

Launch of AKD Trade's Financial Portal[§]

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Distinguished Guests:

Ladies and Gentlemen:

Assalamu Alaikum!

It is a pleasure to be here with you today. I would like to take this opportunity to express my gratitude to AKD Trade for inviting me to the launching ceremony of its Financial Portal.

* Speech delivered at the launching ceremony of AKD Trade Financial Portal in Karachi on 18 August 2004.

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AKD Securities is a pioneer in introducing online trading in Pakistan, which is revolutionizing the way that stock trading has been conducted for the last many decades. They deserve to be commended for being the first in providing investors with direct access to the Karachi Stock Exchange (KSE).

We all agree that information plays a critical role in the capital market. The concept of an efficient market is one in which information is freely and easily accessible to all at the same time, thus creating a level playing field for all investors.

It is pertinent to note that a large part of the prospective investing population, particularly small investors, do not have access to basic financial information that is fundamental to making informed investment decisions. While a number of measures have been initiated to fill in this gap – including the

requirement for all listed companies to publish and circulate their financial statements every quarter – it is imperative that the market intermediaries also play their due role. This is necessary to provide investors updated information about listed scrips so as to enable them to make sound investment decisions.

We hope that the introduction of AKD Trade’s new financial portal named “AKD Research” would provide investors with this opportunity. We expect that the product will help to reduce information asymmetries in the equity market, hence leading to greater market efficiency. I understand that the new portal will also provide investors with a wealth of financial information, including financial statements of companies, ratios, latest earnings etc. as well as access to price and volume information and charting tools.

Ladies and Gentlemen:

The emergence of Internet based securities trading has had a profound impact on the securities trading business around the globe. Issuers of securities, intermediaries, service providers and investors are increasingly selling and dealing or providing securities services on the Internet around the globe.

Today, we are witnessing the international trend of integration of stock markets worldwide; resultantly, stock markets are becoming geographically neutral. As a result of automation and the setting up of Electronic Communication Networks (ECNs) and Automated Trading Systems (ATS), investors now have 24 hour trading facilities at their disposal.

Internet trading is at the cutting edge of technological developments in the financial markets and Pakistan must not be slow to respond to advancement. The widespread introduction of Internet trading facilities would offer significant benefits to investors as well as ensure the development and modernization of our capital market in line with international standards:

- It would provide advantages to a variety of subscribers through increased opportunities for trading and efficiency of execution, i.e., lower costs and enhanced liquidity.**
- Technology has rendered geographical boundaries obsolete – now regional bourses are replacing local ones. Internet trading would free**

our market from geographical constraints as well making it more accessible to both local and foreign investors.

- **More importantly, Internet trading is a flexible, cost-effective means of reaching retail investors.**

The introduction and further development of Internet trading facilities in Pakistan would provide greater market access thereby enhancing the limited investor base. As you are well aware, at present the stock exchanges are inaccessible to most parts of the country. Internet trading facilities, however, address this shortcoming by providing direct access to local investors situated in remote areas as well as direct access to foreign investors.

I would like to take this opportunity to emphasize that it is the responsibility of brokers to attract investors and to establish offices in different cities/locations. Therefore, necessary steps should be taken by brokers to increase their geographical spread by extending their network of branch offices across the country. Such initiatives will undoubtedly broaden the retail investor base and serve to strengthen the country's capital market.

In these circumstances, AKD Trade's initiative of providing investors with a financial portal will go a long way in promoting much needed retail investment in the stock market. Tools like these will be instrumental in the development of securities market in the country. Allowing investors to make well informed decisions and to instantaneously trade in securities listed on KSE, irrespective

of their location, is fundamental to the growth and development of the capital market.

It is noteworthy to mention that the Government has already undertaken a number of significant measures in this regard.

The public offer of shares of state-owned enterprises like OGDCL, NBP, SSGC, PIA and more recently PPL have offered new investment opportunities to investors. In fact, the overwhelming response of small investors in the shares divested by the Government from its majority holdings in state-owned entities is an indication of higher investor confidence in our markets. Despite these efforts, let me highlight here that a safe assessment of the approximate number of retail investors comes to be around half a million which is clear reflective of the limited retail participation in stock market.

I hope that the launch of AKD Trade will set the trend for other capital market participants to enhance investment in technological infrastructure for providing and upgrading the quality of Internet trading facilities and improving information dissemination to investors. Furthermore, in the face of fierce global competition, it is imperative that our capital market responds to these changing realities in order to remain competitive; otherwise, we would face the risk of becoming irrelevant in today's globally competitive environment.

I would like to once again congratulate AKD Trade on the launch of their new portal which will undoubtedly benefit investors at large and thereby maximize participation from the broadest possible spectrum of investors in the capital market.

Thank you all for your time.