Chapter 6

Capital Markets

Capital markets plays a pivotal role in mobilizing domestic resources and channelling them efficiently for productive uses, thus raising national productivity. The level of capital market development is an important determinant of level of savings, efficiency of investment and ultimately rate of economic growth.

Earlier Pakistan's capital markets remained relatively narrow due to non-conducive economic environment but as the security situation improved and investors' confidence regained, the capital market started showing positive performance. During the regime of the present government significant developments in capital market and corporate sector took place. The Securities and Exchange Commission of Pakistan (SECP), being an apex regulator, has continued to push with the reform agenda to address the challenges of a fast growing market during the last five years (Box-1). Consequently, revival of investor's confidence has been captured by better returns on investment in the Karachi stock market. The market continued its upward trend reaching to all time high. KSE 100 witnessed its highest level of 52,876.46 on May 24, 2017 in the history.

Recently, the global capital market and financial industry have experienced a new wave of financial innovation, brought on by technological breakthroughs and digital disruption. The block chain is fundamentally changing the way people invest in companies thus we could be looking at the next incarnation of the stock market. In Pakistan, State Bank of Pakistan (SBP) has proven itself very progressive in the area of digital finance. The regulatory framework for financial services such as Payment System Operators, Payment Service Providers and Branchless banking regulations by the SBP acting as platforms for carefully controlled and regulated Fintech-led growth. Recently, for the past one and half years, IT-related achievements have been the game-changer for National Savings. Thus, Pakistan is an attractive market for Fintech companies to grow owing to the increasing youth population, high-speed internet, smartphone penetration and consumer preference for online commerce and digital payments.

Box-1: Securities and Exchange Commission of Pakistan (SECP) Key Achievements during (2013- 2017)

Under the leadership of current Government, the past few years has witnessed significant developments and reforms for capital market and corporate sector of Pakistan. The SECP, being the apex regulator, has continued to push with the reform agenda to address challenges of a fast growing market during the past five years. The reforms agenda include the following;

- **Demutualization of the stock exchanges:** Consequent to promulgation of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 the stock exchanges were successfully corporatized and demutualized on August 27, 2012. Demutualization resulted in segregation of commercial and regulatory functions and separation of ownership and trading rights of the stock exchange.
- **Integration of Stock Exchanges:** The three stock exchanges, i.e. Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange were integrated into a single, unified, national level, trading platform under the name of Pakistan Stock Exchange Limited (PSX). PSX became operational from Jan 11, 2016. Integration of stock exchanges has provided numerous benefits in terms of reducing fragmentation, increasing efficiency and improving governance standards.
- **Divestment of 40% shares of PSX to strategic investors:** The deal for strategic sale of 40% of PSX shares to an anchor investor consortium comprising leading Chinese exchanges and Pakistani financial institutions

was completed by Dec 23, 2016.

- **Sale of 20% stake of PSX and Self-listing of Pakistan Stock Exchange (PSX):** Public subscription of 20% shares of PSX was successfully completed, subsequent to completion of divestment process. With commencement of formal trading of PSX shares on its trading platform from June 29, 2017, PSX has become the first South Asian self-listed stock exchange.
- **Up-gradation of Pakistan to Morgan Stanley Capital International (MSCI) Emerging Markets Index:** Based on the country's improved macroeconomic indicators, government's investment friendly policies, and ongoing reform process, Pakistan was upgraded from MSCI's Frontier Markets to Emerging Markets in May 2017.

Promulgation of major laws:

- **The Securities Act, 2015** was promulgated with effect from May 2015. It acts as a comprehensive modern law, which caters for deficiencies in earlier law and incorporates global benchmarks of securities regulation and investor protection.
- **The Futures Market Act, 2016** was promulgated in April 2016, which contains dedicated provisions for derivatives markets and is designed to protect public interest through a system of effective self-regulation of futures markets/clearing systems.
- **Companies Act, 2017**: which has repealed the Companies Ordinance 1984, is one of the most significant legal reforms in the country. The major focus of the new company law is the facilitation to the corporate sector, strengthening of the regulatory framework, maximum emphasis on the use of technology, abolishing unnecessary requirements, protection of the interest of shareholders, and a softer regime for the companies having no stake of the general public.

