

CHAIRMAN'S MESSAGE

and experienced professionals. During the year, thirty-five professionally qualified individuals were recruited in various Divisions of the Commission at varying levels of authority. A batch of eight officers was also hired under the Junior Executives Induction Scheme, which generated considerable interest among young professionals. The Commission continued its emphasis on developing human skills and officials were sent on international and local training programmes, workshops and conferences to augment their capabilities.

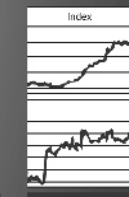
The achievements of the Commission are no doubt a reflection of the unyielding commitment and tireless dedication of its management and employees. I wish to thank the members and staff of the Commission for the high level of professionalism, enthusiasm and commitment to our work during the year. While appreciating both their efforts and achievements, I also wish to solicit their support for meeting challenges that lie ahead.

The continuing challenges of the Commission include the following:

- i widening and deepening the capital market;
- ii broadening the equity base;
- iii developing the corporate debt market;
- iv developing specialized financial services, i.e. NBFCs and insurance;
- v establishing principles for good corporate governance, strengthening risk management measures and encouraging corporate social responsibility and socially responsible investing;
- vi improving regulatory compliance and strengthening enforcement;
- vii strengthening professional support services to the corporate sector;
- viii developing a comprehensive and integrated policy framework for the holistic regulation of the financial sector;
- ix facilitating the integration of Pakistani market with global markets;
- x raising national regulatory standards to conform to international standards and best practices to the extent possible and desirable;
- xi facilitating resolution of corporate disputes; and
- xii capacity building of the Commission.



	2002-03	2001-02
CAPITAL AND RESERVES		
Authorized Capital	10,000,000	10,000,000
Reserves	17,000,000	17,000,000
Total	27,000,000	27,000,000
LIABILITIES AND DEFERRED LIABILITIES		
Liabilities	10,000,000	10,000,000
Deferred Liabilities	17,000,000	17,000,000
Total	27,000,000	27,000,000



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The Organization

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- Securities and Exchange Policy Board
- Divisions and the Management Team

1. THE ORGANIZATION

1.1 Organizational Structure

The Securities and Exchange Commission of Pakistan (the Commission) was established in pursuance of the Securities and Exchange Commission of Pakistan Act, 1997 (the Act) and became operational on 1 January, 1999. It succeeded the Corporate Law Authority (CLA), which was a Government department attached to the Ministry of Finance. The establishment of the Commission represents an important milestone in development of the regulatory framework of the capital market in Pakistan.

During the year under review, Mr. Khalid A. Mirza, who had been Chairman of the Commission since March 2000, completed his three-year tenure and Mr. Abdul Rehman Qureshi, the senior most Commissioner took over as Acting Chairman. On 18 August, 2003, the Government of Pakistan appointed Dr. Tariq Hassan as the Chairman of the Commission. The Commission presently consists of five Commissioners, including the Chairman.



Dr. Tariq Hassan, prior to his appointment as Chairman of the Commission, was the Adviser to the Federal Minister for Finance on matters pertaining to law and economics/finance. A lawyer by profession, he holds Master's and Doctoral degrees from Harvard Law School, United States of America (USA). Dr. Hassan possesses extensive experience in corporate and capital market reforms. In his career of over twenty-eight years, he has worked in Pakistan, USA, Italy and United Kingdom (UK) in both private and public sectors as an advocate, consultant, adviser and educationist.



Mr. Abdul Rehman Qureshi is a lawyer with expertise in the regulation and administration of corporate laws. He has been associated with the CLA since 1976. During the year under review, Mr. Qureshi was overseeing the Enforcement and Monitoring Division (EMD), the Administration Wing and the Human Resource Wing within the Commission.



Mr. Zafar-ul-Haq Hijazi was a practicing chartered accountant prior to joining the Commission in 1999. During the period under review, he was the Commissioner overseeing the Company Law Administration Division (CLAD).



Mr. Shahid Ghaffar, who was the Managing Director of the Karachi Stock Exchange (KSE) prior to joining the Commission, oversees the Securities Market Division (SMD). He has wide exposure in all aspects of securities market operations and stock exchange regulations.



Mr. Etrat H. Rizvi, prior to his appointment as Commissioner in July 2002, was the Managing Director, National Development Leasing Corporation (NDLC). During the year under review, Mr. Rizvi was the Commissioner in charge of the Non-Banking Finance Companies Division (NBFC), the Insurance Division (ID), the Information Technology (IT) Wing and the Finance and Accounts Wing.

1.2 Securities and Exchange Policy Board

While ensuring full autonomy of the Commission, the Act provides for the establishment of a Securities and Exchange Policy Board (Policy Board). The main objective of the Policy Board is to provide guidance to the Commission in matters relating to its functions and to formulate policies in consultation with the Commission. The Policy Board is also responsible for advising the Government on matters falling within the purview of the Act and other corporate laws. It also expresses opinion on policy matters referred to it by the Government or the Commission.

The Act provides that the Policy Board shall consist of a maximum of nine members appointed by the Federal Government, including five ex-officio members and four from the private sector. The ex-officio members are: (i) Secretary, Finance Division; (ii) Secretary, Law and Justice Division; (iii) Secretary, Commerce Division; (iv) Chairman of the Commission; and (v) a Deputy Governor of the State Bank of Pakistan (SBP). The Policy Board at present consists of:

- i Dr. Tariq Hassan, Chairman;
- ii Secretary, Finance Division;
- iii Secretary, Law and Justice Division;
- iv Secretary, Commerce Division;
- v Mr. Tawfiq A. Hussain, Deputy Governor of the SBP; and
- vi Mr. Mian Mohammad Anwar, Chairman, Crescent Textile Mills Limited.

1.2.1 Policy Board Meetings

During the year under review, three meetings of the Policy Board were held. In these meetings, the Board was apprised about the Commission's achievements, particularly relating to capital market developments, corporate governance, anti-money laundering measures and protection of investors. The major issues discussed and decided in the meetings were as under:

- i approval of the Securities and Exchange Commission (Insurance) Rules, 2002 (Insurance Rules);
- ii approval of amendments in the Service Manual of the Commission;
- iii consultation on proposal for conducting a seminar in Karachi on Demutualization of Stock Exchanges for awareness of investors and members of the stock exchanges;
- iv permission for opening a new current and collection account of the Commission;
- v review of performance of the CLAD during the year 2002;
- vi permission for opening a separate bank account for United Nations Development Programme's (UNDP's) grant money for promotion of corporate governance; and
- vii approval of budget for the financial year 2003-2004.

1.3 Divisions and the Management Team

The Commission is a collegiate body with collective responsibility. Operational and executive authority of the Commission is vested in the Chairman who is the Commission's Chief Executive Officer (CEO). He is assisted by the Commissioners, particularly in overseeing the working of various operational units (Divisions and Wings) as may be

determined by him. During the year, in addition to overseeing the work of their respective Divisions, additional powers and functions were assigned to the Commissioners.



Chairman (centre) along with Commissioners

As of 30 June, 2003, the Commission operationally comprised the following six Divisions apart from the Chairman's Secretariat.

- i Securities Market Division;
- ii Non-Banking Finance Companies Division;
- iii Enforcement and Monitoring Division;
- iv Company Law Administration Division;
- v Insurance Division; and
- vi Support Services Division.

An Executive Director heads each of the Divisions, which are further subdivided into Wings for administrative purposes. During the year, the portfolios for various Divisions were re-assigned amongst the Executive Directors.

Furthermore, a re-organization of Divisions was undertaken subsequent to close of the year to enhance their operational efficiency and coordination.