



NCEL: Taking the first step towards a domestic hedge market

Islamabad, Thursday 28th January 2010

Agenda

- NCEL Highlights
- Commodities as an Asset Class
- NCEL Crude Oil Contract
- A Domestic Hedging Market

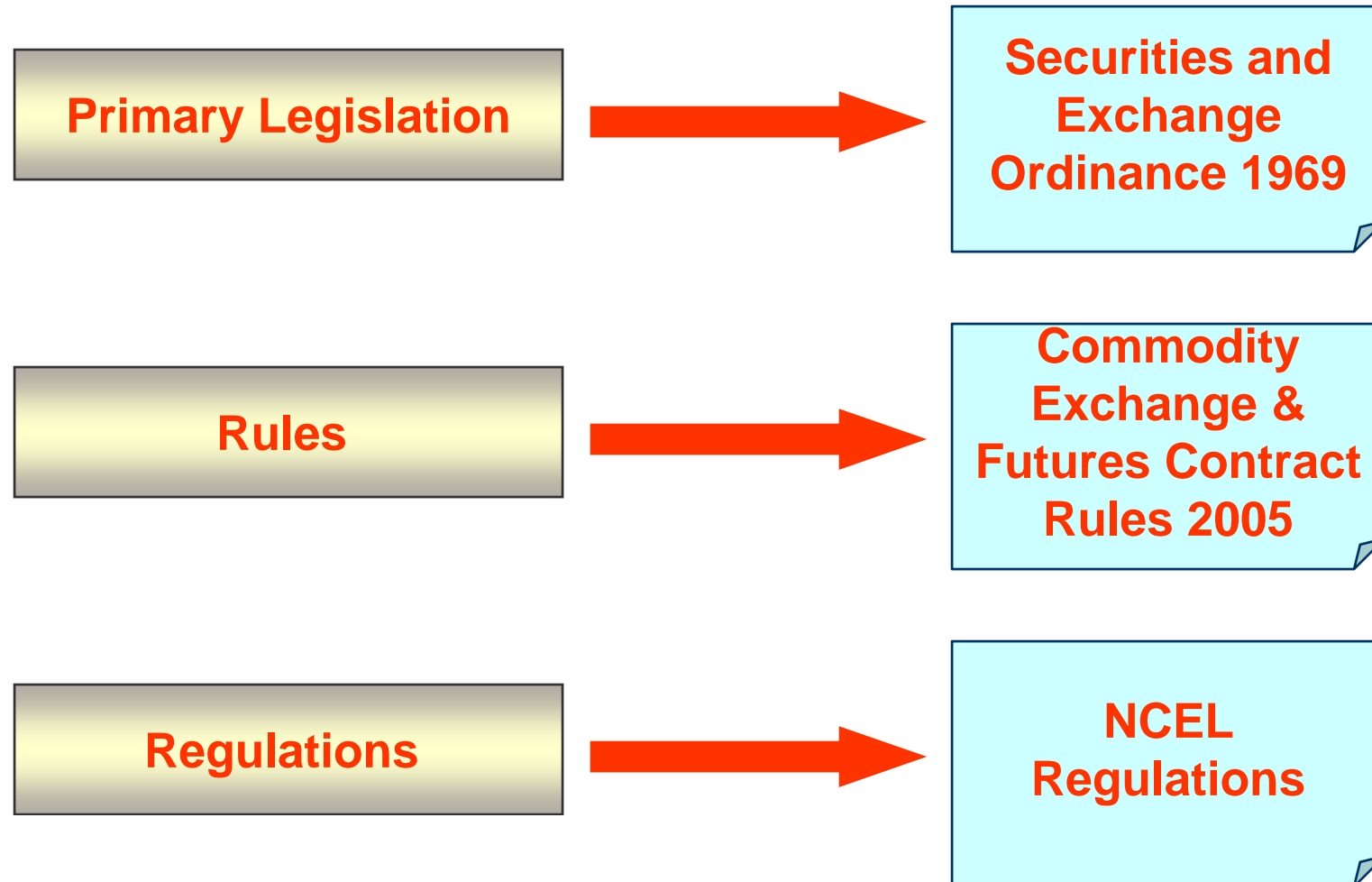
NCEL Highlights

- Pakistan's first and only Futures Exchange
- Pakistan's first and only De-mutualised Exchange
- Pakistan's first and only National Exchange
- Location Neutral Electronic Exchange
- Regulated by SECP
- Started Operations in May 2007

Current Shareholding

<i>Shareholders</i>	<i>% Shares</i>
NBP	23%
KSE	28%
LSE	17%
ISE	17%
ZTBL	7%
PKIC	7%