Reforms for Risk Management, Investor Protection and Transparency

- Centralized Customer Protection and Compensation Fund: Investor Protection Fund (IPF) of PSX has been replaced with the Centralized Customer Protection and Compensation Fund as mandated under the Securities Act, 2015. The Fund is now operational in accordance with the rules and regulations framed under said Act.
- Revamp of Framework for Companies on PSX Defaulters' Segment: Amendments made to the PSX Regulations for a major overhaul of regulatory framework governing companies in violation/non-compliance of applicable laws, enabling earlier warning to investors, wider dissemination of defaults of such companies, stronger enforcement actions against such companies and their sponsors, directors and management, and earliest possible relief to investors. Various additional grounds for placement of a company on the PSX defaulters' segment have been introduced and the approved amendments address issues posed due to immediate suspension of companies' consequent to action by PSX under its regulations.
- Implementation of Financial Resource Requirements and Capital Benchmarking of NCCPL: The NCCPL, on the SECP's instructions, initiated the exercise of evaluating current and projected risks associated with its operations and recommend optimal levels of capital as per requirements of the Clearing Houses (Licensing and Operations) Regulations, 2016. Services from international as well as local institutions were employed to determine financial resource requirements and capital benchmarking of NCCPL. The optimal level of capital for NCCPL has accordingly been specified.
- Centralized KYC Organization and Customer Relationship Form: In line with the Centralized KYC Organization Rules, 2017, license of a Centralized KYC Organization (CKO) was granted to NCCPL along with approval of its regulations. Amendments relating to CKO have also been made to the PSX and CDC regulations, which entail replacing the existing PSX Trading Account Opening Form and CDC Sub-Account Opening Form with a single standardized Customer Relationship Form (CRF), which shall be used by brokers to open trading accounts, sub-accounts and investor accounts of their customers. CRF is to be used in conjunction with CKO Form, which contain no duplication.

Other Reforms

- Rules for establishment of a Bond Pricing Agency (BPA): The said rules, which will enable establishment of a BPA, were promulgated upon approval of the federal government after public consultation and Commission's approval. BPA will provide fair valuations of debt securities based on comprehensive data collection, validation, pricing, and dissemination to the stakeholders.
- Introduction of Category B for eligible securities in Margin Trading System (MTS) and Deliverable Futures Market (DFM): With the aim of increasing liquidity and activity in the MTS and DFM, a new Category B of eligible securities has been introduced and relevant regulatory amendments have been made for the purpose. After incorporating relevant system changes, Category B securities for DFM have started trading effective January 22, 2018; whereas, Category B securities in MTS shall also become available shortly.
- Sukuk (Privately Placed) Regulations, 2017: In order to facilitate issuance of Sukuk through private placement, the SECP has notified the Sukuk (Privately Placed) Regulations, 2017 thereby replacing the Issue

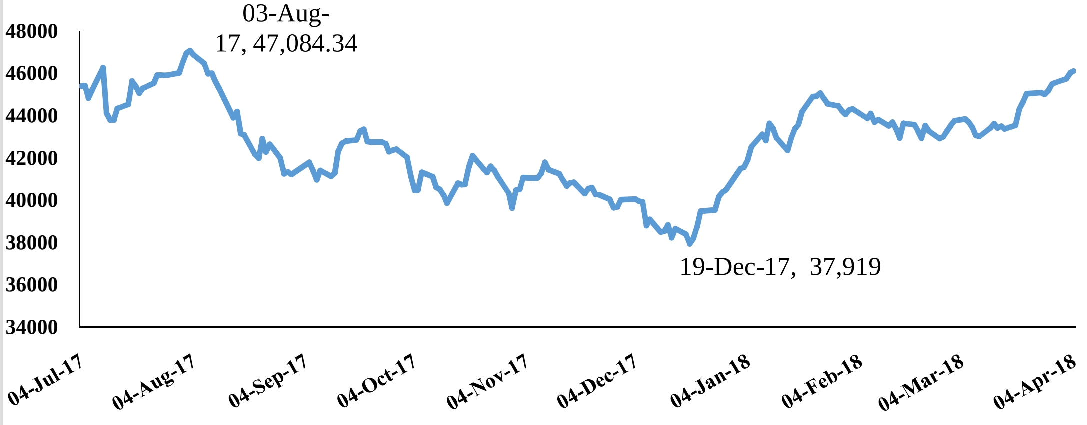
of Sukuk Regulations, 2015. Part of 2015 Sukuk Regulations relating to public offerings has been covered in the SECP's Public Offering Regulations, 2017, through amendments therein.

