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Volume I of IV

Final Report

**PAKISTAN INVESTMENT EXPANSION PROGRAM
(PIEP)**

Project Number 391-0514

Submitted to:

United States Agency for International Development
PAKISTAN

Under Contract Number 391-0514-C-00-3755-00

November 1993

Submitted by:



The International Science and Technology Institute, Inc.
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ISTI — TEAM MEMBERS

Project Manager:

Bradford A. Warner, Jr. is Vice President of ISTI's Private Enterprise and Economics Division. Mr. Warner has over 25 years of international corporate finance experience including capital market development, public and private securities offerings, corporate direct investment, real estate and equipment lease financing and venture capital portfolio management.

Corporate Law Authority Training Program:

Robert M. Bishop, former Senior Vice President, Chief Regulatory Officer and Member of the Managing Committee of the New York Stock Exchange, was the longest-termed regulatory officer in the exchange's history. An employee from 1955, and an officer from 1963, he retired in 1986 after heading N.Y.S.E. regulation during years of major crisis, development and change. He has advised 13 foreign stock exchanges.

Anthony D. Loehnis, former Group Executive Director and Vice Chairman of S.G. Warburg in London and Executive Director of Bank of England for Overseas Affairs, has over 25 years of international corporate finance and banking experience. He is a member of the Group of Thirty, Chairman of the Centre for Economic Policy Research, Director of the U.K.—Japan 2000 Group and member of the Council of Management of the Ditchley Foundation.

Debra J. Kertzman is an attorney who is currently the Regulation Specialist for the USAID/Sri Lanka Financial Markets Project which is being managed by ISTI as contractor. She has worked for the U.S. Securities and Exchange Commission, the Hong Kong Securities and Futures Commission and as a securities lawyer in New York City.

Karachi Stock Exchange Training Program and Certification Course:

John R. Buehler has over 30 years of management experience in the capital markets industry including former positions as National Marketing Director, National Training Director and National Sales Manager of three N.Y.S.E. member firms. In addition, he founded the NYSE/NASD Securities Industry Examinations required of all U.S. investment brokers and securities firm branch managers. He is a member of the Examinations Policy Review Committee of the NYSE and a past member of the NASD Qualifications Committee.

Alfred C. Morley has over 40 years' experience in the investment business, dealing primarily with securities research and management of institutional funds and with the training of global investment professionals. He was the first President of the Institute of Chartered Financial Analysts and is the ISTI Program Coordinator for establishing the CFA program in Sri Lanka under the USAID/Sri Lanka Financial Markets Project.

John L. Kinnaman has over 20 years experience in stock exchange and securities firm operations and management in the U.S. and internationally. As ISTI's Advisor to the Colombo Stock Exchange, he was responsible for the development of its Central Depository, and recently he has advised on clearance and settlement, stock exchange rules and custody arrangements in Tanzania, Venezuela, Bulgaria, India and Pakistan. He is a former Vice President of NYSE, Midwest Stock Exchange and the National Securities Clearing Corporation.

Ronald E. Copley is an Associate Professor of Finance at the University of North Carolina and a principal reviewer of examinations for the Institute of Chartered Financial Analysts. He also is engaged in investment management for professionals, retirement plans and foundations. He is an expert court witness on investments and personal and business valuation and advises the State of North Carolina on its \$7 billion pension fund.

Susan S. Martin, as an ISTI consultant, designed and implemented the first Sri Lanka stockbroker licensing program for the Colombo Stock Exchange and the Securities and Exchange Commission, including formulating the syllabus, compiling and writing the training manuals, teaching the curriculum and administering the final examinations. Ms. Martin is a stockbroker by profession.

TABLE OF CONTENTS

I.	Executive Summary	1
II.	Assessment of the Karachi Stock Exchange Training Program and Recommendations for Further Training	2
	A. Management of Stock Exchanges and Securities Companies	2
	B. Summary Outline of the Class Topics for the Management of Stock Exchanges and the Securities Companies	3
	C. List of Certificate Recipients and a Sample Certificate for Management of Stock Exchanges and Securities Companies	5
	D. Financial Analysis and Portfolio Management	7
	E. Summary Outline of the Class Topics in Financial Analysis and Portfolio Management	9
	F. List of Certificate Recipients and a Sample Certificate for Financial Analysis and Portfolio Management	10
III.	Assessment of the Corporate Law Authority Training Program and Recommendations for Further Improvements	12
	A. Operations and Regulation of Capital Markets and Stock Exchanges and Special Regulatory Considerations	12
	B. Summary Outlines of the Class Topics in Capital Markets and their Regulation and Special Regulatory Considerations	14
	C. List of Participants and Sample Certificates for Capital Markets and their Regulation and Special Regulatory Considerations	16
IV.	Design of the Course Outline and an Annotated Syllabus for a Broker Certification Course for the Karachi Stock Exchange	19
	A. Implementing Recommendations	19
	B. Table of Contents of the Study Guide	21

I. Executive Summary

The economic rationale for promoting capital market development in economies which are making the transition from public sector domination to being private-sector led is compelling. The capital market provides the mechanism whereby savings are transferred into investment, resulting in economic growth and job creation. Strengthening the professional abilities of the Regulator and the Self-Regulatory Organizations (SROs) improves the functioning of the market and its development.

