned to: ease of access (including in English), lack of ambiguity and prompt enforcement of laws and regulations, as well as consistency over time.
Information flow	Timely disclosure of complete stock market information items (e.g., stock exchange alerts, corporate news, float information, dividend information) in English and under reasonable commercial terms, as well as the robustness and enforcement of accounting standards.
Market infrastructure	
Clearing and Settlement	Well functioning clearing and settlement system based on international standards including delivery versus payment (DVP), the absence of pre-funding requirements/practices and the possibility to use overdrafts. Availability of real omnibus structures.
Custody	Level of competition amongst local custodian banks as well as the presence of global custodian banks. Existence of an efficient mechanism that prevents brokers to have unlimited access to the investor's accounts and guarantees the safekeeping of its assets.
Registry / Depository	A well functioning central registry or independent registrars and a central depository.
Trading	Level of competition amongst brokers ensuring high quality services (e.g., cost efficient trading, ability to execute grouped trades at the same price for the various accounts of a fund manager).
Transferability	Possibility of off-exchange transactions and "in-kind" transfers.
Stock lending	Existence of a regulatory framework as well as an efficient mechanism allowing extensive use of stock lending.
Short selling	Existence of a regulatory and practical framework allowing short selling.
Competitive landscape	Existence of anti-competitive clauses restricting investors' access to derived stock exchange information, data and investment products, including, for example the provision of independently calculated indexes or the creation of baskets of securities used in the creation of financial products. In addition, anti-competitive clauses should not result in global or regional financial products becoming in breach of local market rules, regulations or other restrictions.
Stability of institutional framework	Basic institutional principles such as the rule of law and its enforcement as well as the stability of the "free-market" economic system. Track record of government intervention with regards to foreign investors.

# VIETNAM MARKET CLASSIFICATION

# SIZE & LIQUIDITY OF VIETNAM MARKET

- At the time of the May 2016 Semi-Annual Index Review, there were 8 constituents in the MSCI Vietnam Standard Index
- At that time, only one security met all the size and liquidity requirements for the MSCI Emerging Markets Indexes
- Generally securities failed free float adjusted market capitalization requirements
  - Mostly either due to float or FOL/Foreign Room

# HIGHLIGHTED ACCESSIBILITY ISSUES 1/2

Market Accessibility Assessment	VN
Openness to foreign ownership	
Investor qualification requirement	++
Foreign ownership limit (FOL) level	-/?
Foreign room level	-/?
Equal rights to foreign investors	-/?
Ease of capital inflows / outflows	
Capital flow restriction level	++
Foreign exchange market liberalization level	-/?
Efficiency of the operational framework	
Market entry	
Investor registration & account set up	-/?
Market organization	
Market regulations	+
Information flow	-/?
Market infrastructure	
Clearing and settlement	-/?
Custody	++
Registry / Depository	++
Trading	++
Transferability	-/?
Stock lending	-/?
Short selling	-/?
Competitive Landscape	
Stability of institutional framework	+

## ■ Foreign ownership level:

- Recent relaxation of the Foreign Ownership Limit in public companies is seen as a positive development.
- However, the details of the implementation are subject to clarification.
- In addition, companies in certain conditional sectors and sensitive sectors are still subject to the relevant Foreign Ownership Limit.

## ■ Foreign room level:

- The equity market is significantly impacted by foreign room issues.

## ■ Equal rights to foreign investor:

- More information on the stock exchanges and the Vietnamese Securities Depository (VSD) websites can now be found in English.
- However, some company related information is not always readily available in English.

## ■ Foreign Exchange Market Liberalization:

- There is no offshore currency market and there are constraints on the onshore currency market (e.g., foreign exchange transactions must be linked to security transactions).
- In addition, liquidity on the onshore currency market has been relatively low in the recent past.

# HIGHLIGHTED ACCESSIBILITY ISSUES 2/2

Market Accessibility Assessment	VN
Openness to foreign ownership	
Investor qualification requirement	++
Foreign ownership limit (FOL) level	-/?
Foreign room level	-/?
Equal rights to foreign investors	-/?
Ease of capital inflows / outflows	
Capital flow restriction level	++
Foreign exchange market liberalization level	-/?
Efficiency of the operational framework	
Market entry	
Investor registration & account set up	-/?
Market organization	
Market regulations	+
Information flow	-/?
Market infrastructure	
Clearing and settlement	-/?
Custody	++
Registry / Depository	++
Trading	++
Transferability	-/?
Stock lending	-/?
Short selling	-/?
Competitive Landscape	
Stability of institutional framework	+

## Investor registration & A/C set-up:

- Registration is mandatory and account setup requires the approval of the VSD.
- The introduction of an online registration service and the shortened time for the issuance of the Securities Trading Code (STC) are seen as positive developments.
- However, certain supporting documents are still required to be translated in Vietnamese.

## Market Regulations:

- Not all regulations can be found in English

## Information Flow:

- Stock market information is not always disclosed in English and occasionally is not detailed enough.

