



COMCEC

Standing Committee
For Economic and Commercial Cooperation
of the Organization of Islamic Cooperation

COMCEC Capital Markets Regulators Forum *Market Development Task Force*

CAPITAL MARKET
REGULATORS FORUM
COMCEC



SECP

SECURITIES & EXCHANGE
COMMISSION OF PAKISTAN

Market Development Task Force

Objective:

- ▶ Support provision of an enabling and conducive investment environment within the OIC members' for the integrity, growth and development of the capital markets;
- ▶ To develop OIC capital markets with ample access opportunities, both for issuers and investors, aligning the interest of market participants and ensuring effective operations of the markets.

Chair: Securities and Exchange Commission of Pakistan

Co-Chair: Securities & Exchanges Organisation of Iran

CMR Forum Secretariat: Capital Markets Board of Turkey.



SECP

**SECURITIES & EXCHANGE
COMMISSION OF PAKISTAN**

Purpose and Objectives

Objectives of the Mandate: Provide Guidance to

- i) ensure that the design and operations of capital market infrastructure in the member jurisdictions are sound, safe, and efficient,
- ii) promote efficiency and competition in the capital markets that would reduce the transaction costs, and
- iii) ensure market fairness

Purpose of the Report

- a) Assist regulators in developing an understanding of prevailing practices and regulations concerning capital market infrastructure
- b) Identify useful regulatory elements that could be adopted by members, to improve their capital market's regulatory frameworks and infrastructure
- c) Develop recommendations or best practices for appropriate infrastructure development leading to enhanced investor protection and better functioning of the capital markets as a whole.

Mandate of Market Development Task Force

Development of Capital Markets Infrastructure

- The mandate was adopted in December, 2012 after approval of the Task Force members, following the pre-approval of CMR Forum members at its Istanbul meeting in September 2012.
- The mandate aims to produce a working guiding blueprint looking at the current state of OIC capital markets, the international context, future risks and opportunities and key changes necessary to deliver the best possible capital market infrastructure in OIC jurisdictions.
 - Developed the Terms of Reference for the mandate
 - Survey questionnaire was developed and circulated to all CMR Forum members
 - Responses received from 9 jurisdictions
 - Draft Report based on analysis of responses, compiled by the Co-Chairs (Pakistan and Iran) in collaboration with the Forum Secretariat (Turkey).
 - Report identifies best practices and key recommendations for development of an appropriate capital market infrastructure
 - Report is presented before the Forum for comments and feedback of COMCEC member states
 - After incorporating the members' comments received, final report on "Development of Capital Markets Infrastructure in OIC Jurisdictions" will be published.



Respondents

A total of 9 jurisdictions responded to the Questionnaire, based on which the draft report is created

S.No	Jurisdiction	Institution
1	Cameroon	National Council of Credit/Central Bank (NCC)
2	Iran	Securities and Exchanges Organization (SEO) of IRAN
3	Kuwait	Capital Markets Authority (CMA)
4	Malaysia	Securities Commission Malaysia (SCM)
5	Maldives	Capital Market Development Authority (CMDA)
6	Pakistan	Securities and Exchange Commission Pakistan (SECP)
7	Palestine	Palestine Capital Market Authority (PCMA)
8	Turkey	Capital Markets Board of Turkey (CMBT)
9	United Arab Emirates	Securities & Commodities Authority (SCA)



SECP

SECURITIES & EXCHANGE
COMMISSION OF PAKISTAN

Focus Areas of the Report

- ▶ Preconditions for Development of Capital Market Infrastructure
 - Macroeconomic Environment
 - Institutional and Legal Environment
 - Institutional and Retail Investors
- ▶ Existing capital market infrastructure in place in OIC member countries
 - Structure
 - Risk management, settlement and default management
 - Central securities depositories and settlement systems
 - Access to CMI, system efficiency, effectiveness and transparency
- ▶ Role and mandate of market regulators, and other authorities relevant for capital market infrastructures (CMI)
- ▶ Identification of issues in infrastructure development
 - Gaps in capacity and resources
 - Deficiencies in the legal, institutional and risk management framework
- ▶ Recommendations