The role of the Regulator (in Pakistan the Corporate Law Authority or CLA) exercising oversight regulation of both the primary and secondary securities markets facilitates the transfer of savings to investment by increasing the integrity of the market. The Self-Regulatory Organizations (in Pakistan the Karachi Stock Exchange or KSE, the Islamabad Stock Exchange or ISE, and the Lahore Stock Exchange or LSE) provide direct regulation of these markets under the oversight of the Regulator, and through the Regulator, the SROs have the authority to enforce their rules upon their members. The obligation and ability of a stock exchange to enforce its rules upon its members is also critical to establishing a market's integrity.

The training program which has been delivered by ISTI from September - November 1993, under USAID Contract No. 391-0514-C-00-3755-00 has focused on the most important issues bearing upon raising the level of professional standards of both the staff of the Regulator and the staff and membership of the SROs. While we believe we have reached a comprehensive point of departure, a continuing program of training for both the Regulator and the SROs should be put into place. The implementation of the certification course will serve such a purpose for the SROs since it should be self-sustaining as the industry grows. The further training being prepared for the Regulator by the Asian Development Bank for 1994 will help establish continuity with this USAID-funded effort.

In total, there were 83 participants in the KSE program and 28 in the CLA program. Both groups were substantially larger than contemplated in the Request for Proposal, which called for approximately 25 and 15 respectively. The initial target number of brokers to be certified via examination is 150, after allowance for recommended grandfathering of certain categories of experienced personnel, an outcome to be realized by KSE upon delivery of course outline, study guide and uniform forms for broker certification by ISTI.

All deliverables were submitted to USAID, CLA and KSE in a comprehensive and timely manner culminating in this Final Report, which is organized as follows:

- Volume I —** Summaries of the KSE and CLA programs including lists of participants and certification course implementing recommendations together with an outline study guide.
- Volume II —** Expanded outlines of the KSE Training Program covering management of stock exchange and securities companies and financial analysis and portfolio management.
- Volume III —** Expanded outlines of the CLA Training Program covering operations and regulation of capital markets and stock exchanges and regulatory framework for capital markets.
- Volume IV —** Program Management recommendations for the broker certification course, study guide and uniform forms for stock market certification or transfer.

II. Assessment of the Karachi Stock Exchange Training Program and Recommendations for Further Training

A. Management of Stock Exchanges and Securities Companies

The Management of Stock Exchanges and Securities Companies course under the KSE training program was conducted by ISTI Consultants John R. Buehler and John L. Kinnaman in Karachi, Pakistan from September 18 to 23, 1993. The first session was introduced by the Minister of Information and Broadcasting of the Government of Pakistan, Hon. Nizar Memon.

The average number of participants was 70 to 100 in each session. The attendees from the KSE were all members except for the secretary and a consultant to the KSE. Nearly 70 people had registered for the program by the end of the sessions. The attendees also included three participants each from Lahore and Islamabad Stock Exchanges and two participants from the Karachi office of the CLA. The lack of a list of participants with their affiliation made it difficult for the instructors to identify individuals. This list was subsequently prepared and is included in Section C.

The facilities at the KSE used for training sessions were excellent, even by U.S. standards, with appropriate seating, lighting, sound systems and blackboards/easels. Logistical support, including copy machine capabilities, was well organized. Excellent refreshments were served during the breaks. The KSE recorded the entire proceeding on video and distributed copies to other stock exchanges. The KSE also provided a voice-over to the non-English speaking members of the KSE in Urdu.

The consultants were able to achieve excellent results due to the active participation of the audience. The group was able to relate the general presentations to Pakistan's capital market situation and experiences. The students themselves, which included governors of the exchange, were at all times attentive and seemed comfortable with the instructors, facilitating two-way communication. In all, the training sessions were a great success.

However, future training should allow more time for greater depth of interaction, taking into consideration the reality of individual attention spans after a full and active day in the market-place. Similar training sessions are also recommended for the membership of both the Lahore and Islamabad Stock Exchanges. In addition, over the next two years it is vital to provide more refined training and orientation to stock exchange operation and management as the staff of the KSE is expanded and enhanced.

B. Summary Outline of the Class Topics for the Management of Stock Exchanges and the Securities Companies

September 18-23, 1993

Introductory Remarks	KINNAMAN/BUEHLER
1. The Role and Structure of the Stock Market	KINNAMAN
■ Primary and Secondary Markets	
■ Participants	
2. The Government Regulator	KINNAMAN
3. Public and Listed Companies	KINNAMAN
■ Public Offering Process: Initial and Secondary	
■ Disclosure: Initial and Continuing	
■ Information Distribution Requirements	
■ Insider Behavior and Obligations	
■ Tender Offers, Acquisitions, Divestitures and Stake Building Procedures and Options	
4. Ethics and Codes of Conduct	BUEHLER
■ Consequence of Internationalization	
■ Effects of Financial Deregulation	
■ Malpractice and Fraud	
■ Broker-Dealer Rules	
■ Codes of Conduct	
■ Ethical Behavior	
5. Stock Exchange Management and Operation	KINNAMAN
■ Ownership	
■ Governance (with Public Participation)	
■ Multiple Roles	
■ Management, I.C.W. Governance	
■ Listing Process and Procedures: Initial and Continuing	
■ Rule Making Process and Enforcement	
■ Arbitration	
■ Trading	
■ Procedures for Supervision	
■ Automation	
■ Information Disclosure	