## Clearing and Settlement:

- There is no formal clearing house and the VSD acts as the clearing agent. In addition, there are no overdraft facilities and the prefunding of trades is required.

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## Mr. Sani-e-mehmood Khan – General Manager of Pakistan Stock Exchange



Mr. Khan has been a seasoned professional of Capital Market Industry for last sixteen years. His experience ranges from conceiving of the product concept to developing functional, Regulatory, and Operational frameworks of the Capital Market Products. He specializes in managing the business operations of Exchange, dealing with stakeholders, making concerted efforts, managing leverage products, index construction, market development in the areas of debt and equity markets.

He is currently serving as the General Manager, Market Development and Secretary to Market Development and New Products Committee of the Exchange. Moreover, he is also serving as Convener to the Executive Management Committee and various other core committees of the Exchange.

### **Qualification:**

- Master's degree in Economics from Karachi University
- Two year vocational expert program in Software Engineering from the Division PERAC, Ministry of Production—Government of Pakistan.



# PAKISTAN AS AN EMERGING MARKET

## A CASE STUDY AND LESSONS LEARNT



PAKISTAN  
STOCK EXCHANGE  
LIMITED

Presentation by:

**Mr. Sani-e-Mehmood Khan**

General Manager of the Pakistan Stock Exchange  
(PSX)

Date: Friday - November 04, 2016

- The case study of Pakistan and lessons learnt
  - Challenge and Objective
  - Causes of Pakistan's down-gradation from MSCI EM Index in 2008
  - The Road Map – Macro Level View
    - ↳ Key strategies of all the Stakeholders involved
  - Criteria for MSCI Emerging Market Index
  - Economic Development
  - Size and Liquidity Requirements
    - ↳ Mission Critical Indicators
  - Market Accessibility Criteria
    - ↳ Openness to foreign ownership
    - ↳ Ease of capital inflows/outflows
    - ↳ Efficiency of the operational framework
    - ↳ Market Infrastructure
    - ↳ Stability of institutional framework
    - ↳ Strong Risk Management System in Place
    - ↳ PSX's Role viz a viz Market Participants
    - ↳ Improved Governance Structure
- PSX progress for Pakistan's reclassification into MSCI EM Index
  - The Road Map – Accomplishments
- The benefit of Pakistan Stock Market when upgraded to Emerging Market
  - Future Value Proposition

## To get the Pakistan Stock Market reclassified back into the MSCI Emerging Market Index

- Understanding the imperatives that led MSCI to take Pakistan out of its EM Index
- Identifying the mission critical indicators that would put Pakistan into review mode of MSCI
- Implementing the necessary reform measures to achieve the desired objective
- Embarking on an aggressive lobbying initiative to convince major investors that Pakistan was ready for reclassification back into the MSCI EM Index

# THE CASE STUDY -- CAUSES FOR DOWNGRADE TO FM INDEX HISTORY AND BACKGROUND



- Implementation of the “floor” on August 27, 2008 set minimum prices for Pakistan listed securities
  - Prices of listed companies were restricted from falling below closing prices of August 27, 2008.
  - Resulted in a practical shutdown of the market
  - Experienced a loss of transparency and the market became un-investable
- The market remained stagnant for more than 100 days
- The floor was removed on December 15, 2008
- Regulators faced with unique circumstances took administrative measures to achieve ‘soft landing’. However, length of time that market floor was in place was excessive due to external circumstances (e.g. dialogue with IMF).



MSCI Pakistan Index was removed from MSCI Emerging Markets Index at the end of December 2008 following the deteriorated investability conditions prevailing in the Pakistani equity market.

*“The Pakistani equity market will need to function without any trading disruptions for some time as a condition to being considered for reclassification in Emerging Markets.”*

↳ MSCI Announcement – June 2009

## THE CASE STUDY -- A KEY REQUIREMENT : JOINT EFFORT BY ALL STAKEHOLDERS



- Early on, it became clear that a consistent and systematic effort by all market constituencies was the very element in achieving the objective.
  - Market Infrastructure Institutions, led by PSX
  - Apex Regulator – Securities and Exchange Commission of Pakistan
  - Major Domestic Brokerage Firms and their International Broker – Dealers
  - Major Asset Management companies
  - Key International Custodian Banks
- Along with strong support from the Government of Pakistan through Ministry of Finance, SECP, Brokerage and Mutual Fund industries a roadmap was developed.