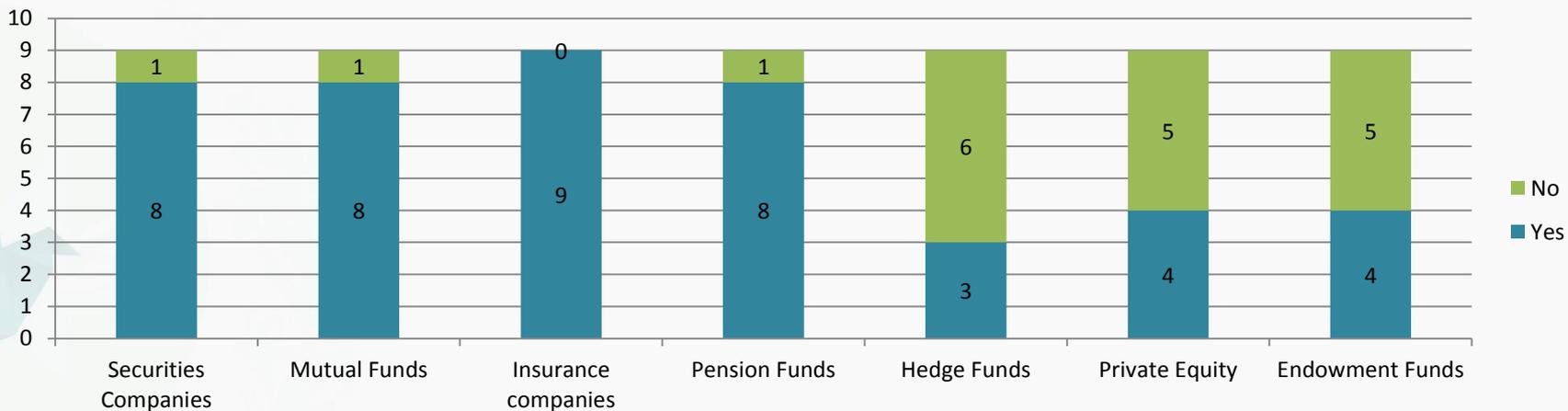


SECP

SECURITIES & EXCHANGE
COMMISSION OF PAKISTAN

Key Findings

Presence of Different Institutional Investors

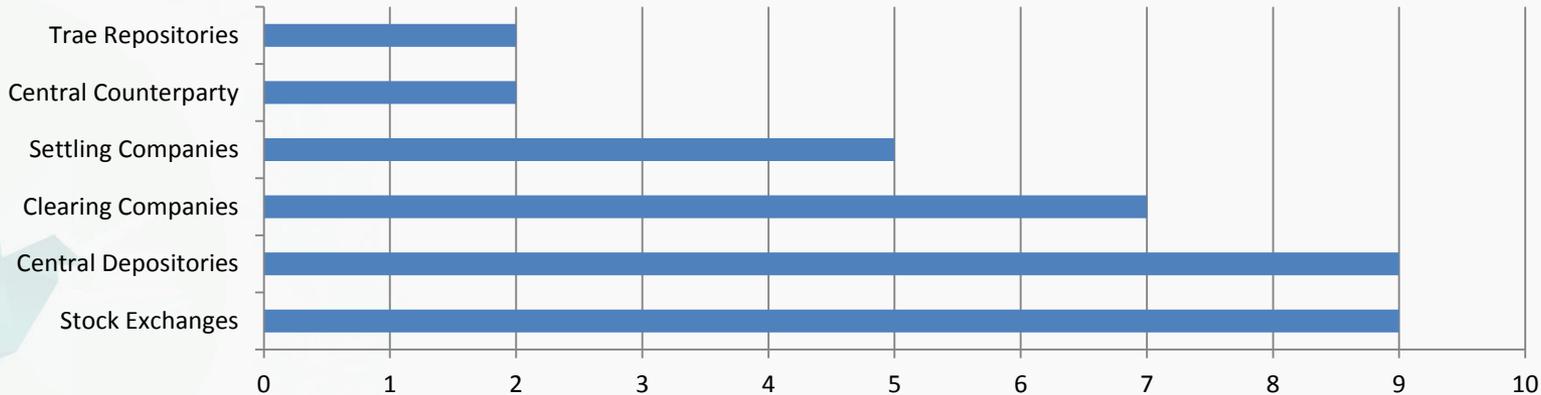


Functions provided by Infrastructure Institutions



Key Findings (Contd.)

Regulations for establishment and operation of CMI



Stage of Regulatory requirements for Capital Market Infrastructure

Country	Separate Securities Regulator	Definition of Capital Market Infrastructure	Registration of Market Participants	Certification of Market Participants
Cameroon	Y	Y	Y	Y
Iran	Y	Y	Y	Y
Kuwait	Y	Y	Y	Y
Malaysia	Y	Y	Y	Y
Maldives	Y	N	Y	Y
Pakistan	Y	N	Y	Y
Palestine	Y	N	Y	Y
Turkey	Y	Y	Y	Y
UAE	Y	Y	Y	Y