- Short Selling: Role, Benefits and Concerns
- Customer Reference
- Front Running
- Clearance/Settlement/Depository/Operations
- Automation, Accounting and Settlement
- Participation: S.E. Members and Institutions
- Priorities
- Depository
- International Standards
- Automated Central Customer Accounting Systems
- Commission Structures
- Professional Development and Training of Staff and S.E. Professionals
- Staff Market Participation

6. General Brokerage Firm Management and Operations

BUEHLER

- Introduction
- Management Purposes
- Basic Management Principles
- Attracting a Clientele
- Relationships Between Brokers and Their Clients
- Procedures for New Accounts
- A Program for Supervisory Reviews
- Operations System and Procedures
- The Education and Training Process
- Characteristics of Capable and Effective Managers

7. Interpersonal Skills — Human Resource Development

BUEHLER

- Leadership
- Purpose
- Productivity of Brokers
- Staff
- Meetings
- Underachievers
- Compliance
- Charm Course
- New Brokers
- Leadership

8. Closing Discussion

KINNAMAN/BUEHLER

C. List of Certificate Recipients and a Sample Certificate for Management of Stock Exchanges and Securities Companies

THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED

- | | | | |
|-----|-------------------------------|-----|---------------------------------|
| 1. | Mr. Abdul Razak Ali Mohammed | 29. | Mr. Mohammed Saad Maniar |
| 2. | Mr. Afzal H. Doosani | 30. | Mr. Mohammed Yacoob Memon |
| 3. | Mr. Ahmed A. Ghaffar | 31. | Mr. Mohammed Aslam Motiwala |
| 4. | Mr. Ahmed Noman | 32. | Mr. Mohammed Farooq H. Abdullah |
| 5. | Mr. Ali Asghar | 33. | Mr. Mohammed Farooque |
| 6. | Mr. Ali Azam Shirazee | 34. | Mr. Mohammed Ghufraan |
| 7. | Mr. Ali Hassnain Yusuf Ali | 35. | Mr. Mohammed Siddique Suleman |
| 8. | Mr. Ali Hussain Rajab Ali | 36. | Mr. Muhammad Sadiq Shah |
| 9. | Mr. Amanullah Suleman | 37. | Mr. Muhammed Amin Memon |
| 10. | Mr. Arif Habib | 38. | Mr. Mukhtarul Haq |
| 11. | Mr. Arsalan Siddiqui | 39. | Mr. Musharraf Iqbal |
| 12. | Mr. Ataullah Khan | 40. | Mr. M. Ayaz Khan |
| 13. | Mr. Chandio Diljan | 41. | Mr. M. Sohail |
| 14. | Mr. Faisal Abbas | 42. | Mr. M. Yousuf Parekh |
| 15. | Mr. Farooq Ahmed Khan | 43. | Mr. Naeem Rafi |
| 16. | Mr. Farooq Ismail | 44. | Mr. Nasir Ali Shah Bukhari |
| 17. | Mr. Firoz A. Cassim | 45. | Mr. Shahid Durvesh |
| 18. | Mr. Ghulam Mujtaba Sakarwala | 46. | Mr. Sirajuddin Cassim |
| 19. | Mr. Habib Ullah Sheikh | 47. | Mr. Sohail A. Sattar |
| 20. | Mr. Haseeb Shafiq | 48. | Mr. Syed Abdul Waheed |
| 21. | Mr. Hussain Babur | 49. | Mr. Syed Aijaz Ali Abbasi |
| 22. | Mr. Hussain K. Habib | 50. | Mr. Syed Quaiser Azam |
| 23. | Mr. Iqbal Gangjee | 51. | Mr. Tanveer Alam Mannoo |
| 24. | Mr. Jamshed Ali Khan | 52. | Mr. Tufail Janmohammed |
| 25. | Mr. Jamshed Chaudhry | 53. | Mr. Yaseen Abdul Razzak |
| 26. | Mr. Janmohammed A. Latif Nini | 54. | Dr. Yasir Mahmood |
| 27. | Mr. Mateen Ahmed | 55. | Mr. Zahoor Charndia |
| 28. | Mr. Mohammed Ali Nagaria | 56. | Mr. Zubair Bawany |
| | | 57. | Mr. M. Zainul Abedin |

Certificate

This Certificate evidences that

*completed the Management of Stock Exchanges and Securities Companies Training Program,
September 18 - 23, 1993 under the auspices of the
Karachi Stock Exchange (Guarantee) Ltd. with sponsorship from the
U.S.A.I.D. Mission for Pakistan in conjunction with the
Private Investment Expansion Program*

*Arif Habib
President
Karachi Stock Exchange (Guarantee) Ltd.
Karachi, Pakistan*

*Randall C. Cummings
Chief
Office of Private Enterprise and Energy
U.S.A.I.D. Mission for Pakistan*

*Nihal W. Goenewardene
President
International Science and Technology Institute, Inc.
Washington, D.C., United States of America*

D. Financial Analysis and Portfolio Management

The Financial Analysis and Portfolio Management course was presented by Ronald E. Copley, CFA and Alfred C. Morley, CFA to the Karachi Stock Exchange from September 25 to 30, 1993. The initial time frame was modified to end the sessions at 6:30 pm in order to cover more material. Even so, it was not enough time to cover all of the material the participants were supplied with prior to their arrival in Karachi.