- ❑ Revamping the laws governing capital market institutions and participations [*Demutualization Act 2012, Securities Act 2015, Futures Act 2016*]
- ❑ Enhancing the capital market regulatory framework and capacity strengthening of Apex and frontline regulators [*New Broker Regime Regulation, Stock Market Licensing and Operating Regulation, Risk Management Regulations*]
- ❑ Bringing significant improvement in governance, transparency, risk management and investor protection with capital market institutions and the securities industry [*Integration of 3 exchanges into single Exchange (PSX), separation of regulatory and commercial function of the Exchange, transfer of Risk Management to the Clearing Company (NCCPL) and upgrading to CCP status, inducting professional independent board members nominated by SECP*]
- ❑ Developing a long term map for growth and evolution of Pakistan's capital market [*SECP's 10-year Capital Market Development Plan, 2016*]

# MSCI EMERGING MARKET CRITERIA



Criteria	Frontier	Emerging	Developed
<b>A Economic Development</b>  <b>A.1 Sustainability of economic development</b>	No requirement	No requirement	Country GNI per capita 25% above the World Bank high income threshold* for 3 consecutive years
<b>B Size and Liquidity Requirements</b> <b>B.1 Number of companies meeting the following Standard Index criteria</b> Company size (full market cap)** Security size (float market cap)** Security liquidity	2 USD 635 mm USD 47 mm 2.5% ATVR	3 USD 1269 mm USD 635 mm 15% ATVR	5 USD 2538 mm USD 1269 mm 20% ATVR
<b>C Market Accessibility Criteria</b> C.1 Openness to foreign ownership C.2 Ease of capital inflows / outflows C.3 Efficiency of operational framework C.4 Competitive landscape C.5 Stability of the institutional framework	At least some At least partial Modest High Modest	Significant Significant Good and tested High Modest	Very high Very high Very high Unrestricted Very high

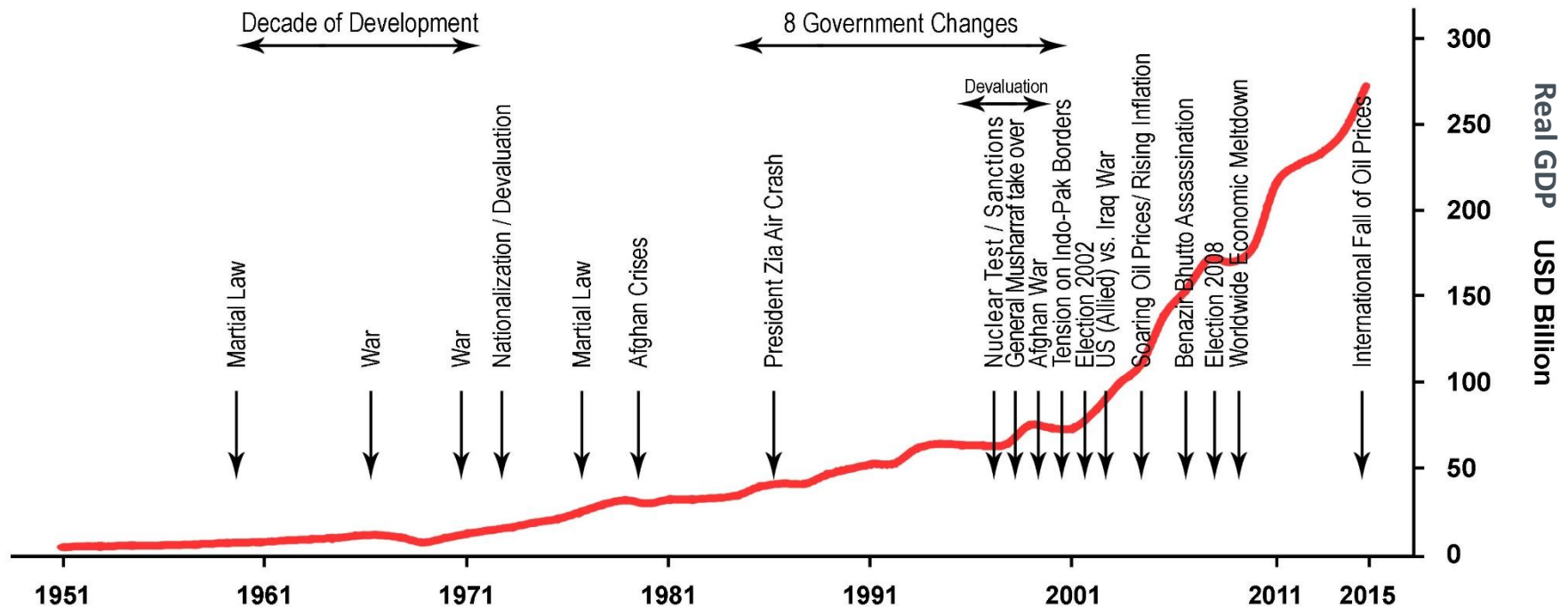
\* High income threshold for 2015: GNI per capita of USD 12,736 (World Bank, Atlas method)

\*\* Minimum in use for the May 2016 Semi-Annual Index Review, updated on a semi-annual basis



## PAKISTAN'S ECONOMIC AND POLITICAL DEVELOPMENT

GDP GROWTH RATE IN PAKISTAN HAS AVERAGED 4.91 PERCENT FROM 1952 UNTIL 2015 ON THE BACK OF FUNDAMENTAL GROWTH DRIVERS DESPITE HISTORICAL POLITICAL INSTABILITY, REACHING AN ALL TIME HIGH OF 10.22 PERCENT IN 1954 AND A RECORD LOW OF -1.80 PERCENT IN 1952.