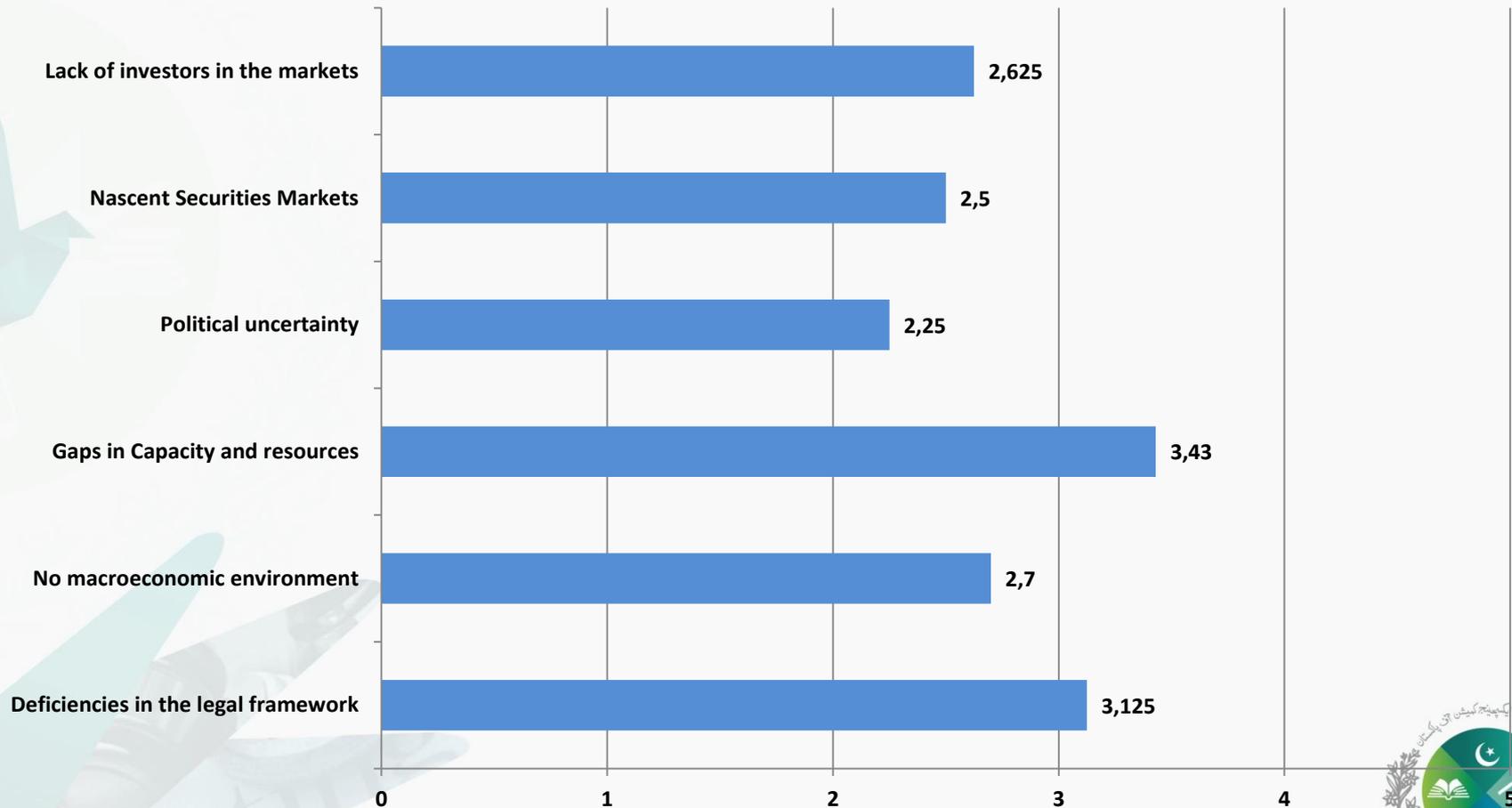


SECP

SECURITIES & EXCHANGE
COMMISSION OF PAKISTAN

Main Issues being faced for development of CMI amongst responding jurisdictions

Average Score - Issues being faced during development of CMIs (Total Score out of 5)



Recommendations

A. Structural Framework

- 1. Market infrastructure institutions**
- 2. Central Counterparties and Trade Repositories**
- 3. Over-the-counter market**
- 4. SME Board/Exchange**
- 5. Demutualization**

B. Legal and Regulatory Framework

- 1. Clearly defined capital market parameters with well-defined roles and responsibilities of the apex and frontline regulators**
- 2. Separate dedicated framework for market infrastructure institutions**
- 3. Requirements for licensing/registration**
- 4. Protection of ownership and property rights**

C. Governance and Transparency

- 1. Ownership & Governance of Market Infrastructure Institutions**
- 2. Role of demutualization in segregating commercial and regulatory functions**
- 3. Code of corporate governance**
- 4. Minimum disclosure requirements**

Recommendations (Contd.)

D. Risk Management

- 1. Risk-based Capital Adequacy Regime**
- 2. Margins and Valuation of Collaterals**
- 3. Marked to Market Calculations**

E. Investor Protection

- 1. Protection of client assets**
- 2. Investor protection funds**
- 3. Complaint Management Systems**