All of those associated with the planning and execution of the program, including the participants, made the instructors feel welcome and comfortable and went out of their way to accommodate their needs and interests. Special appreciation should be extended to Randall Cummings, Hussain Babur and Mukhtarul Haq of USAID Pakistan; Arif Habib, President of the KSE; Firoz Cassim, former President of the KSE; Syed Abbasi, a member of the KSE; Siraj Cassim, Vice-president of the KSE; and M. Abedin, Advisor to the KSE and individuals who facilitated the arrangements for the course.

While attendance varied on a daily basis, an average of 60 to 70 participants attended each session over the six-day period. The level of education, experience, and general knowledge of the participants with respect to subjects covered varied greatly. This variation made it difficult for the instructors to neither "talk down" nor to "talk up" to the group, but over all, communication was effective. This was best measured by the active involvement of many of the participants via question/answer discussions. Because of such discussions and the varying levels of expertise, the instructors were not able to cover all the material that previously had been provided. However, many of the main points were presented in one fashion or another to the benefit of the entire group.

Sufficient time was not available to fully discuss, among other topics: prospectus disclosure; securities market indexes; options and futures; portfolio construction, and more detailed aspects of equity and fixed income investment management. However, the material provided to the participants did contain information on these subjects, and they were urged to review this material at their leisure to gain a better understanding of the concepts involved.

Positive and productive feedback from the participants during the coffee/tea break proved invaluable to the instructors because they were then able to elaborate on points made earlier and, when necessary, to change focus to better suit the interest of the group.

On balance, the participants were "hungry" for knowledge on the subjects presented, and the instructors were able to at least partially satisfy their needs. In hindsight, it would have been better to have had more time to cover fewer subjects in greater detail.

The presentations were made in the auditorium of the Karachi Stock Exchange building which seats approximately 90 people. Seating was in a tiered configuration divided into three sections, which made it convenient for entrance and exit from the auditorium and for relative ease of viewing speakers and overhead projections at the front of the auditorium.

The audio system worked well (via microphone pinned on the shirt front) and both a large chalkboard and screen for overhead projection made for effective communication with the audience. The presentations were videotaped using three cameras, and the necessary lights for videotaping and the movement of the cameramen did not interfere with the presentations. At mid-day during the daily presentations, there was a 30-minute break for refreshments which went well and provided the

opportunity for effective one-on-one discussion. The only concern about the facilities was the occasional problem of controlling the air conditioning (it was either too hot or too cold at times), but this was resolved after a few days.

Mr. Morley was also asked to evaluate some of the key financial ratios used by the KSE in its preparation of company statistical sheets, and the contents of several annual reports issued by companies in Pakistan. This was somewhat difficult for Mr. Morley because in both cases, the information left much to be desired as compared with U.S. standards and standards in other parts of the globe. Nonetheless, the recommendations made by Mr. Morley for change and modification were well accepted by the KSE, and it was stated that some of the recommendations would be soon implemented.

E. **Summary Outline of the Class Topics in Financial Analysis and Portfolio Management**

September 25 to 30, 1993

SEPTEMBER 25 - 27: FINANCIAL ANALYSIS
INSTRUCTOR: ALFRED C. MORLEY

- A. Global Security Markets
- B. Issues Traded on Global Security Markets
- C. Security Market Indexes
- D. The Use of Options, Futures and Index Futures
- E. Prospectus Disclosure
- F. Understanding and Using Financial Statements
- G. A View on Development of Global Capital Markets
- H. What's So Special about Becoming a Chartered Financial Analyst (CFA)?

SEPTEMBER 28 - 30, 1993: PORTFOLIO MANAGEMENT
INSTRUCTOR: RONALD COPLEY

- A. Stock Selection
- B. Bond Selection
- C. Principles of Financial Asset Management
- D. Equity Investment Management/ CFA Review Questions
- E. Fixed Income Investment Management/ CFA Review Questions
- F. Portfolio Construction, Monitoring and Revision Process
- G. CFA Case Analysis