Source: World Bank | [www.tradingeconomics.com](http://www.tradingeconomics.com)

## SUSTAINABILITY OF ECONOMIC DEVELOPMENT

- Foreign Exchange Reserves are stable as following:
  - USD 18.41 Billion with State Bank of Pakistan (SBP); as at September 30, 2016
  - USD 5.08 Billion with banks; as at September 30, 2016
  - Total of **USD 23.49 Billion**; as at September 30, 2016
- Currency is stable at Rs.104.61 to 1USD as at October 19, 2016
- The International Monetary Fund (IMF) has successfully completed a three-year economic bailout plan of over USD 6 Billion with Pakistan. In the course of the IMF-supported programme, Pakistan's economy has made significant progress toward strengthening macroeconomic and financial stability and resilience, while laying foundations for higher, more sustainable, and inclusive growth

# MSCI EMERGING MARKET CRITERIA SIZE AND LIQUIDITY REQUIREMENTS



Criteria	Frontier	Emerging
<b>B</b> Size and Liquidity Requirements		
<b>B1</b> Number of companies meeting the following Standard Index criteria	2	3
Company size (full market cap)**	USD 635 mn	USD 1269 mn
Security size (float market cap)**	USD 47 mn	USD 635 mn
Security liquidity	2.5% ATVR	15% ATVR

Pakistani companies meeting the above requirements for EM Index as at the following year ends:

Details	June 30, 2014	June 30, 2015	June 30, 2016
Number of Companies qualified above EM Index	5	8	9
Names of the Companies	OGDC, PPL, MCB, UBL, FFC	OGDC, PPI, HBL, MCB, UBL, LUCKY, ENGRO, FFC	OGDC, PPL, HBL, MCB, UBL, LUCKY, ENGRO, FFC, HUBC

# THE CASE STUDY -- MISSION CRITICAL INDICATORS

## DURING MSCI CONSULTATION PROCESS (JUN-15 TILL JUN-16)



### Pakistan's Current Rating:

- ✓ Investor qualification
- ✓ Foreign ownership limits
- ✓ Foreign room level
- ✓ Equal rights

### Pakistan's Current Rating:

#### Market entry

- ✓ Investor registration & account setup

#### Market organization

- ✓ Market regulations
- ✓ Competitive landscape
- ✓ Information flow

#### Market Infrastructure

- ✓ Clearing and Settlement
- ✓ Custody
- ✓ Registry/ depository
- ✓ Trading
- ✓ Transferability
- ✓ Stock lending
- ✓ Short selling

### ECONOMIC DEVELOPMENT

- Sustainability of economic development

### SIZE & LIQUIDITY

# of companies meeting the following:

- Full market capital
- Float market capital
- Security liquidity

### MARKET ACCESSIBILITY

- **Openness to foreign ownership**
- Ease of capital flows
- **Efficiency of operational Framework**
- Stability of Institutional framework

### EXAMPLES

\* **Four** Pakistani companies  
(OGDC, PPL, MCB, FFC)

### Frontier

### Emerging

### Developed

no requirement

no requirement

GNI 25%  
above World  
Bank high inc.  
for 3 yrs

2

\$670M

\$52M

2.5% ATVR

3\*

\$1,340M

\$670M

15% ATVR

5

\$2,679M

\$1,340M

20% ATVR

At least some

Significant

Very high

At least partial

Significant

Very high

Modest

Good & tested

Very high

Modest

Modest

Very high

Bahrain, Kuwait,  
Nigeria, Tunisia,  
Pakistan

Egypt, Turkey,  
Indonesia,  
India, Malaysia,  
Qatar, UAE

Australia,  
Hong Kong,  
Singapore

**Met by Pakistan as at  
29 FEB 2016**

# THE CASE STUDY -- MISSION CRITICAL INDICATORS

## POST MSCI CONSULTATION PROCESS (JUNE-2016)



### Pakistan's Current Rating:

- ✓ Investor qualification
- ✓ Foreign ownership limits
- ✓ Foreign room level
- ✓ Equal rights

### Pakistan's Current Rating:

#### Market entry

- ✓ Investor registration & account setup

#### Market organization

- ✓ Market regulations
- ✓ Competitive landscape
- ✓ Information flow

#### Market Infrastructure

- ✓ Clearing and Settlement
- ✓ Custody
- ✓ Registry/ depository
- ✓ Trading
- ✓ Transferability
- ✓ Stock lending
- ✓ Short selling

### ECONOMIC DEVELOPMENT

- Sustainability of economic development

### SIZE & LIQUIDITY

# of companies meeting the following:

- Full market capital
- Float market capital
- Security liquidity

### MARKET ACCESSIBILITY

- Openness to foreign ownership
- Ease of capital flows
- Efficiency of operational Framework
- Competitive Landscape
- Stability of Institutional framework

### EXAMPLES

\* **Nine** Pakistani companies  
(OGDC, PPL, HBL, MCB, UBL, LUCKY, ENGRO, FFC, HUBC)