- 4. Investor Protection Corporations**
- 5. Arbitration and Dispute Resolution Mechanisms**

F. Increasing Market Outreach

- 1. Retail and Institutional Investor Base**
- 2. Investor education and awareness**
- 3. Increasing distribution channels and promoting listing of companies**
- 4. Role of market intermediaries and SROs in increasing outreach**

Recommendations (Contd.)

G. Product and System Development Initiatives

- 1. New products adapted to local market conditions**
- 2. Automated mechanisms**
- 3. Monitoring and surveillance software**

H. Capacity Building and International Cooperation and Collaboration

- 1. Capacity Building**
- 2. International Cooperation and Contribution**



SECP

SECURITIES & EXCHANGE
COMMISSION OF PAKISTAN

Next Steps

- ▶ Next Mandate – ***Transparency and Disclosure Requirements***
- ▶ ToR for the mandate have been developed and placed on the COMCEC CMR website

Deliverables	Date
Development and Approval of Terms of Reference for the mandate	July 2013
Development of Survey Questionnaire	November 2013
Deadlines for responses to the Survey Questionnaire	December 2013
Structure of Report	January 2014
Analysis of responses	January 2014
Finalization of Report	March 2014
Creating database for researchers	March 2014



Thank You!!!



SECP

**SECURITIES & EXCHANGE
COMMISSION OF PAKISTAN**