- Amendments in the Public Offering Regulations, 2017: In order to promote quality listing, to ensure fair price discovery through Book Building, and to cover part of the 2015 Sukuk Regulations relating to public offerings, the SECP has made certain amendments to the Public Offering Regulations, 2017.
- Introduction and implementation of Centralized E-IPO System (CES): In order to facilitate the general public during IPOs, ES has been developed through CDC, in collaboration with 1-Link (G) Limited. Through CES, investors can submit application electronically through the internet, ATMs and mobile phones for subscription of securities of companies offered to the public. The main objectives of CES are to:
    - i. Bring efficiency in IPOs;
    - ii. Reduce cost of IPOs;
    - iii. Increase outreach of IPOs;
    - iv. Make investment through IPOs hassle free;
    - v. Promote culture of holding securities in book-entry Form; and Increase investor base.

Since January 11, 2016, the earlier three Stock Exchanges at Karachi, Lahore and Islamabad were merged into Pakistan Stock Exchange (PSX), which is now providing a single platform to investors particularly the foreign investors. The fiscal year 2018 started well with some significant positive economic indicators, notably, the promising GDP growth, improved country perception, recognition of SMEs as the prime mover of country's economy and the continuity of the inflow of remittances by the Overseas Pakistanis. The period from July – March FY 2018, the capital market operated in a wide range. During the period under review, the market remained volatile. Till August 2017, it was rising reaching the peak point of 47,084 on August 03, 2017, after which it started moving down, reaching lowest closing point of 37,919 on December 19, 2017. The behaviour might apparently be linked to a few days earlier devaluation of Pakistani rupee which occurred due to market adjustment. However, in the start of new calendar year 2018, the market gained momentum and on March 30, 2018, PSX 100 index closed at 45,560.30 points whereas market capitalization was Rs 9,370.6 billion. The average daily value traded (T+2) in first nine months of FY 2018 was Rs 8.54 billion and the average daily turnover was 192.25 million shares. The average daily trade value in futures was 3.7 billion and the trading volume was 61.4 million shares.

The foreign investors offloaded securities worth USD 123.9 million during July 2017 – March 2018 which was absorbed by domestic individual investors, companies and insurance companies. This strong buying by local investors has shown the confidence of the investors in Pakistan equity market.

Fig-1: PSX-100 Performance July-March FY 2018



Source: PSX-100

Sector Wise Analysis

The performance of some of the major sectors listed Pakistan Stock Exchange as on March 30, 2018 is mentioned below:

Oil & Gas Exploration Companies

In this sector 4 companies are listed at Pakistan Stock Exchange with accumulated paid up capital of Rs 66,194.40 million. The market capitalization of this sector is Rs 1,485,484 million. The profit after tax of this sector is Rs 118,296.75 million.

Oil & Gas Marketing Companies

In this sector 8 companies are listed at Pakistan Stock Exchange with the paid up capital of Rs 23,144.20 million. The market capitalization of this sector is Rs 346,961 million. The profit after tax of this sector is Rs 37,479.14 million.