Closing Discussion

COPLEY/MORLEY

F. List of Certificate Recipients and a Sample Certificate for Financial Analysis and Portfolio Management

THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED

- | | | | |
|-----|---------------------------------|-----|----------------------------------|
| 1. | Mr. Abdul Azia | 40. | Mr. Mohammed Yasin Lakhani |
| 2. | Mr. Abdul Razak Ali Mohammed | 41. | Mr. Mohammed Aslam Motiwala |
| 3. | Mr. Afzal H. Doosani | 42. | Mr. Mohamuned Farooq H. Abdullah |
| 4. | Mr. Ahmed A. Ghaffar | 43. | Mr. Mohammed Farooque |
| 5. | Mr. Ahmed Noman | 44. | Mr. Mohammed Ghufran |
| 6. | Mr. Ali Asghar | 45. | Mr. Mohammed Siddique Suleman |
| 7. | Mr. Ali Azam Shirazee | 46. | Mr. Muhammad Sadiq Shah |
| 8. | Mr. Ali Hassnain Yusuf Ali | 47. | Mr. Mohammed Amin Memon |
| 9. | Mr. Ali Hussain Raja Ali | 48. | Mr. Mukhtarul Haq |
| 10. | Mr. Arif Habib | 49. | Mr. Musharraf Iqbal |
| 11. | Mr. Arsalan Siddiqui | 50. | Mr. M. Ayaz Khan |
| 12. | Mr. Aslam Pervez | 51. | Mr. M. Sohail |
| 13. | Mr. Ataullah Khan | 52. | Mr. M. Yousuf Parekh |
| 14. | Mr. B. Hussain Hidayatallah | 53. | Mr. M. Zahoor Motiwala |
| 15. | Mr. Chandio Diljan | 54. | Mr. Nadeem Shaikh |
| 16. | Mr. Elisan Hafiz | 55. | Mr. Naeem Rafi |
| 17. | Mr. Faisal Abbas | 56. | Mr. Nasir Ali Shah Bukhari |
| 18. | Mr. Farooq Ahmed Khan | 57. | Mr. Randall C. Cummings |
| 19. | Mr. Farooq Ismail | 58. | Mr. Shahid Ali Pirani |
| 20. | Mr. Firoz A. Cassim | 59. | Mr. Shahid Durvesh |
| 21. | Mr. Ghias A. Abbasi | 60. | Mr. Shahid Ghaffar |
| 22. | Mr. Ghulam Mujtaba Sakarwala | 61. | Mr. Shahid Mahmood |
| 23. | Mr. Habib Ullah Sheikh | 62. | Mr. Shakil Anwar Kamal |
| 24. | Mr. Haseeb Shafiq | 63. | Mr. Shoaib Saleem |
| 25. | Mr. Hussain Babur | 64. | Mr. Sirajuddin Cassim |
| 26. | Mr. Hussain K. Habib | 65. | Mr. Sohail A. Sattar |
| 27. | Mr. Iqbal Gangjee | 66. | Mr. Syed Abdul Waheed |
| 28. | Mr. Iqbal Ismail | 67. | Mr. Syed Aijaz Ali Abbasi |
| 29. | Mr. Iqbal Janmohammed | 68. | Mr. Syed Moazzam Ali Shah |
| 30. | Mr. Jamshed Ali Khan | 69. | Mr. Syed Quaiser Azam |
| 31. | Mr. Jamshed Chaudhry | 70. | Mr. Tanveer Alam Mannoo |
| 32. | Mr. Janmohammed A. Latif Nini | 71. | Mr. Tufail Janmohammed |
| 33. | Mr. Mahboob Rabbani | 72. | Mr. Vali Mohammed A. Rehman |
| 34. | Mr. Mateen Ahmed | 73. | Mr. Yahya Iqbal |
| 35. | Mr. Mohammed Ali Naga'ia | 74. | Mr. Yaseen Abdul Razzak |
| 36. | Mr. Mohammed Iqbal Suleman Adhi | 75. | Dr. Yasir Mahmood |
| 37. | Mr. Mohammed Saad Maniar | 76. | Mr. Zahid Q. Noorani |
| 38. | Mr. Mohammed Sadiq Maniar | 77. | Mr. Zahoor Chamdia |
| 39. | Mr. Mohammed Yacoob Memon | 78. | Mr. Zubair Bawany |
| | | 79. | Mr. M. Zainul Abedin |

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*Arif Habib
President
Karachi Stock Exchange (Guarantee) Ltd.
Karachi, Pakistan*

*Randall C. Cummings
Chief
Office of Private Enterprise and Energy
USAID Mission for Pakistan*

*Nihal W. Goonewardene
President
International Science and Technology Institute, Inc.
Washington, D.C., United States of America*

III. Assessment of the Corporate Law Authority Training Program and Recommendations for Further Improvements

A. Operations and Regulation of Capital Markets and Stock Exchanges and Special Regulatory Considerations

The courses in Operations and Regulation of Capital Markets and Stock Exchanges, and Regulatory Framework for Capital Markets were presented by Robert N. Bishop, Anthony D. Loehnis and Debra J. Kertzman to the Corporate Law Authority in Islamabad from November 11 to 23, 1993.

On average 20 students attended each session with some variation. The attendance at the morning sessions was higher than the afternoon sessions. Approximately 25 to 30 students attended the morning sessions, and about 20 students attended the afternoon sessions.

The age and experience of the students varied widely. There were members from the CLA itself (of whom there are only four) as well as newly-joined members of their staff. Many were attorneys and accountants by training. In addition, several students came from the Lahore Stock Exchange, Islamabad Stock Exchange and one of the major banks.

Age and experience also effected audience participation. The experienced, more senior course members asked excellent questions and contributed to dialogue and discussion, but some two-thirds of the members did not participate even though real attempts were made to solicit their involvement (e.g. in the area of ethics). This could have been the result of the presence of senior management at the seminars. The level of participation ranged from superior to poor with about ten participants not participating at all. Attempts to engage conversation during the breaks indicated poor understanding of English, and one instructor had difficulty understanding most of the students because of their rapid speech and bullet-like cadence. However, the students took the program very seriously and most attended all sessions.