Regulatory Framework



Current Product Portfolio

International Commodities

- Gold
- Crude Oil
- Silver
- Palm Olein

Domestic Commodities

- IRRI-6 Rice Futures Contract

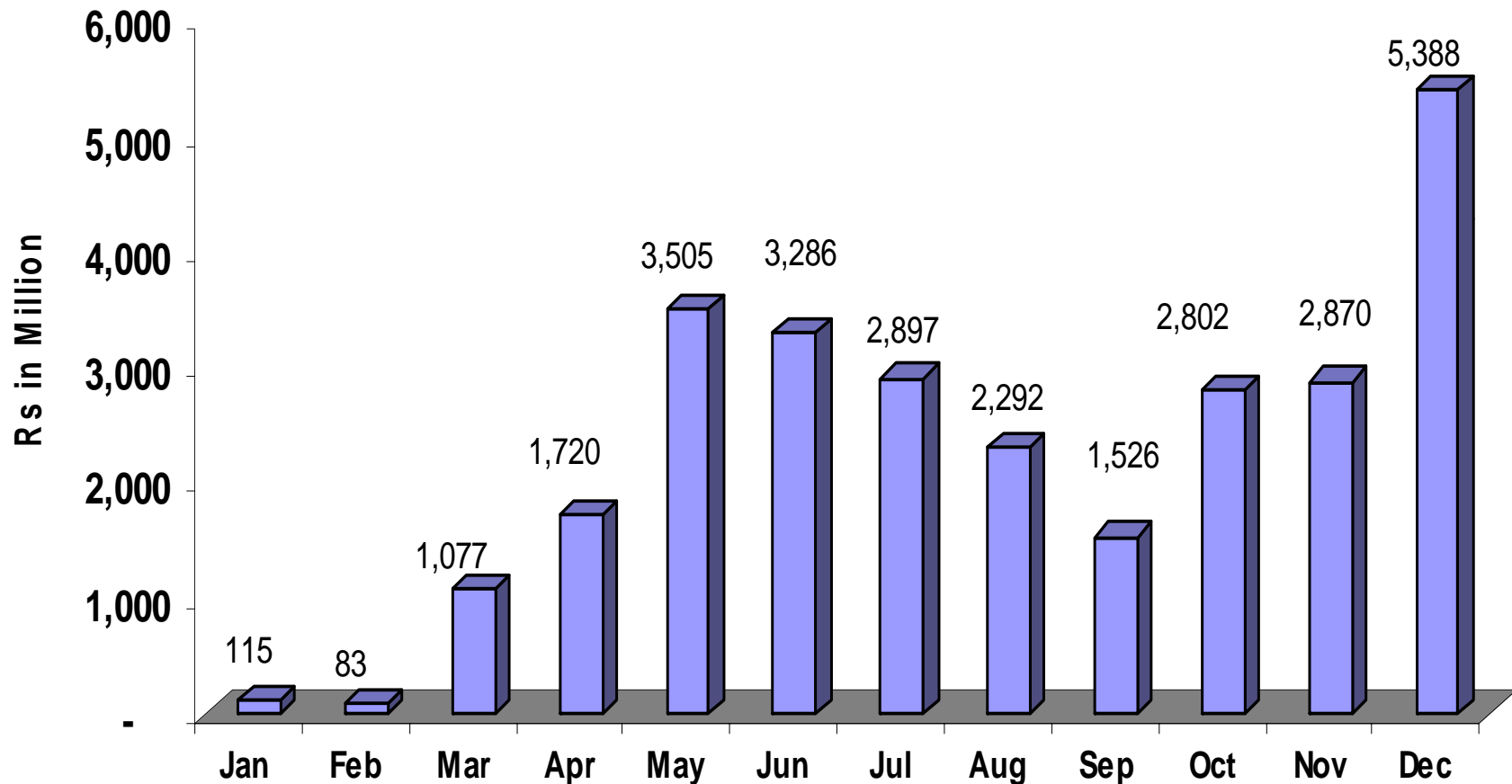
Financial

- KIBOR Futures Contract

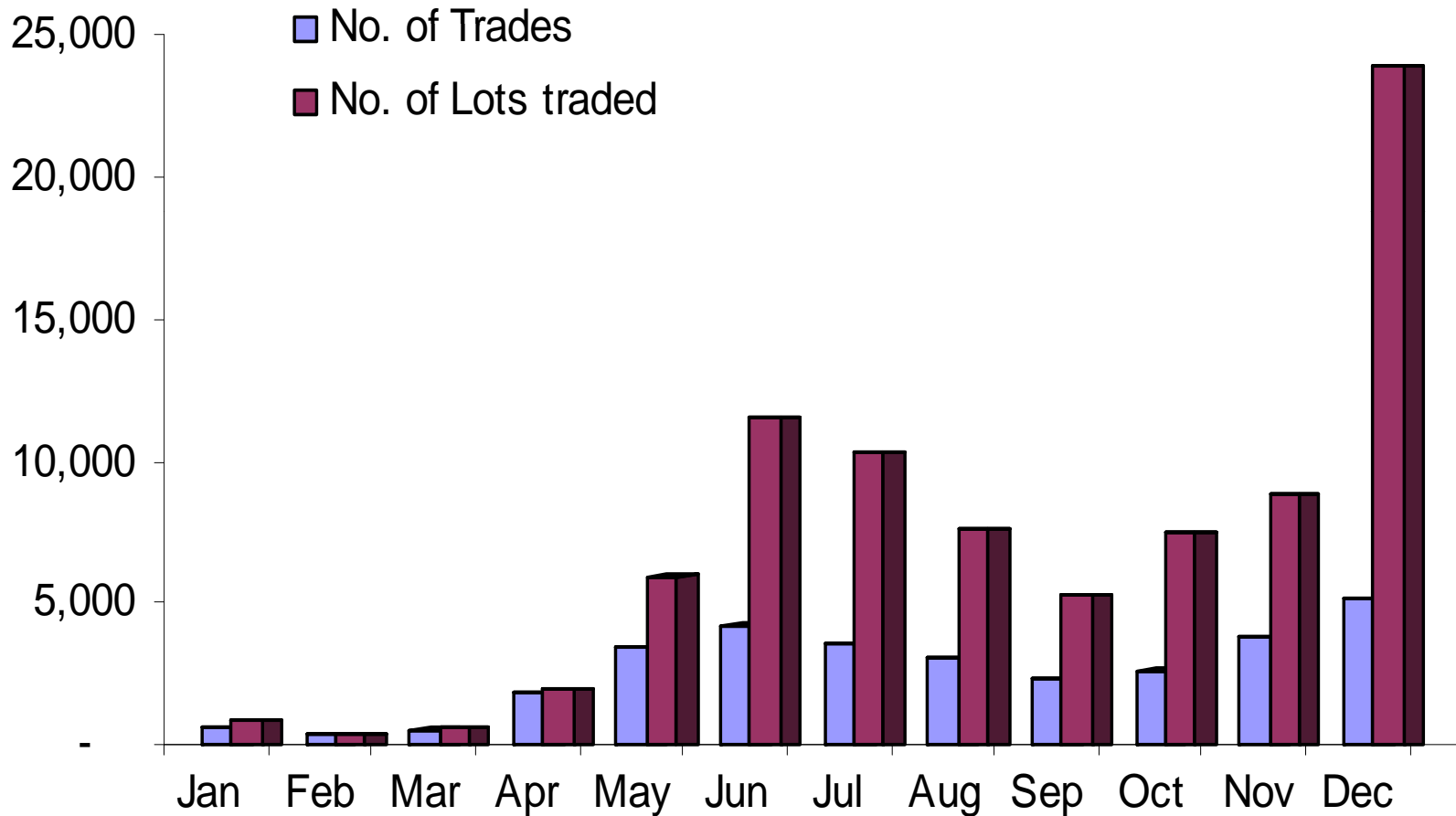
Products in Pipeline

- **PKR Currency Futures**
- **T-Bill Futures**
- **PIB Futures**
- **Stock Index Futures**
- **Cotton Futures**
- **Sugar Futures**
- **Wheat Futures**
- **Maize Futures**