### Frontier

### Emerging

### Developed

no requirement

no requirement

GNI 25%  
above World  
Bank high inc.  
for 3 yrs

2

\$635M

\$47M

2.5% ATVR

3\*

\$1,269M

\$635M

15% ATVR

5

\$2,538M

\$1,269M

20% ATVR

At least some

Significant

Very high

At least partial

Significant

Very high

Modest

Good & tested

Very high

High

High

Unrestricted

Modest

Modest

Very high

Bahrain, Kuwait,  
Nigeria, Tunisia,  
Pakistan

Egypt, Turkey,  
Indonesia,  
India, Malaysia,  
Qatar, UAE

Australia,  
Hong Kong,  
Singapore

**Met by Pakistan as at  
30 JUNE 2016**

# MARKET ACCESSIBILITY CRITERIA

## OPENNESS TO FOREIGN OWNERSHIP



For all investor,  
domestic &  
foreign in terms  
of rules &  
regulations

**Level  
Playing  
Field**

All listed  
companies &  
sectors are  
open for  
foreign  
investors

**No Foreign  
Ownership  
Limit**

**Equal  
Rights to  
Foreign  
Investors**

Rights and  
benefits to all  
shareholders  
are same

## **Minimal capital flow restriction**

SCRA accounts allow both individuals and foreign institutional investors to invest in Pakistan with full convertibility of dividends and proceeds of sale. All funds held in these accounts are fully repatriatable without any restrictions or constraints. There is no minimum holding period

\*SCRA : Special Convertible Rupee Accounts. These can usually be opened easily at three main international custodian banks operating in Pakistan viz. Standard Chartered Bank, Citibank and Deutsche Bank

### MARKET ENTRY : Investor Registration Account Set up

Criteria & requirements for market entry same for domestic and foreign investors in all capital market institutions (PSX, NCCPL & CDC) regulated by the SECP

Foreign investors can use the account of int'l. broker dealers & global custodians or open direct trading and custody accounts with local brokers

Account opening and set up process is set relatively easy  
KYC procedures and guidelines are as per int'l best practices

Pakistan is a member of the The Financial Action Task Force (FATF)





### **KATS**

(Fix Compliant)

In-house developed computerized trading platform available to all 400+brokers





### **KITS**

(Internet/Wireless  
Broadband)

Broker front-office system provided free of cost with built-in risk management capability. Especially suited to small/medium brokers who can provide smart phone based trading application to clients and also save on IT infrastructure costs

IT security dept. headed by CISO overseas all IT security and reports directly to the Audit Committee of PSX's Board of Directors while security audit is also conducted by external independent specialist auditors

### Transferability

-  Off market transactions are allowed
-  Same day reporting is mandatory for off market transactions
-  Clearing & settlement of these transfers between transacting members is entirely at their risk and cost
-  Central Depository is in the process of facilitating cross-transactions further by amending certain rules that currently restrict transfer between sub-accounts of clients with the same broker



NCCPL is responsible for the electronic clearing and settlement of trades at PSX

Provides fully automated clearing and settlement services to brokers and non-broker institutional clearing members & banks on DVP system

Securities Act 2015 mandates NCCPL to have full central counter party (CCP) capability.

Implementation underway

- NCCPL & PSX Clearing & Settlement Guarantee Fund is available in case of settlement default. However, there has never been a settlement default for the fund to be called upon to pay


### **EXTENDED SERVICES OF NCCPL**

- Margin Trading / Financing System
- Calculation & collection of capital gains tax
- National Settlement System option for investors



Electronic book-entry system (CDS) enabled to record and maintain securities and to register the transfer of securities

 **CDS IDs:** All CDS elements are allocated unique IDs and Passwords through which to enter the system.

 **Dial-in IDs and Passwords:** This feature is an additional layer of security for those clients who are connected to CDC through telephone lines.

 **Terminal Authentication:** CDS elements can only get connected to CDC through their designated terminals.

Standard Chartered, Citibank and Deutsche Bank are the international banks currently providing custodial services

# MARKET ACCESSIBILITY CRITERIA

## STRONG RISK MANAGEMENT SYSTEM IN PLACE



### Trading

- UIN Regime
- Client-Level VaR Based Margins
- Pre-Trade Margins
- Post Trade Real-time Margins
- Concentration Margins
- Liquidity Margins

### Clearing & Settlement

- Straight through clearing & settlement processing
- Settlement Guarantee Fund
- Robust Default Management Procedures
- NO CLEARING HOUSE DEFAULT

### Custody

- Investor Account Services with Central Depository
- Investor Account Services with Clearing Company
- Sub-Accounts under the control of Brokers
- Custodian Banks for foreign clients

### Brokers

- Net Capitalization based exposure limits
- Segregation of client / propriety assets
- Fit & Proper Criteria for becoming a broker plus mandatory certification by SECP (renewed annually)
- KYC and Anti money laundering guidelines
- Periodic in-depth system audits
- Global Inspection Regime recently launch (jointly by PSX/CDC/NCCPL)