Refinery Companies

In this sector 4 companies are listed with the paid up capital of Rs 58,101.44 million. The market capitalization of this sector is Rs 144,309 million. The profit after tax of this sector is Rs 16,641.96 million

Cement

This sector comprises 20 companies, with total listed capital of Rs 72,618.94 million and the market capitalization of Rs 610,576.9 million. On the back of higher consumption and better exports, the sector showed tremendous growth which translated into good financial results. The sector recorded the profit after tax at Rs 59,933.97 million.

Power Generation and Distribution

Sector comprises 19 companies and the listed capital was Rs 148,042.3 million with market capitalization of Rs 449,531.9 million. The profit after tax of the sector is 31,602.50 million.

Chemicals

In this sector 27 companies are listed, having total paid up capital of Rs 38,413 million and the market capitalization is Rs 351,913 million. The profit after tax is Rs 14,429.93.

Automobile Assembler

The sector comprises of 12 companies with the total paid up capital of Rs 7694.03 million and the total market capitalization was Rs 451,501.7 million. The profit after tax of this sector is Rs 36,497.54.

Technology & Communication

The sector comprises of 10 companies which includes PTCL with capital of Rs 51,000 million. The market capitalization of this sector was Rs 103,526.7 million and the profit after tax is Rs 10,489.59 million.

Commercial Banks

The sector comprises 20 listed banks with the listed capital of Rs 379,851.45 million & Market Capitalization of Rs 1,625,052.6 million. The profit after tax of the sector is Rs 144,270.4

Pharmaceuticals

The sector comprises 11 listed pharmaceutical companies with the paid up capital of Rs 8,516.56 million & market capitalization of Rs 321,854.7 million. This total profit after tax of this sector is Rs 14,120.45

Textile Spinning

In this Sector 81 companies are listed at Karachi Stock Exchange, having total paid up capital of Rs 22,282.23 million and the market capitalization is Rs 47,655 million.

Textile Weaving

In this Sector 13 companies are listed at Karachi Stock Exchange, having total paid up capital of Rs 2,279.17 million and the market capitalization is Rs 25,564.7 million.

Textile Composite

In this Sector 52 companies are listed at Karachi Stock Exchange, having total paid up capital of Rs 14,721.07 million and the market capitalization was Rs 217,805.6 million.

Sugar & Allied

The sector comprises 32 companies with the total paid up capital is Rs 10,894.67 million and market capitalization is Rs 84,713.5 million.

The profit after tax of this sector was Rs 1168.2 million.

Fertilizer

The sector comprises 7 companies with the total paid up capital was Rs 71,004.69 million and market capitalization is Rs 561,170.4 million. The profit after tax of this sector is Rs 50,072.09 million.

Engineering

The sector comprises 17 companies with the total paid up capital is Rs 26,564.27 million and market capitalization is Rs 175,448.3 million. The profit after tax of this sector is Rs 9,576.38 million.

Performance of Selected Blue Chips

Profit after tax and Earning per Share (EPS) along-with necessary detail of some of the selected companies are given in the following table. It may be observed that corporate profitability improved in most of the cases during 2018.