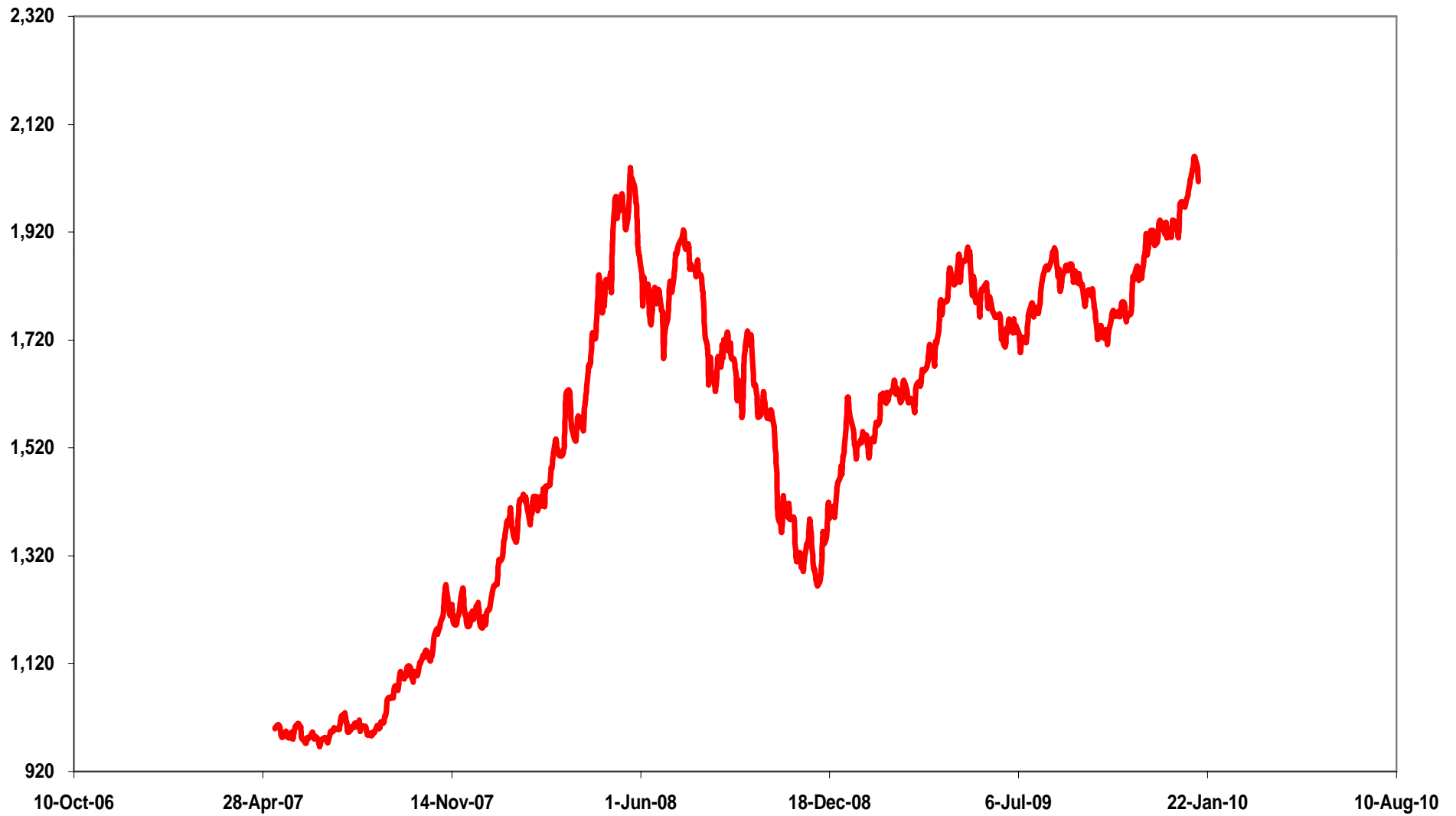
2009 Monthly Rupee Volume



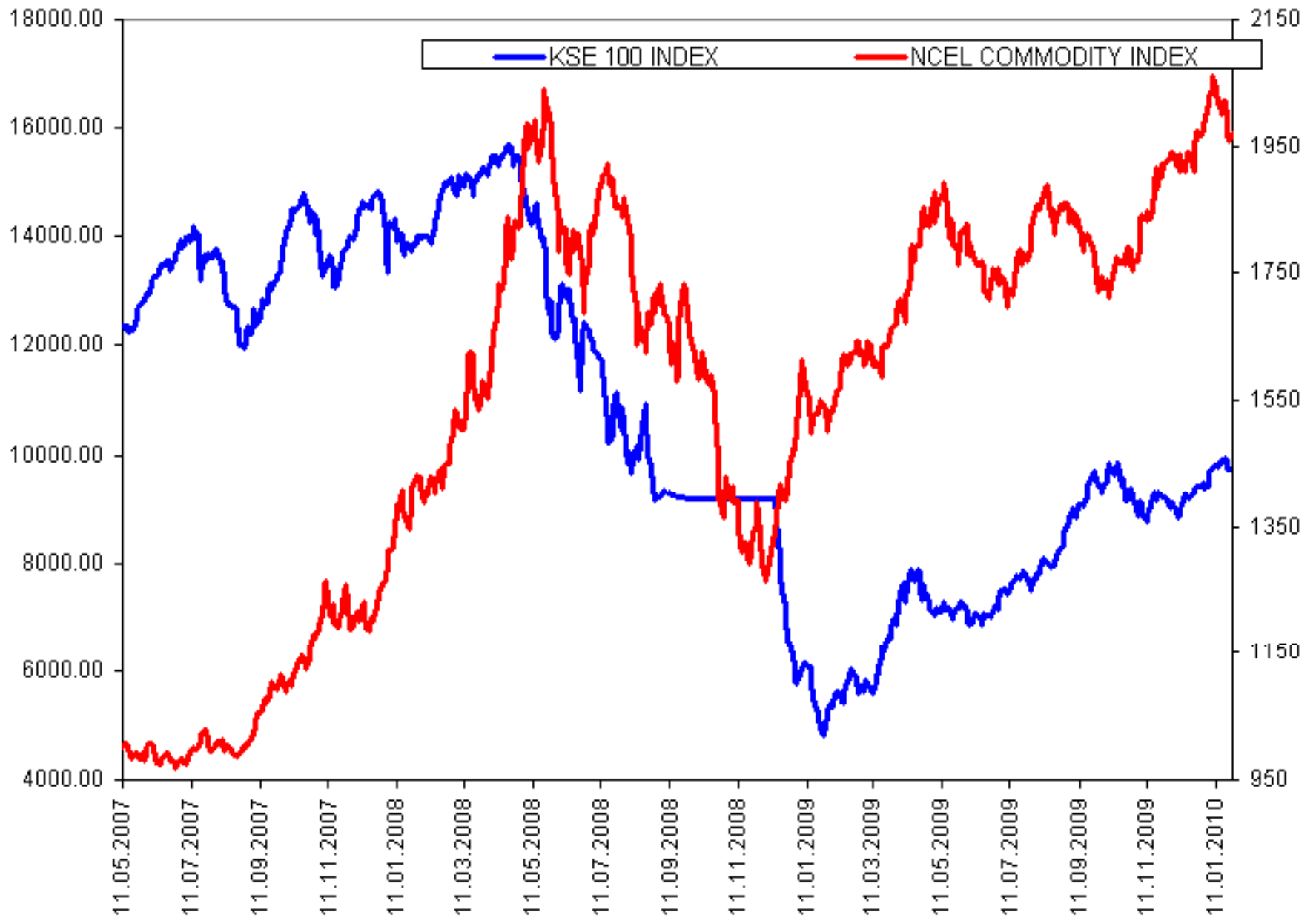
No. of Trades and lots Traded 2009



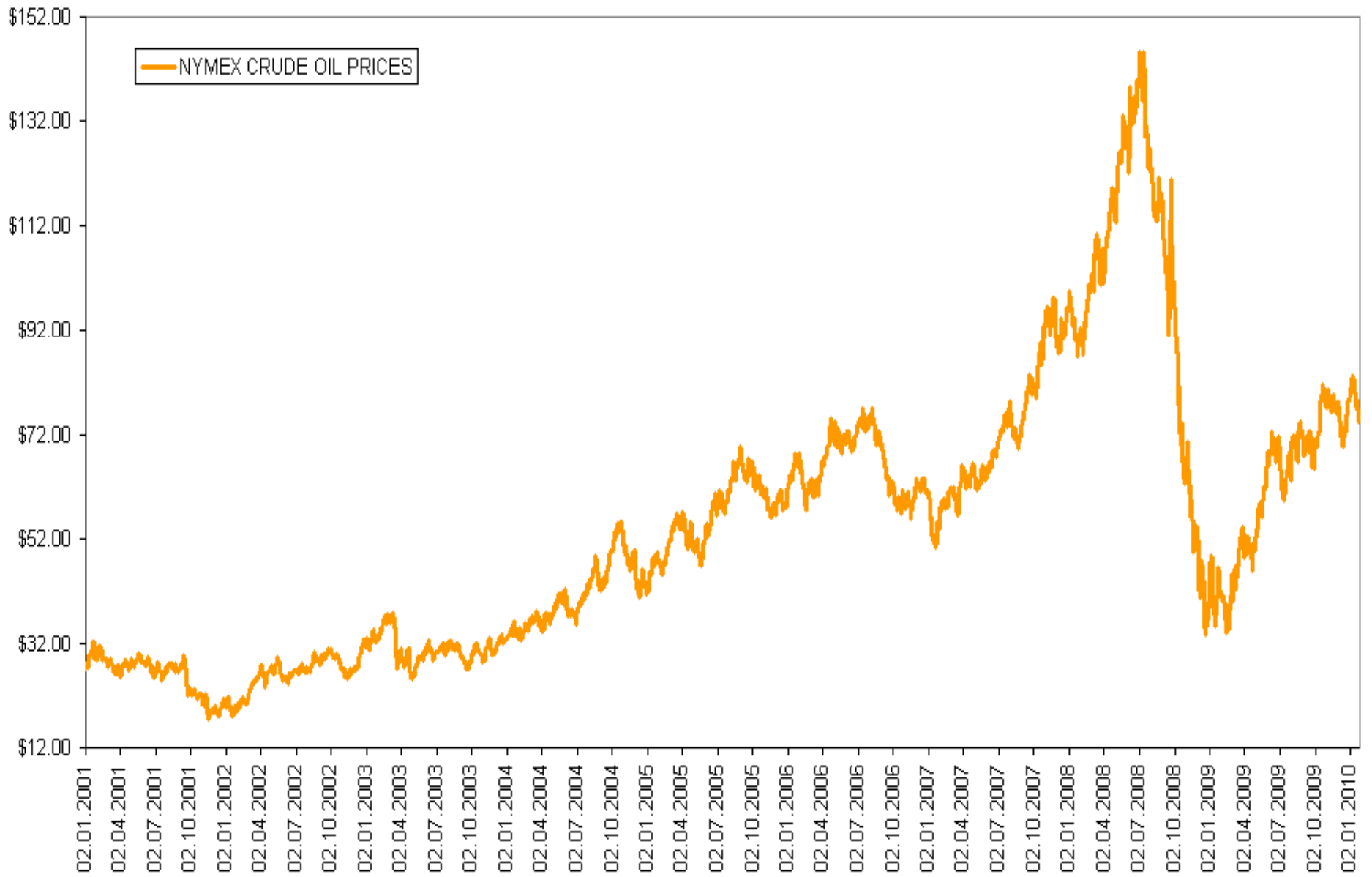
NCEL Commodity Index



KSE 100 INDEX AND NCEL COMMODITY INDEX