Strong risk management, audit and surveillance capability in place

### BROKERS

- Ongoing system audit
- IT & IT Security audit Broker
- Code of Conduct Penalties
- range from monetary fines, to suspension of trading to forfeiture of trading rights

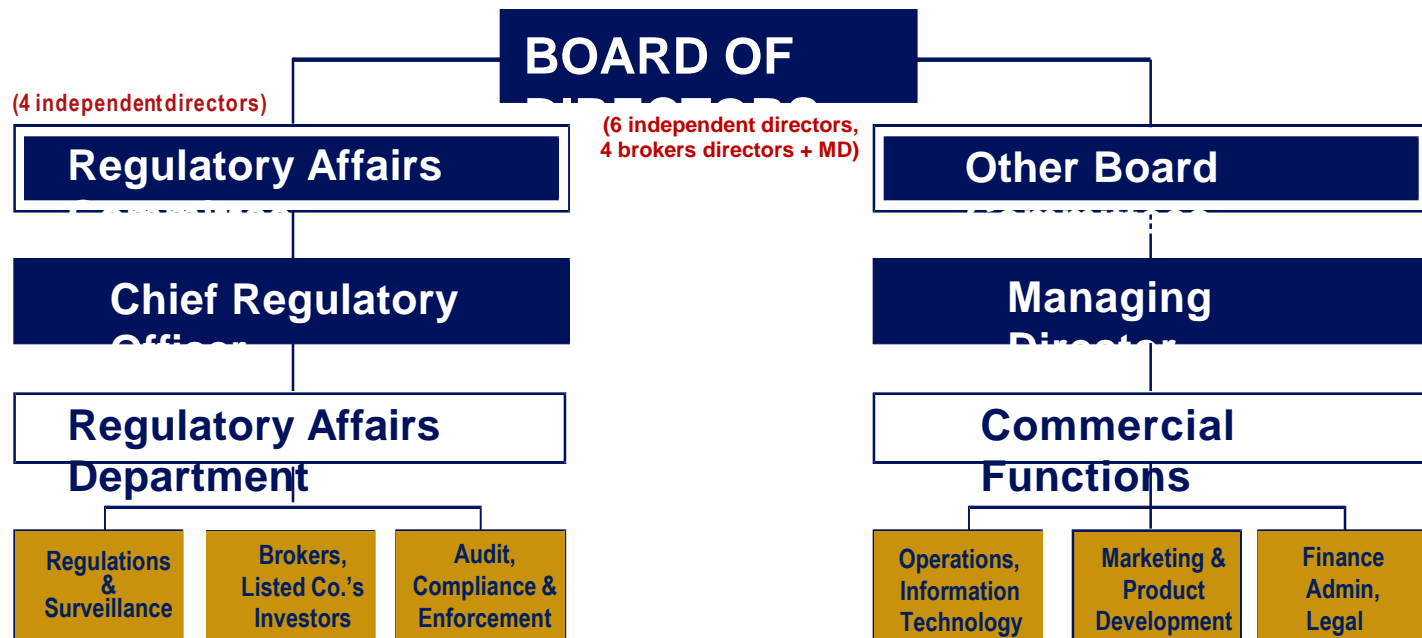
### LISTED COMPANIES

- Comprehensive Prelisting Criteria
- Increasing emphasis on compliance of SECP's Code of Corporate Governance modeled on international best practices
- Default counter for non-compliant companies
- Methodical delisting procedures



As per the Demutualization Act 2012, PSX's organization structure has been segregated into separate regulatory and commercial functions to avoid conflict of interest & improve governance

## POST DEMUTUALIZATION ORGANIZATION STRUCTURE



### Securities & Exchange Commission of Pakistan Actively Monitors the Stock Market

The Securities and Exchange Commission is the regulatory authority which vigilantly monitors the market

The mission of SECP is to develop a fair, efficient and transparent regulatory framework, based on international legal standards and best practices

SECP makes great efforts for the protection of investors and aims to foster the growth of a robust corporate sector and broad based capital market in Pakistan

Besides on-site inspections, the SECP annually analyzes the compliance of brokers and agents while renewing their registrations

Brokers and agents are required to provide net capital balance, change in directors, and change of address or any other information to the SECP from time to time

All companies registered with the SECP are required to fulfill certain post incorporation statutory and legal requirements to stay compliant with their corporate obligations

Fulfilling these post incorporation requirements brings transparency in the corporate affairs of a company, and also enhances the SECP's regulatory capabilities

Besides, necessary information is readily available to shareholders, investors, creditors and the general public



Pakistan's judicial system stems directly from the system that was in place in British India as such it closely resembles and follows the judicial system currently in place in Britain.

**The Securities Market and the Corporate Sector are regulated by the Provisions of:**

1. The Companies Ordinance 1984;
2. The Securities and Exchange Ordinance 1969 and Rules framed there under in 1971;
3. The Securities & Exchange Commission Act 1997.