The quality of the training facilities was fair. Although the classroom at the CLA was large enough to set up a round-table format, the air conditioning was quite loud, making it necessary to speak loudly or risk not being heard. Equipment consisted of a blackboard, a television with a VCR, and an overhead projector. It took at least one day to make transparencies for the overhead projector, making last minute changes to presentations difficult. The lack of a printer to print outlines also made it difficult for one instructor to give her presentation. Since instructors arrived at different times it was difficult for them to coordinate their respective presentations with one another's. Therefore, with respect to many of the lectures, an outline was handed out during or after the lecture.

Not all instructors were told about changes in scheduled meetings. For example no one knew about the proposed cancellation of the October 22 session until the last minute which resulted in a haphazard rescheduling. Subsequently, Mr. Bishop was the instructor scheduled for the wind-up session for which he had prepared the participants on the previous class days. However, when he arrived for that Saturday session on October 23, he found the classroom occupied by a new training course, and was told by a student he met on the stairs that the Saturday session had been canceled because of the off-site graduation ceremony that day. When a CLA member learned that Mr. Bishop had not been told of this change, a final session was put together hurriedly in another building with about half of the students attending. Although the instructors were willing to be flexible, it was very difficult to coordinate. Instructors were never given a list of students, despite requests. For the purpose of the final report, a list was faxed by USAID Pakistan to ISTI on November 28 and is included in Section C.

For orientation, instructors should have a few days in-country before the course begins. Even after having taught in the recent program, one instructor felt he learned so little about the knowledge levels, competence and needs of the CLA staff that he would not be able to plan additional programs without further research. This same instructor felt that it might have been better to have an instructor perform the needs assessment.

Because the instructors were unable to meet for a short time in advance of the course, to coordinate the outline of the course and determine what contribution each would/could make, the material made available to course members in advance was not as comprehensive as it should have been, neither in terms of the ground to be covered nor in terms of recommended reading lists nor back-up material. But now that the ground has been broken, this should not be so problematic for future courses.

The biggest impediment was overload of information. There was so much to cover and for the participants to absorb. After the course was completed, a few students told one instructor that there was too much information and they couldn't absorb anymore and that the course day was too long.

B. Summary Outlines of the Class Topics in Capital Markets and their Regulation and Special Regulatory Considerations

October 11 - 23, 1993

TRAINING SESSION A: CAPITAL MARKETS AND THEIR REGULATION

A1.	Features and Functions of Financial Markets	LOEHNIS
A2.	Constituents of Capital Markets	LOEHNIS
A3.	The Regulatory Authorities	LOEHNIS/BISHOP
A4.	Companies and the Issuance of their Securities	LOEHNIS
A5.	Secondary Markets	BISHOP
A6.	Trading in the Secondary Markets	BISHOP
A7.	Securities Brokers/Jobbers	BISHOP
A8.	Qualification and Supervision of Persons Servicing Customer Accounts	BISHOP
A9.	Arbitration	BISHOP
A10.	Investment Advisers and Managers	LOEHNIS/BISHOP
A11.	Ethics	LOEHNIS/BISHOP
A12.	Enforcement and Discipline	BISHOP/KERTZMAN
A13.	Settlement of Contracts and Depositories	BISHOP

TRAINING SESSION B: SPECIAL REGULATORY CONSIDERATIONS

B1.	Compensation Fund	BISHOP
B2.	Roles of Public Accountants, Securities, Analysts and Attorneys	LOEHNIS/KERTZMAN
B3.	Insider Trading	KERTZMAN/LOEHNIS

B4.	Takeovers and Mergers	KERTZMAN/LOEHNIS
B5.	Investment Companies	KERTZMAN/LOEHNIS
D6.	Stock Indices	BISHOP
E7.	Education of Investors	BISHOP
Final Session - Highlights of Seminar		BISHOP
-	Aims of Regulation	
-	Balance Between Government Regulation and Self-Regulation	
-	Stock Exchange Governance	
-	Investor Protection	
-	Mutual Funds	

C. List of Participants and Sample Certificates for Capital Markets and their Regulation and Special Regulatory Considerations

NAME	DEPARTMENT
1. Mr. Abdul Rahman Laghari	Corporate Law Authority
2. Mr. Abdul Rehman Qureshi	Corporate Law Authority
3. Mr. Akmal Shariff	Lahore Stock Exchange
4. Mr. Amanullah Khan	Islamabad Stock Exchange
5. Mr. Anis K. Zuberi	Allied Bank Ltd.
6. Mr. Asadullah	Corporate Law Authority
7. Mr. Ashfaq Ahmed Khan	Corporate Law Authority
8. Mr. B.H. Qureshi	Corporate Law Authority
9. Mr. Bilal Rasul	Corporate Law Authority
10. Mr. Hizbullah Siddiqui	Corporate Law Authority
11. Mr. Jonejo M. Iqbal	Corporate Law Authority
12. Mr. Mian Iftikhar Ali Shah	Corporate Law Authority
13. Mr. Mohammad Farooq	Corporate Law Authority
14. Mr. Mohammad Farooq Qureshi	Corporate Law Authority
15. Mr. Muhammad Siddiqui	Corporate Law Authority
16. Mr. M. Ayub Qureshi	Corporate Law Authority
17. Mr. M. Farooq Akhtar	Corporate Law Authority
18. Mr. Nazir Ahmad Khan	Corporate Law Authority
19. Mr. Nazir Ahmed Shaheen	Corporate Law Authority
20. Mr. Qasim Mahmood	Lahore Stock Exchange
21. Mr. Riaz Ahmad Malik	Corporate Law Authority
22. Mr. Riaz Ahmed	Corporate Law Authority
23. Mr. Sabir Hussain Jafri	Corporate Law Authority
24. Ms. Shaheen Malik	World Bank
25. Ms. Sitara Satwat	Corporate Law Authority
26. Mr. Sultan Mohammad Khan	Corporate Law Authority
27. Mr. Syed Nayyer Ashfaq	Islamabad Stock Exchange
28. Mr. Tahir Manzoor	Corporate Law Authority