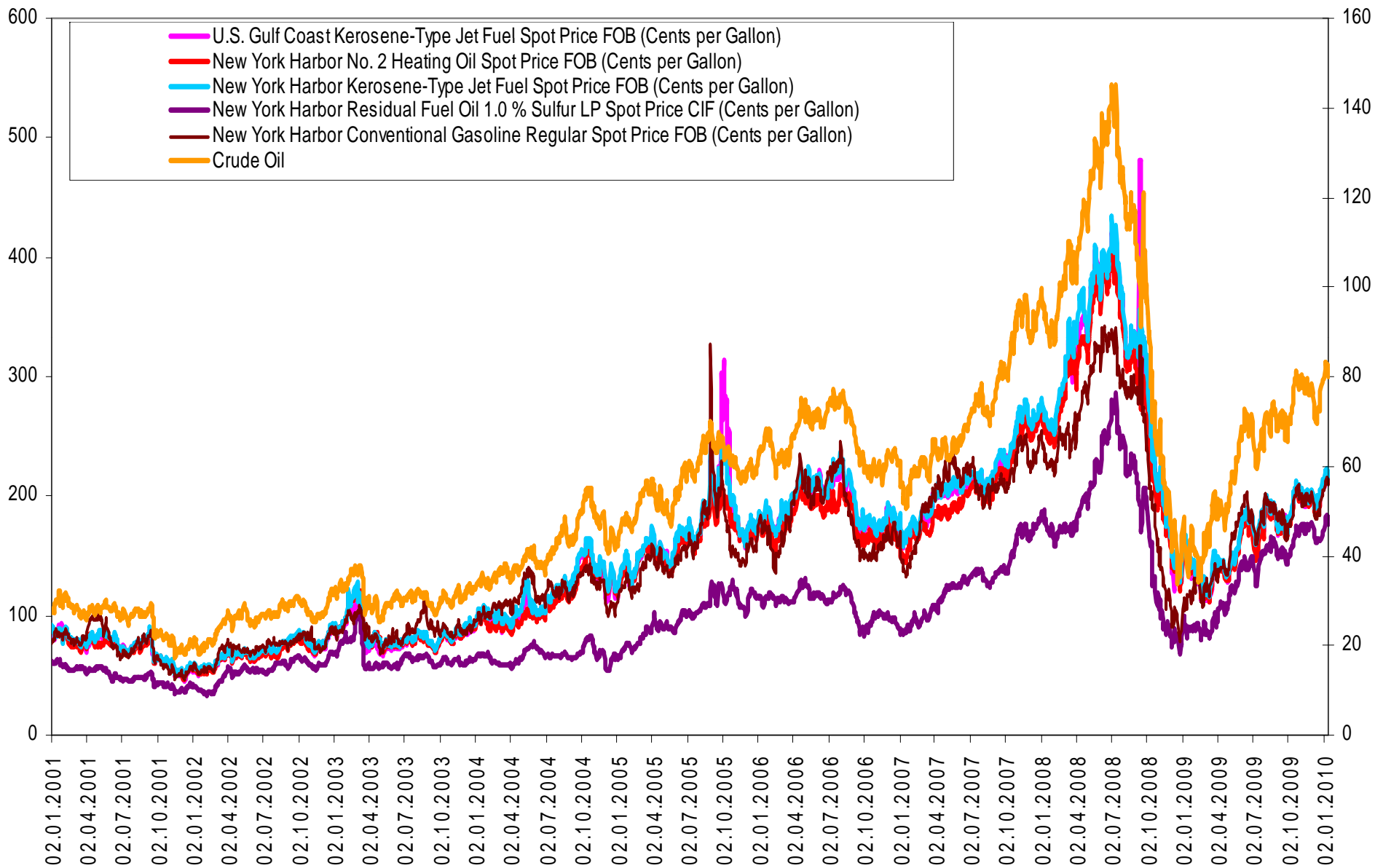
NYMEX CRUDE OIL PRICES



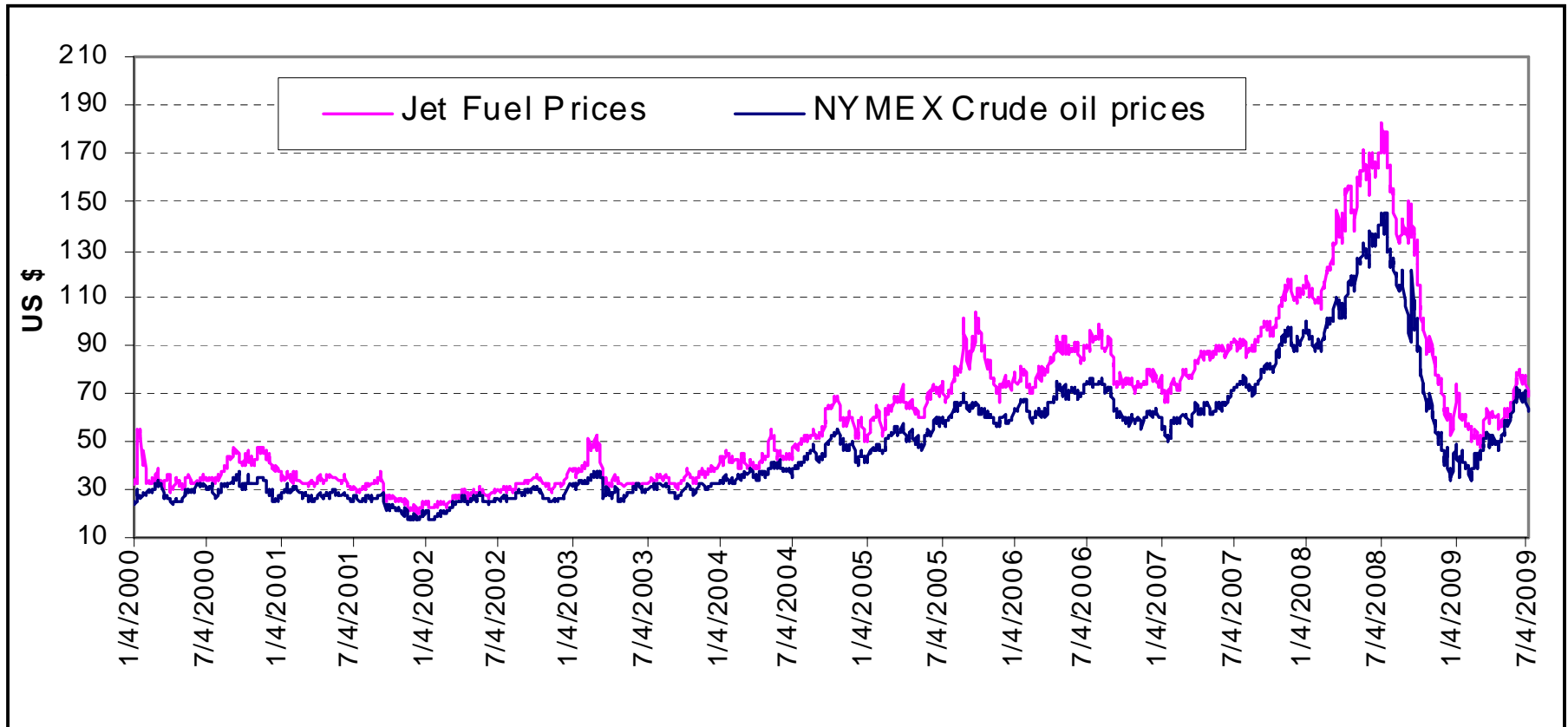
NCEL Crude Oil Contract

- **Underlying WTI**
- **Contract size of 100 Barrels**
- **Currently, 1-3 Month Maturity. Will be extended as market evolves**
- **Cash Settled to NYMEX Prices**
- **Price Quotation in \$/Barrels**
- **Margin Payments and P/L in Rs.**
- **Specialist Market Makers provide tight spreads and liquidity inline with NY Market**
- **Daily MTM and Settlement**