**There are also legislations relating to specific areas like:**

1. Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980;
2. Companies (Issue of Capital) Rules 1996;
3. Insurance Companies Ordinance 2000;
4. Listed companies (Substantial Acquisition of voting shares and take-over) Ordinance 2002

**In addition to above, the listed companies are also subject to the Rules and Regulations of the stock exchanges**

PSX through its Customer Service and Investor Relations department provides arbitration forums and alternative dispute resolution forums to investors and its Members.

## MARKET ACCESSIBILITY CRITERIA

### STABILITY OF INSTITUTIONAL FRAMEWORK



The Companies Ordinance sets primary requirements for financial reporting of all companies incorporated in Pakistan . Under the Companies Ordinance it is obligatory for all companies to present their financial statements in accordance with IAS notified in the government gazette by the SECP.

The Companies Ordinance requires that each listed company prepare quarterly financial statements and file these statements with the SECP, Registrar of Companies, and Stock Exchange

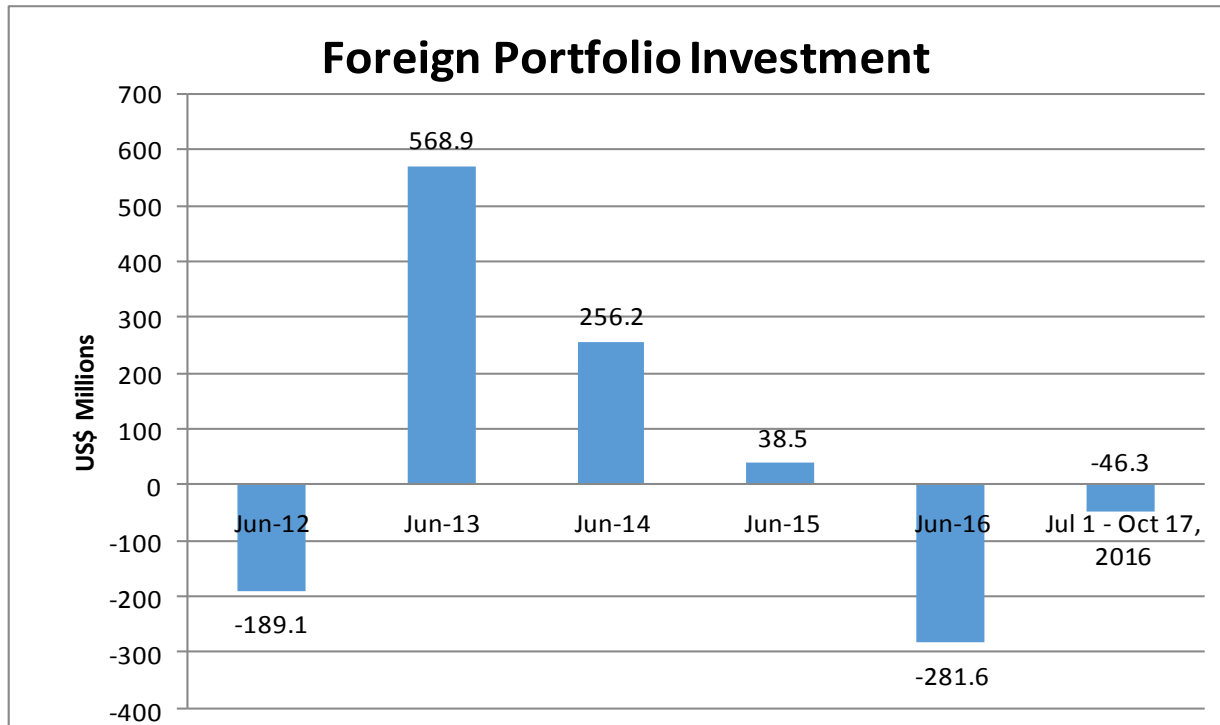
The Monitoring and Enforcement Department of SECP is responsible for enforcing IFRS compliance of listed companies

In order to protect investors' interests, SECP issues listing requirements that specify disclosures applicable to listed companies, in addition to other applicable auditing and accounting requirements

The Banking Companies Ordinance empowers the State Bank of Pakistan (SBP) to regulate financial reporting by banks and similar financial institutions

The Non-Banking Financial Companies Department of SECP regulates the non-banking financial institutions in Pakistan, including their accounting and reporting The self-regulated Institute of Chartered Accountants of Pakistan oversees the accountancy profession in Pakistan and The Institute of Cost and Management Accountants of Pakistan is actively involved in financial reporting process and cost audit

# THE CASE STUDY -- FOREIGN PORTFOLIO INVESTMENT



**Source:** National Clearing Company of Pakistan (NCCPL)

- No restrictions on outflow of foreign investment.
- Freedom to exit the market available to all foreign investors.

