



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

MONTHLY NEWSLETTER Volume VI, Issue I, January 2006

## Razi-ur-Rahman Khan Appointed as SECP Chairman



*Razi-ur-Rahman Khan*

The Federal Government has appointed Mr. Razi-ur-Rahman Khan as Chairman of the Securities and Exchange Commission of Pakistan (SECP) on 13 February 2006.

A chartered accountant by profession, Mr. Khan is a Fellow of the Institute of Chartered Accountants of England and Wales.

Having worked in both the private and public sectors in Pakistan, Mr. Khan has a rich and diverse background in finance, banking, corporate sector, mutual funds, brokerage, and private equity investment. He began his career in 1977 as Chief Financial Officer (CFO) of Burroughs Wellcome, where he served until 1984. Then he joined Grindlays Bank where his accomplishments included the launch of the First Grindlays Modaraba. Subsequently, he was posted to London to build

## SECP, KSE and LSE Agree Over Roadmap for Demutualisation

The SECP and the Karachi Stock Exchange (KSE) have agreed over a roadmap for demutualisation of the KSE. In this regard, a memorandum of understanding was signed between the Chairman, SECP, Mr. Razi-ur-Rahman Khan, the elected directors as well as the Managing Director of KSE and members of its Board Demutualization Committee in Karachi.

After long discussions between high officials of the SECP and KSE, it was decided that future Chairmen of the Board will be elected from amongst non-member

directors of the exchange.

During the course of discussions, particular emphasis was placed on Continuous Funding System (CFS) mechanism and risk management system with a view to determine the way forward. It was hoped that all outstanding issues would be settled amicably within the foreseeable future.

The SECP appreciated the time, efforts, cooperation, and support extended by the KSE's senior members in finalizing the roadmap for demutualisation.

The proposed roadmap was also discussed and

agreed by the Chairman SECP and the directors and management of the Lahore Stock Exchange (LSE) in a meeting held in Lahore.

The SECP Chairman said that the reform process initiated by the Government of Pakistan is targeted at ensuring rapid development of the financial and capital markets of the country as per international best practices. The SECP will engage all stakeholders within its purview to find win-win solutions in future collaborative endeavours, he said.

## SECP-CBR Task Force Finalises Recommendations

A joint task force, constituted by the SECP and the Central Board of Revenue (CBR) has completed its deliberations on accounting, measurement, reporting and allied matters on related party transactions and finalised a detailed set of recommendations.

The task force has concluded that issue of transfer pricing extends across the corporate sector and is not limited to any class of companies. It has, therefore, recommended

that the application of International Accounting Standard (IAS) 24 should extend to all companies registered under the Companies Ordinance, 1984, other than small companies.

The task force has also recommended that all companies shall place before the Board of Directors and the Audit Committee of the company all the transactions with the related parties for review and approval. The related party transactions which

are not executed at arm's length price will also be placed separately at each Board meeting along with necessary justification for consideration and approval of the Board and before the Audit Committee of the company. The Board shall approve the pricing methods for related party transactions that were made on terms equivalent to those that prevail in arm's length transactions only if such terms can be substantiated. In this

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## SECP Issues Prudential Regulations for NBFCs

The SECP has issued Prudential Regulations for Consumer Finance for Non-Banking Finance Companies (NBFCs).

The new regulations are aimed at providing new avenues to investment banks, leasing companies, housing finance companies and discount houses in order to enhance diversification and broaden their product range. The regulations include comprehensive operational guidelines and various risk

management measures, which must be adopted by NBFCs undertaking consumer financing.

Over the last year, the regulatory reforms aimed at development of NBFCs and enhanced supervision by the SECP has resulted in a phenomenon growth of the sector. With the introduction of consumer financing, not only will the financial health of NBFCs improve owing to product diversification, but the consumers will

also benefit in terms of increased product choices and outreach.

The regulations are expected to improve the financial and competitive standing of NBFCs engaged in investment finance and leasing, presently faced with intense competition from banking sector.

The new set of prudential regulations has been circulated to all concerned quarters and has also been placed on the SECP's website.

## 316 Companies Registered with SECP

The SECP registered 316 companies during January 2006 as compared to 218 companies registered during the same period last year, reflecting an increase of 45 percent.

Of the total, 298 companies were limited by shares including five public unlisted companies, 274 private companies and nineteen single member companies. Besides, thirteen foreign companies and five not-for-profit associations were also registered.

Aggregate authorized capital and paid-up capital of the 298 limited by shares companies amounted to Rs.6,257.1 million and Rs.511.3 million, respectively.

The sector-wise detail of companies registered during the period was as follows: sixty eight were in services sector, forty three in trading, twenty two in real estate development, eighteen in communications, fourteen each in information

technology and food and beverages, thirteen each in textile and tourism, twelve each in engineering, and fuel and energy and eleven in education sector.

### Enforcement Actions

The SECP penalized a listed company for providing incorrect information to the stakeholders. The funds collected by the company through issuance of right shares were not utilized in accordance with facts disclosed before the shareholders. A fine was imposed on the directors who were also directed to provide the business plan in respect of the future business outlook of the company. Another company was penalized for non-holding of annual general meeting for the year ended June 30, 2005 and non-filing of first quarterly accounts for the period ended September 30, 2005. Directives were issued to two other companies to abide by different legal provisions.

## SECP-CBR Task Force Finalises Recommendations

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regard, every company shall maintain a party-wise record of transactions, in each financial year, entered into with related parties in that year.

The Task Force was set up jointly by the SECP and CBR. It was headed by Mr. Riaz Malik, while Mr. Kamran Mirza, (Abbott Laboratories (Pakistan) Limited); Mr. Khalid Yaqoob

(Packages Limited); Mr. Mujahid Eshai, FCA; Syed Mohammad Shabbar Zaidi, FCA; Mr. Moin M. Fudda (CIPE); Dr. Ikramul Haq (Advocate); Mr. Salman Nabi (CBR); and Ms. Jaweria Ather (SECP) were members of the task force. Syed Fayyaz Mahmud (Director, SECP) acted as Secretary to the task force.

The detailed report of the Task Force is available on the SECP's website.

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Grindlay's Islamic Banking Division.

He left banking to become CFO of the Hub Power Company when the project was initiated in Pakistan in 1993. Subsequently, he was asked by the government of that time to restructure the National Investment Trust

(NIT). After restoring NIT as a viable public sector organization, Mr. Khan joined Jardine Flemings, later known as J.P. Morgan Brokerage and Investment Advisory in Pakistan, in 1999.

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