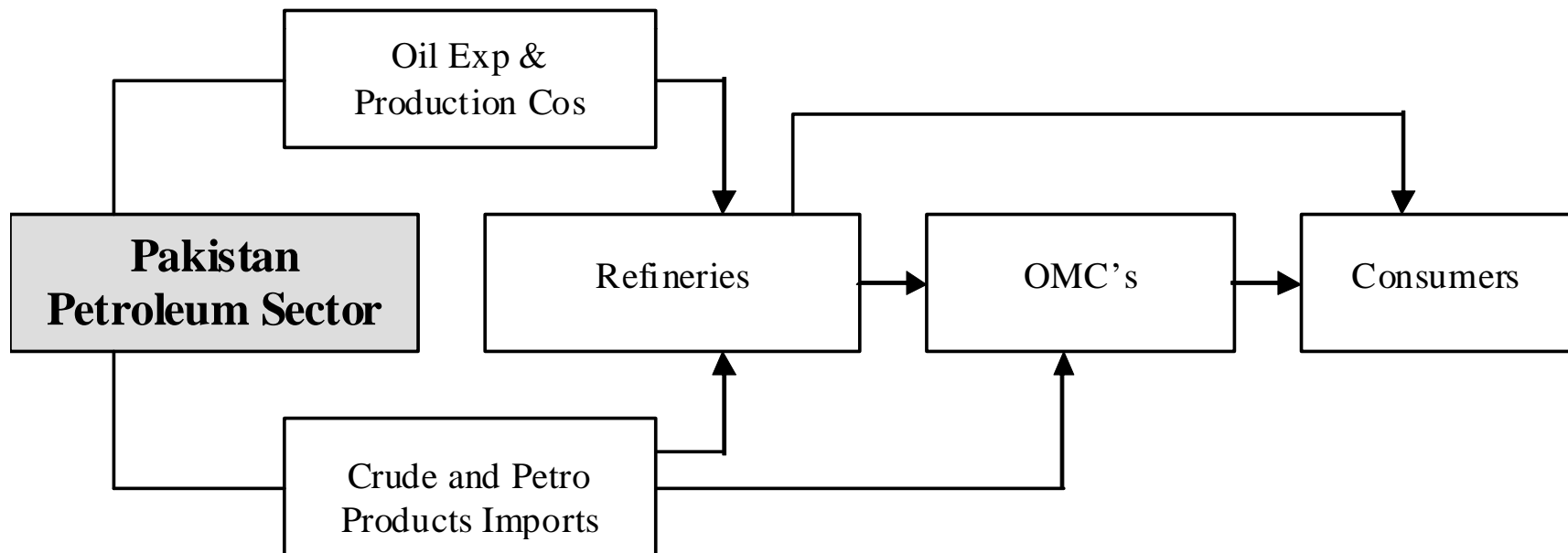
Crude Oil and other products trends



High Correlation of Crude with Refined Products

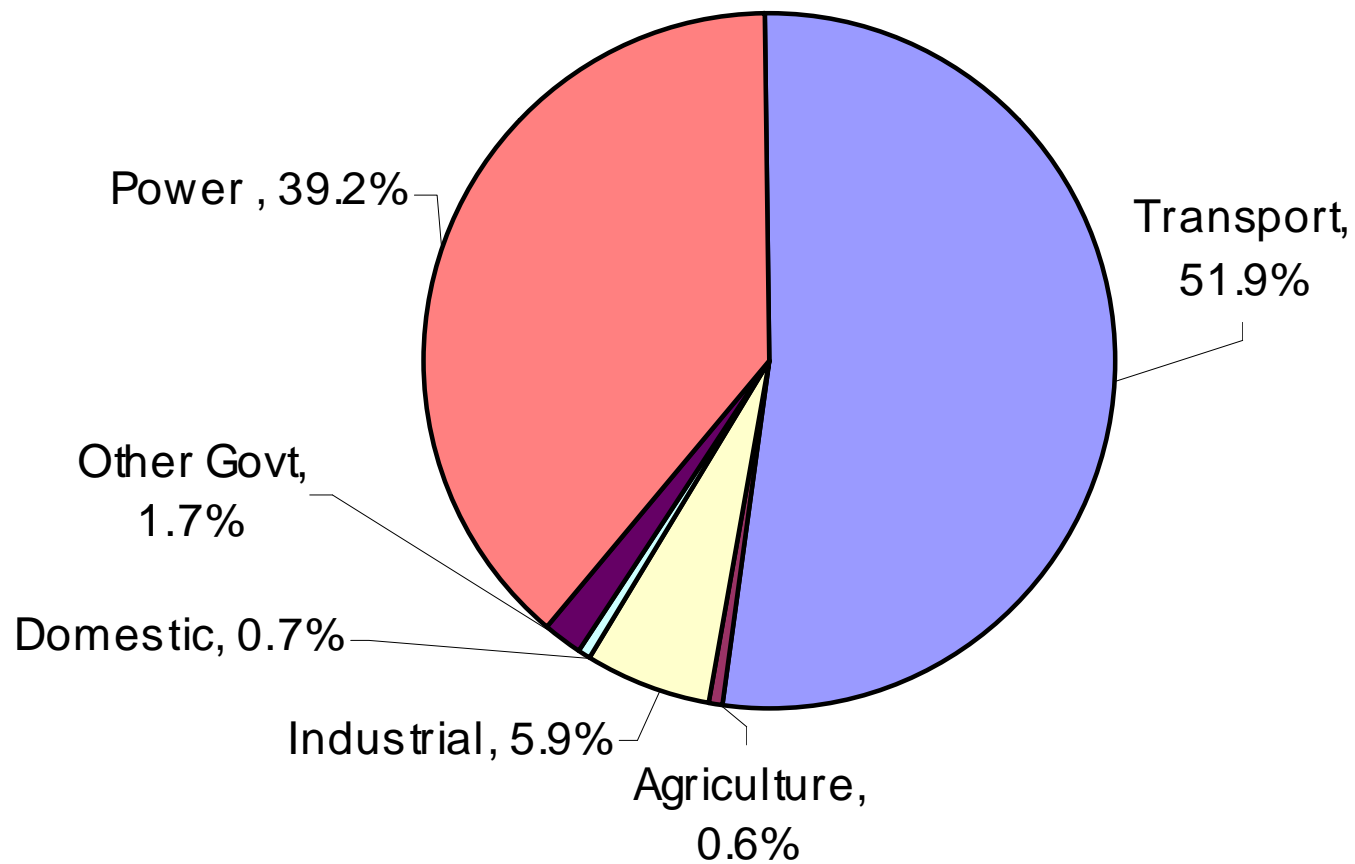


Petroleum Sector Structure in Pakistan



Consumption in Pakistan

Consumption by Sector

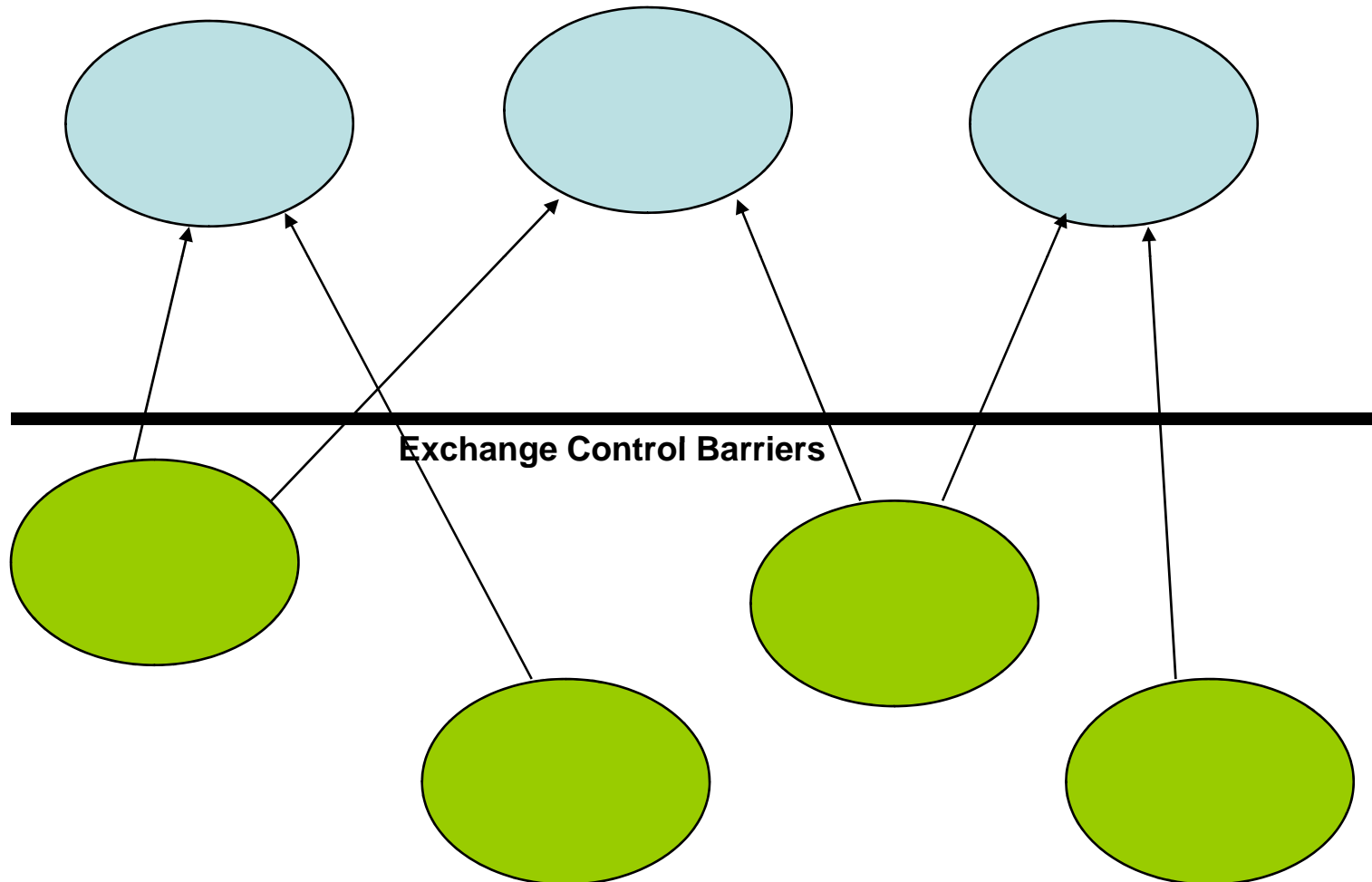


Issues with Hedging Oil Price Risk in Pakistan

- Capital Controls