Table 1: Performance of Selected Blue Chips

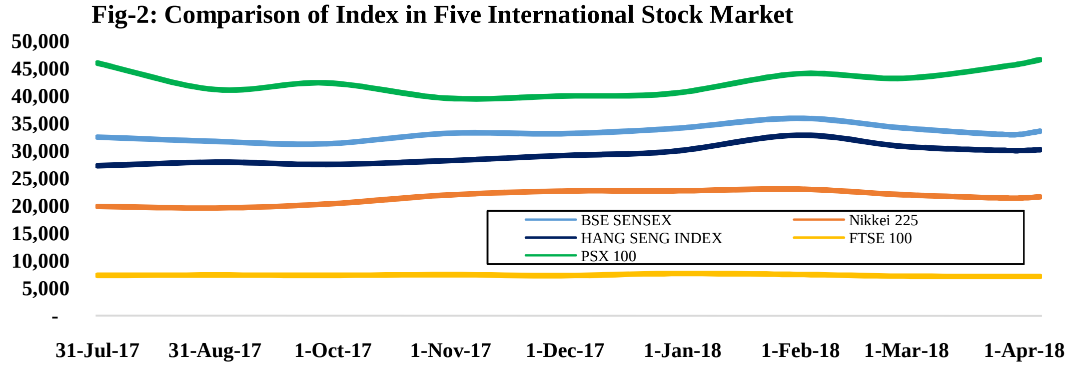
S.No.	Company Name	No. of Shares	Price March 30, 2018	Market Capitalization (Rs Million)	EPS	PE Ratio
1	Oil & Gas Dev. Co. Ltd	4,300,928,400	174.08	748,705.62	14.83	11.73
2	Nestle Pakistan Ltd	45,349,551	12650	573,671.82	322.86	39.18
3	Pak Tobacco Ltd	255,493,792	1956.33	499,830.17	37.47	52.21
4	Pak Petroleum Limited	1,971,715,615	212.84	419,659.95	18.1	11.76
5	Habib Bank Ltd	1,466,852,508	212.15	311,192.76	4.82	44.05
6	MCB Bank Ltd	1,185,060,006	220.13	260,867.26	18.95	11.62
7	United Bank Ltd	1,224,179,688	208.89	255,718.90	20.77	10.06
8	Lucky Cement Ltd	323,375,000	689.62	223,005.87	42.34	16.29
10	Philip Morris Pak. Ltd	61,580,341	2900	178,582.99	3.1	934.95
11	Mari Petroleum Co. Ltd	110,250,000	1480.56	163,231.74	82.87	17.87
12	Engro Corp Ltd	523,784,755	309.65	162,189.95	21.76	14.23
13	Pak Oilfields Ltd	236,545,920	650.56	153,887.31	40.92	15.9
14	Colgate Palmolive (Pakistan) Ltd	47,954,934	3149.13	151,016.08	67.91	46.37
15	Indus Motor Co Ltd	78,600,000	1742.25	136,940.85	165.41	10.53
16	FaujiFert. Co. Ltd	1,272,238,147	94.05	119,654.00	8.42	11.17

Source: PSX-100

Leading Global Stock Market Trends

Pakistan Stock Markets (PSX) was ranked 5th best performing market in the world in 2016. Following figure shows performance of international stock markets for period July-17 to April-18.

Fig-2: Comparison of Index in Five International Stock Market



Source: www.google.com/finance

Commodity Market Development[1]

The SECP approved future commodity contracts that includes Brent crude, crude oil (1,000 barrels); copper (25,000 pounds); silver (5,000oz) and international cotton (50,000 pounds). Furthermore, the contracts relating to cross currency pairs, i.e. EUR/Yen, GBP/EUR, GBP/Yen, CHF/Yen, AUD/Yen, EUR/AUD, EUR/CHF & AUD/CAD, as well as US Equity Indices – S & P, Dow and Nasdaq were also approved and successfully launched at the Pakistan Mercantile Exchange (PMEX) platform. In order to meet financing needs of financial institutions through the Shariah modes, the SECP, in collaboration with State Bank of Pakistan, has launched a three-month pilot project on the commodity murabaha product. On the regulatory side, the draft Future Brokers Regulations are under stakeholder consultation. In order to streamline exchange affairs of Pakistan Mercantile Exchange (PMEX) and its members, significant changes have been made to the Pakistan Mercantile Exchange (PMEX) Rule Book. It will be finalized after obtaining comments from relevant stakeholders. Furthermore, to explore possibilities of physical commodity infrastructure and management, the envisaged regulatory framework on collateral management is under the review of legal and subject area experts to advise the way forward in the matter.

