

23<sup>rd</sup> April, 2005

**SBP GOVERNOR CHAIRS MEETING:**  
**REPLACEMENT OF BADLA FINANCING**  
**WITH MARGIN FINANCING**

A meeting was held under the Chairmanship of Governor, State Bank of Pakistan, Dr. Ishrat Husain at SBP Karachi today to assess the status of preparedness of financial institutions for undertaking margin financing and to chart out the future course of action to ensure smooth transition from Carry Over Transaction (COT) Financing or Badla Financing to Margin Financing.

The meeting was attended, among others, by the Minister of State for Finance, Mr. Omar Ayub Khan, Deputy Governor, State Bank of Pakistan, Mr. Tawfiq A. Husain, Chairman SECP, Dr. Tariq Hassan, Commissioner SECP, Mr. Shahid Ghaffar, Chairman KSE, Mr. Yasin Lakhani, leading brokers and heads of commercial banks.

The financial institutions indicated that they will be able to provide over Rs.20 billion for margin financing. This will exceed the present level of commitments in COT market by Rs.7 billion. The bankers informed the meeting that additional funds may be provided, if the demand for margin financing remains unmet. It was agreed that concerted efforts of all stakeholders and seamless coordination were needed to achieve the desired results by the deadline of August 26, 2005 and a Committee comprising the representatives of banks, financial institutions and members of the three stock exchanges was constituted to ensure the smooth implementation of the phase-out of Badla in a timely manner. The Committee was also given the responsibility of disseminating the information and create awareness amongst all the stakeholders, particularly the small investors.

Addressing the meeting, Mr. Omar Ayub apprised the participants about the important and critical role played by the Capital Market in the development of an economy. He said that the Government is fully committed to the reforms being undertaken by the regulators and his presence in the meeting is a solid demonstration of the will of the Government to work closely with all the stakeholders for ensuring the stability and development of the capital market.

The Chairman SECP, Dr. Tariq Hassan briefly apprised the meeting about the risk management measures and other reforms that have so far been undertaken for strengthening the capital market.