 - Makes it difficult to pay margins, premiums for protection in foreign currency
 - Extra burden on FX reserves if everyone starts hedging in isolation
- Bank OTC Products can be expensive and relatively static in hedge efficiency

Hedging Under Current Conditions

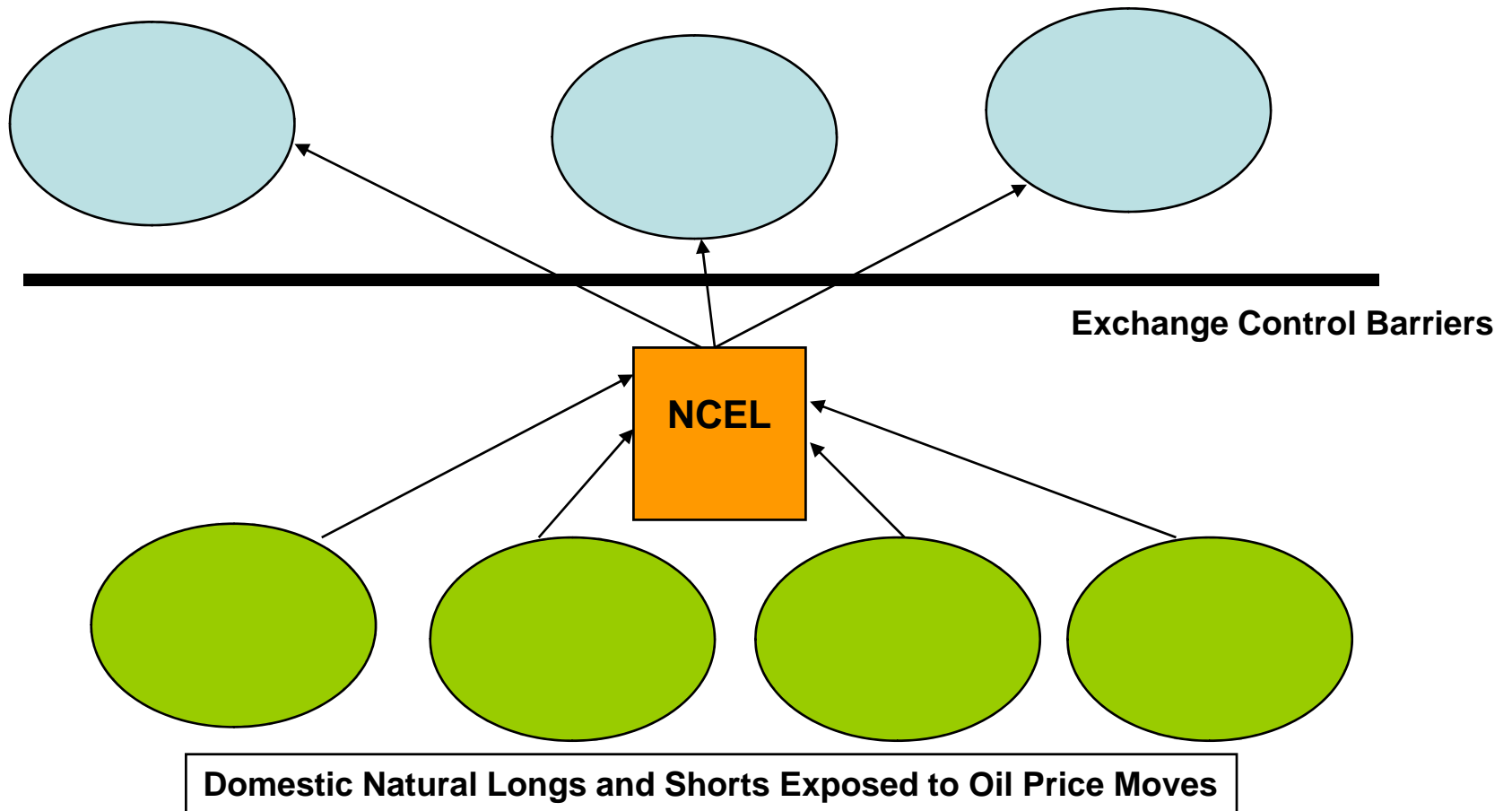
Foreign Banks, Brokers, Exchanges and Liquidity Providers



Domestic Natural Longs and Shorts Exposed to Oil Price Moves

The NCEL Solution

Foreign Banks, Brokers, Exchanges and Liquidity Providers



Benefits of Trading on NCEL

- Regulated Market
- Safe, Secure, Transparent Platform
- International Prices Reflected in Real-Time
- Nationally Accessible Market
- No FX Involved
- Low Costs
- Guaranteed Settlement

Thank you

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