Debt Capital Markets

A well-developed corporate bond market is essential for the growth of economy as it provides an additional avenue to the corporate sector to raise funds for meeting their financial needs. During the July-Feb FY 2018, 17 debt securities were issued. The break-up of which is given below:

Table 2: Debt Capital Markets

S.No	Type of Security	No. of Issues	Amount (Rs billion)
i.	Listed TFC	1*	7.00
ii.	Privately Placed Term Finance Certificates	5**	13.7
iii.	Privately Placed Sukuk	7***	23.53
iv.	Privately Placed Commercial Papers	4****	4.42
	Total	**17**	**48.65**

*by Bank Alfalah Limited (Rs 7.00 billion);
**(by (i) Jahangir Siddiqui and Company Limited (Rs 1.5 billion), (ii) Silk Bank Limited (Rs 2.0 billion), (iii) TPL Corporation Limited (Rs 1.2 billion), (iv) Bank Al Habib Limited (Rs 7.0 billion); and (v) JS Bank Limited (Rs 2.0 billion);
***(by (i)Dubai Islamic Bank Pakistan Ltd. (Rs 4.0 billion), (ii) Al Baraka Bank (Pakistan) Ltd. (Rs 1.5 billion), (iii) Aspin Pharma (Pvt.) Ltd. (Rs 1.5 billion), (iv) Dawood Hercules Corporation Ltd. (Rs 5.2 billion) (v) Pak Elektron Limited (Rs 1.5 billion) (vi) Pakistan Services Limited (Rs 7.0 billion) and (vii) International Brands Limited (Rs 2.830 billion); and
****(by (i) Crescent Steel & Allied Products Limited (Rs 0.720 billion), (ii) Pak Elektron Limited (Rs 1.2 billion), (iii) U Microfinance Bank Limited(Rs 1.0 billion) and (iv) Hascol Petroleum Limited (Rs 1.5 billion)

Source: Securities & Exchange Commission of Pakistan

As of February 28, 2018, 103 corporate debt securities were outstanding with an amount of Rs 761.61 billion as follows:

Table 3: Outstanding Corporate Debt Securities

Sr. No.	Name of security	No. of issues	Amount outstanding (In billion rupees)
i.	Listed Term Finance Certificates (L-TFCs)	13	20.60
ii.	Privately Placed Term Finance Certificates (PP-TFCs) and listed on OTC	42	107.26
iii.	Sukuk	42	627.97
iv.	Privately placed commercial papers	5	5.42
v.	Participation term certificates (PTCs)	1	0.36
	Total	103	761.61

Source: Securities & Exchange Commission of Pakistan

[1]Data used is for period July Feb FY 2018 as per latest information.

Mutual Funds

Assets under Management (AUM) of the mutual funds stood at Rs 678 billion on February 28, 2018. Equity funds dominated the AUMs of the industry with the largest share of the mutual fund industry i.e. 42.475%. Money market funds held the second largest industry share i.e. 18.710%, followed by Income funds with industry share of 18.587%.

Investment Advisory: At present, 19 Non-Bank Finance Companies (NBFCs) have licenses to conduct the business of investment advisory in addition to business of asset management services while two NBFCs have an exclusive license for conducting investment advisory services. As of February 28, 2018, the total discretionary/non-discretionary portfolio held by all of the NBFCs was Rs 142 billion.

As of February 28, 2018, the major highlights of the mutual fund industry were as under:

Table 4: Highlights of the Mutual Fund Industry

Description	February 28, 2018 (Rs in million)
Total Assets of Mutual Funds	678.57
Total number of funds/plans	245.00
Discretionary/non-discretionary portfolio	141.83
Total assets of asset management companies/investment advisory	38.82
Total number of AMCs/IAs	21.00
Total size of the industry	859.23

Source: Securities & Exchange Commission of Pakistan

To facilitate further growth of the mutual fund industry and to safeguard the investor's interest, the SECP has taken the following initiatives:

- **Product Diversification**
  - AMCs have been allowed to launch constant proportion portfolio insurance based collective investment schemes to enable the industry to diversify its products and offer investors more options to invest.
- **Liquidity Management of Mutual Funds**
  - In order to facilitate the mutual fund industry, requirement for minimum cash and cash equivalent for equity funds has been withdrawn.
  - Requirement for committed credit line for equity funds has also been withdrawn.