# THE CASE STUDY -- PSX Vs. OTHER MARKETS



Country	Index	Dec 31, 2015 – Sep 07,2016
<b>Pakistan</b>	<b>KSE100 Index</b>	<b>22.1%</b>
Indonesia	Jakarta Stock Exchange Composite Index	17.2%
MSCI EM	MSCI EM Index	16.3%
Thailand	Stock Exchange of Thailand SET Index	15.5%
Vietnam	Vietnam Ho Chi Minh Stock Index / VN-Index	14.2%
India	S&P BSE SENSEX Index	-10.8%
Philippines	Philippines Stock Exchange PSEi Index	9.6%
Hong Kong	Hong Kong Hang Seng Index	8.3%
Singapore	Straits Times Index STI	0.4%
Malaysia	FTSE Bursa Malaysia KLCI Index	-0.2%
MSCI FM	MSCI FM Index	-3.0%
Srilanka	Sri Lanka Colombo Stock Exchange All Share Index	-5.6%

*Source: Bloomberg*

# PSX PROGRESS FOR RECLASSIFICATION OF PAKISTAN INTO MSCI EM INDEX



Morgan Stanley Capital International (MSCI) Inc. announced on June 09, 2015 that it will review Pakistan's equity market to be included in its benchmark emerging-market index. Immediately after the MSCI announcement, a two pronged strategy was taken up by the PSX Management as follows:

## 1. Removing certain operational issues faced by foreigners in accessing the Market

- A time bound action plan was developed to focus on addressing the concerns foreigners were facing while seeking to invest in Pakistan
- In this regard, the following impediments faced by Foreign Investors were highlighted by a workgroup of stakeholders formed with representation from APEX Regulator (SECP), Clearing and Depository Companies, leading Brokerage Houses and various Mutual Funds of Pakistan:



# PSX PROGRESS FOR RECLASSIFICATION OF PAKISTAN INTO MSCI EM INDEX



## 2. Roadshows with a view to directly address the concerns of the foreign investors

PSX organized a number of local and international roadshows on Pakistan's growth and its case for MSCI

These Roadshows were intended to directly address the concerns of the foreign investors while embarking on an aggressive lobbying initiative to convince major investors that Pakistan was ready for reclassification back into the MSCI EM Index.

PSX organized roadshows nationally and in major international financial centres such as New York, Hong Kong, Singapore and London.

PSX also held webinars for FIs in which MD, PSX and Commissioner of SMD, SECP highlighted the market development and related Regulatory developments that had taken place.

## MARKET INFRASTRUCTURE

- ❑ Launch of Pakistan Unified Corporate Action Reporting System (PUCARS) at Pakistan Stock Exchange (PSX) – March 2014
  - PUCARS to provide an automated web-based announcement interface for listed issuers for sharing price sensitive information with market participants

## PRODUCT DEVELOPMENT

- ❑ Approval of SME Regulations for Pakistan Stock Exchange – January 2015
- ❑ Approval of Advance Securities Lending and Borrowing product traded at the Clearing House (NCCPL) – August 2016
- ❑ Approval of Options traded on Single Stocks at PSX Derivative Segment – August 2016

## EQUITABLE TREATMENT BETWEEN FOREIGN AND LOCAL INVESTORS

- ❑ CDC Registrar Services to launch e-Voting portal – November 2016
  - E-Voting is an internet based platform that enables local and foreign shareholders to vote on resolutions proposed by companies without being physically present at the meeting
- ❑ FII's to be taxed independently and are no longer exempted from withholding taxes - July 2014

## INFORMATION AND DISCLOSURE

- ❑ Development of an Online Complaint Management System – March 2015
- ❑ A functionality for Registrar/Transfer Agents of Issuers has been developed in CDS, in which R/TA can identify the accounts having non-free-float shares of their respective Issuer's security. Based on the information entered by the R/TA, a report is generated in CDS comprising the volume of free-float shares of a security
- ❑ Restrictions on Negotiated Deal Market (NDM) transactions – April 2014
  - NDMs between a broker's proprietary account and a client sub-account as well as transactions between sub-accounts of different clients with the same broker will be blocked
  - These restrictions are aimed to prevent unauthorized movement of client securities via NDM transactions



# Pakistan successfully meeting the Emerging Market Index Criteria set by MSCI

- On June 15, 2016, MSCI promulgated that MSCI Pakistan Index will be reclassified to Emerging Markets status, coinciding with the May 2017 Semi-Annual Index Review.

# PAKISTAN ON WORLD'S RADAR

## BENEFITS OF RECLASSIFICATION OF PAKISTAN INTO “EMERGING MARKET” STATUS BY MSCI





Positive impact on  
the future  
investment prospects

- Interest in Pakistan by global institutional investors
- Increase in Pakistan's inward foreign portfolio investments
- Boost investors' interest in the market
- Enhanced market activity will result in higher economic growth and development

Deepening of the  
equity market in  
Pakistan

- Increase in exposure to international investment
- Increase number of initial public offerings (IPOs)
- Higher capital investment generation



Generate strong  
positive market  
sentiments

- Entry of a new class of sophisticated investors into the domestic market
- Attracting institutional funds
- Bullish trend in the stock prices
- KSE-100 Index would gain momentum

Improved valuation  
of Listed Companies

- Improved corporate governance and investor relations
- Enhanced disclosure and transparency
- Increased compliance with international reporting standards





**Thanks for your participation**