Certificate

This Certificate evidences that

*completed the Operations & Regulation of Capital Markets and Stock Exchanges Program,
October 11 - 16, 1993 under the auspices of the
Corporate Law Authority with sponsorship from the
USAID Mission for Pakistan in conjunction with the
Private Investment Expansion Program*

*Mian Muntaz Abdullah
Chairman
Corporate Law Authority
Karachi, Pakistan*

*Randall C. Cummings
Chief
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*Nihal W. Goonewardene
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Certificate

This Certificate evidences that

*completed the Regulatory Framework for Capital Markets Program,
October 17 - 23, 1993 under the auspices of the
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IV. Design of the Course Outline and an Annotated Syllabus for a Broker Certification Course for the Karachi Stock Exchange

A. Implementing Recommendations

The design of a course outline and an annotated syllabus for the broker certification course was conducted by John R. Buehler, John L. Kinnaman, and Susan S. Martin in Karachi, subsequent to the KSE and CLA Training Programs.

During the design phase the team met with representatives from KSE and the Institute of Business Administration (IBA) to discuss the scope and the implementation of the program. The KSE's Board of Directors were also briefed on the suggested scope of the program and the overall long-term benefits of a certification program. The consultants believe that the Board is fully supportive of suggestions made by them.

The KSE plans to retain a consultant to develop and conduct the certification courses under the direction and involvement of the KSE Board, implemented perhaps by a special committee. The team met the individual consultant, an adjunct professor at the IBA, who they believe will get the assignment and is well equipped to produce a high quality output.

The Study Guide can be used by local instructors in developing courses to prepare candidates for the certification examination or can be used as a guide for self study by candidates who do not believe it necessary to attend a course.

We recommend that the IBA be retained as the independent testing authority for the certification program. Given the conditions outlined in the recommendations, we estimate that within six months to one year more than 75 percent of the members will be certified. This number should approach 100 percent at the end of one full year of the program.

We estimate that the KSE Board of Governors will vote to approve the principle of implementing the certification program with minor adjustments before they leave office at the end of this year. When this is accomplished, the program could be instituted with cooperation from the other exchanges and the IBA within 90 days of the KSE approval.

We recommended that all KSE members and their agents (off-floor representatives conducting business with the public) become certified. We suggested a methodology which we believe is both practical and appropriate for certifying the existing members and agents of the KSE. This should be acceptable to the CLA once it is explained to them. The KSE has about 120 active members, each with 8 authorized agents, about half of which conduct business with the public. Therefore, initially there are about 600 individuals to become certified with the KSE. With our recommended "grandfathering" for certain categories of experienced members and agents, probably less than 150 will be required to go through the entire certification program including the examination at the implementation of the program. Susan Martin suggested to the KSE that a course program of some 40 to 50 hours should be sufficient to support the examination requirement.

Specifications for the examination, including a detailed outline and recommended percentages by subject areas are contained in Section 3 of Volume IV. We recommend a structure for the examination, utilizing the weighing in Exhibit 1 of the Study Guide (Section 2 of Volume IV), and a passing grade of 70 per

cent. We also designed forms for the KSE which can be used to assist the exchange in managing the required information about candidates for certification and for certified securities representatives (CSRs).

The program should be carefully reviewed after an introductory time period to ensure that it is properly and accurately measuring professional competence. The examination itself should be analyzed question by question for factors of relevance to the tasks of a broker, updated rules and regulations, and market conditions affecting the profession. Percentages of questions for each specification area must be reviewed for relative importance and the integrity of the particular sections must be closely studied.

We have recommended in "Program Management" that representatives of each exchange periodically review the examination with IBA representatives. However, we would also recommend that an experienced training professional should be engaged to guide the committee in its review at the outset. We are prepared to recommend an individual who has served in this capacity in the U.S., where the series of exams is under periodic review.

We believe that the KSE is keen on implementing this program and that it will do so by 1994. We also suggested that the KSE include the LSE and ISE in the program. The LSE and ISE are very interested and will be eager to join at the urging of the KSE. This is one of Arif Habib's mandates from his election to President of the KSE. We believe that the LSE and ISE will also buy into this process through the joint stock exchange steering committee already in place. When these expectations are accomplished the CLA should be sold on the program as well.