Leasing Companies: As of February 28, 2018, there were 8 leasing companies. An upward trend of 3.67% was witnessed in the asset size of leasing companies that increased to Rs 44.912 billion as on February 28, 2018 as against Rs 43.324 billion on June 30, 2017.

Investment Banks: The number of investment banks stood at 9 as on February 28, 2018. Investment Banks witnessed an upward trend in total assets, which increased from Rs 80.704 billion as of June 30, 2017 to Rs 89.498 billion as of February 28, 2018 registering a growth of 10.9% over the period.

Non-Bank Microfinance Companies: The total assets of NBMFCs increased by 19.63% from Rs 61.499 billion (20 entities) as of June 30, 2017 to Rs 73.573 billion (23 entities) as of February 28, 2018. During the period, permission was granted for formation of an NBFC to undertake micro financing. The afore-mentioned notable growth is attributed to the conducive regulatory and fiscal framework, which resulted in reversal of declining asset size of the investment banks and leasing companies. Various regulatory challenges and difficulties impeding the progress and growth of NBMFCs were either removed or modified, to help these institutions effectively contribute to the national economic agenda. The main objective of the reform process was to improve access to finance for the microfinance business as well as individual proprietors undertaking micro-businesses.

Real Estate Investment Trust Scheme (REITs): During the period under review, real estate proposed for REIT by two RMCs was inspected and RMCs were given permission to submit further information and documents with respect to launch of the proposed REIT scheme.

As of December 31, 2017, the fund size of Dolmen City REIT (DCR) was reported to be Rs 22.5 billion, which was launched by Arif Habib Dolmen REIT Management Company Limited (RMC). The property has been revalued by the values at Rs 40 billion, which previously stood at Rs 38.8 billion. The dividend yield on December 31, 2017, stood at 6%. The price of DCR stock remained stable at an average of Rs 11.55, touching a high of Rs 12.32 and a low of Rs 10.60.

The process of amending the REIT Regulations, 2015, has been initiated and in this regard, meetings with the REIT industry players and other stakeholders are underway.

Voluntary Pension Schemes: The Assets under Management (AUM) of the voluntary pension industry currently stand at Rs 25.3 billion as of February 28, 2018.

Highlights of the pension fund industry are as under:

Table 5: Highlights of the Pension Fund Industry

Description	February 28, 2018 (In billion rupees)	June 30, 2017 (In billion rupees)
Total assets of pension industry	25.3	25.8
Total number of pension funds	19	19
Total number of pension fund managers	10	10

Source: Securities & Exchange Commission of Pakistan

Amendments to the Voluntary Pension System Rules, 2005, have been completed and notified. These amendments will help the industry function effectively and efficiently. The table above highlights growth of the pension fund industry, which is steady. The SECP also issued a directive to rationalize the sales load/front end load charged from participants/investors to facilitate pension funds. In addition, the SECP has capped the sales load at 1.5% if the participants approach the fund managers or if the investment is made online.

Modarabas: The modarabas are the pioneering Islamic financial institutions in Pakistan. At present, the registered modarabas companies are 37 while 29 modarabas are in existence. During the period from July 1, 2017 to February 28, 2018, two new modarabas were floated.

As of February 28, 2018, the aggregated equity of modarabas was Rs 22.624 billion and total assets of the modarabas sector were Rs49.036 billion. Twenty one modarabas declared cash dividend for the year ending June 30, 2017.

National Saving Schemes

National Savings transformed itself from a retail debt raising arm and the source of infrastructure funding of the Government of Pakistan, into a formidable vehicle for Financial Inclusion and a provider of Social Security to the vulnerable sections of the society.

National Savings Schemes ("NSS") have traditionally been profit rate sensitive, the recent research suggest that almost 30% of the investors make the decisions based on interest rates and hence there has been an erratic trend in the product mix. This trend is; however, changing and the bigger idea of transformation is to achieve inelasticity of NSS demand with profit rates. The strength of the product bouquet of National Savings is such that it provides an inherent balancing act – when the demand for one product is down, the other becomes more attractive - e.g., in the low interest rate environment, traditional products of National Savings take a beating; whilst demand for prize bonds move up so as the appetite of the investors to take a chance on the prizes, and to forego the fixed return on their investments goes up.

National Savings remain the most effective and formidable vehicle to support financial inclusion, particularly women. More than 50% of the investors of National Savings are women vs merely less than 4% in the banking sector and average 25% in South Asia - a testament of true financial inclusion and women empowerment. This is evident from the State Bank data that the technology plays a vital role in women financial inclusion.

Pakistan has one of the lowest savings rate in the region which has direct relationship with the economic growth rates. Whilst National Savings, as an institution, contributes less than 1% towards the GDP and around 10% in the Domestic Savings to GDP Ratio of 7.5%; however, there's substantial room for improvement on these ratios over a period of time and perhaps this important Government vehicle shall continue take a lead on this. The supply-side - access points, marketing/ investor education and products - other than taxation and cultural aspects, are the main constrains for the subdued saving rates in Pakistan.

National Savings ("NS") have traversed a long journey on the IT front and the last one and half years have been game-changer for NS in terms of IT-related achievements. NS main application system has been deployed and 223 National Savings Centers ("NSCs") are now centrally connected through data center.

Achievements:

1) NIFT Membership

NS attained membership of Automated Clearinghouse of Pakistan (NIFT) and became the only non-banking member of the Clearinghouse System in Pakistan. Under this facility, the cheque clearance time has been reduced from 7-10 days to 1-3 days only.

2) Third-Party Payments

NS has taken the most fundamental milestone and allowed Third Party Payments/ Cheques through the Saving Accounts, using them as Operating Accounts like Commercial Banks, which will help in retaining the investments with NS and enhancing deposits in its Savings Accounts.

3) Launch of Rs 40,000 Premium Prize Bond (Registered)

NS launched first-ever registered bond of Rs 40,000 denomination called Premium Prize Bond (Registered) which has dual features of bi-annual profit and quarterly draws. Its first prize is the highest of all prizes which is Rs 80,000,000.

4) "QoumiBachat Digital"- Mobile App

NS has launched a non-financial version of mobile application called "QoumiBachat Digital" which has enabled customers to view their profits, investments in the certificates and accounts, get notifications on the transactions, view transaction history and also save prize bond numbers to be searched in the Prize Bond draws. NS is also launching a financial version of the mobile application along with the Card Management System and Mobile Valets for investors.

5) Call Center

NS has established a state of the art Call Center through which customers can register their complaints and seek any information related to NSS.

6) Computerized Complaint Resolution System

NS has also established a Computerized Complaint Resolution System through which complaints are monitored till their final resolution at all the management levels.

7) New Interactive Website

NS has revamped its old website and launched an interactive website which contains all the information at one place for ease of the investors and general public at large.

8) Upgrade of Main Application

NS Main Application system deployed in the computerized NSCs has been upgraded in order to meet the modern-day financial transactions requirements. It is also the secure system in terms of its data security.

9) Correlation of Profits in Linked Savings Account

NS customers have been facilitated in direct credit of different registration numbers/ accounts units profit into one linked Savings Account.

10) Agreement with World Bank

NS entered into an agreement with the World Bank to roll-out Core Bank System, Enterprise Resource Planning (ERP), Data Warehouse and Business Intelligence tools.

11) Agreement with Karandaaz Pakistan

NS also entered in agreement with Karandaaz Pakistan to develop all the Alternate Delivery Channels ("ADCs") including the Biometric devices, Debit Cards, Financial Mobile App and the Internet Banking.

Conclusion

During FY 2018, the performance of stock markets presented a mixed trend between July and December; however, the PSX-100 index resumed its momentum from the start of January 2018. There are many factors which brought a swing in emotions of the investors which in turn changed pace of their buying or selling activity. Pakistan has entered a new era of equity trading; however, performance of Pakistan's Capital Market will depend on domestic and international economic conditions in the future.