B.	Table of Contents of the Study Guide	
I.	The Financial System	5
	What is a Financial System	5
	Money and Financial Assets	5
	Financial Intermediaries	6
	How Money Flows in a Financial System — Intermediation	6
	Disadvantages of Financial Intermediaries	6
	Conclusion	7
	Interest Rates as Market Indicators	7
	Exchange Rates	7
	Balance of Payments — Terms of Trade	8
	Government Economic Policies	9
	Monetary Policy	9
	Fiscal Policy	9
	What Makes a Market Work	10
	Stock Market Investing	11
	Markets Within Markets	11
	What is a Stock Market	11
	The Stock Market is made up of two markets	12
	How Securities are Bought and Sold	12
	Stockbrokers	12
II.	Registered Companies	14
	Memorandum of Association — Articles of Association	15
	The Company as a Form of Business	15
	Corporation	15
	Corporate Capitalization	16
	Company Securities - Ordinary and Preference	17
	Ordinary Shares	17
	Forms of Dividends from Ordinary Shares	17
	Participation: Term Certificates / Term Finance Certificates	18
	Statutory Voting	18
	Proxies	18
III.	Company Reports and Disclosures /Securities Analysis	19
	Disclosure Requirements	19
	International Accounting Standards	19
	Who Uses Financial Statements?	20
	Financial Statements	20
	Balance Sheet	21
	Assets	21
	Liabilities	21
	Analysis of the Balance Sheet and Income Statements	22
	Sources of Equity	22
	Share Capital and Reserves	23
	Profit and Loss Statement	23
	Key Points	23

What it Shows	24
What it Does Not Show	24
Dividends	24
Sources and Application of Funds Statement	25
What it Shows	25
IV. Investment Risks And Objectives	26
Investment Objectives of Customers	26
Portfolio Analysis and Management Policies	27
Tax Consequences of Securities Transactions	27
Economic Factors Affecting Securities	28
Gross Domestic Product	28
Gross National Product	28
Changes in the Economy and Business	28
Money Supply	28
Basics of Fundamental Share Analysis	29
Explanation of Fundamental Analysis	29
What are the Shares Worth?	30
Basic Facets of Equity Analysis	30
Advantages of Fundamental Analysis	31
Disadvantages of Fundamental Analysis	31
The Impact of Macro — Factors on Security Analysis	32
Sources and Evaluation of Information	33
Life Cycles of Industries	34
Industry: The Evolutionary Process	36
The Bottom-Up Approach to Investing	36
The Top-Down Approach to Investing	36
Technical Analysis	37
Market Theories and Analysis	37
Technical Analysis of Individual Securities	37
Efficient Market Theory	38
Beta Factors	38
Contrarian Investing	38
Charting	38
Industry Classification	40
Investment Timing is Important	40
Don't Ignore the Warning Signals	40
Don't Put All Your Eggs in One Basket	41
Don't Get Greedy	41
Don't Follow the Crowd	41
V. Certified Securities Representatives/Responsibilities	43
Ethics in the Securities Industry	43
Integrity	43
Skill, Care, and Diligence	43
Observance of Standards	44
Information about Clients	44
Information for Clients	44

Conflicts of Interest	44
Client Assets	44
Internal Organization	44
Relations with Regulators	44
CSRs /Brokers and Client Accounts	45
Fiduciary Accounts	46
Insiders and Insider Trading	46
Short Selling	47
Arbitrage	47
Margin Accounts	47
VI. Regulatory Environment in Pakistan	48
The Role of the Authorities in the Financial/ Capital Markets	48
Objectives of Market Regulation	49
Corporate Law Authority	49
Companies Ordinance	49
Regulation is Self-Regulation	50
Regulations Governing the Stock Exchanges	50
Securities and Exchange Ordinance, 1969	50
Reforms	50
Takeovers	50
Other Pakistan Financial Institutions	51
Economic Development	51
Leasing	51
What is Leasing?	51
Regulatory Environment	52
Foreign Exchange Markets	52
Investment Companies / Mutual Funds	53
Collective Investment Vehicles	53
Investment Trust	53
Mordaraba Companies	54
National Investment Trust	54
VII. The Stock Exchanges of Pakistan	55
Growth and Recent Development	55
Management	56
Listing Requirements	56
Listing Regulations	57
Continuing Listing Requirements	58
Delisting or Suspension	58
Trading Floor Rules and Regulations	59
Ready Delivery Contracts	59
Provisionally Listed Companies	59
Market Information	60
Spot Transactions	60
Brokerage Commissions	60
Types of Orders	61
Unique Transactions	61

Floor Agents and Jobbers	62
Clearance and Settlement / Securities Processing	62
Weekly Clearing Position	63
Custodian Services	63
Central Depository Company of Pakistan Limited	63
VIII. International Financial Markets	64
The Outlook of the Securities Industry	64
Recent Developments	64
Deregulation and Reregulation	64
Globalization	64
International Investment	65
Disintermediation	65
Securitization	65
The World's Stock Markets	66
Notes on Selected Asian Securities Markets	67
Hong Kong	67
History	67
Basis of Regulation	67
India	68
History	68
Thailand	69
History	69
Basis of Regulation	69
Indonesia	69
History	69
Basis of Regulation	70
The Global Share Market Crash — October 1987	70
What Precipitated the Sell-Off?	70
Why?	71
What Happened to Stop Equity Prices Falling Further?	72
Program Trading	73
International Investing	73
EXHIBIT 1	74
Examination Specifications	74
EXHIBIT 2	75
Model Questions	75
EXHIBIT 3	78
Bibliography	78