



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NEWSLETTER

Volume III, Issue III July—September, 2003

Dr. Tariq Hassan Appointed Chairman SEC



On 18 August 2003, the Government of Pakistan appointed Dr. Tariq Hassan as Chairman of the Securities and Exchange Commission of Pakistan (SEC). Prior to his appointment as Chairman, SEC, Dr. Hassan was the Adviser to the Federal Minister for Finance and Economic Affairs on matters pertaining to law and economics/finance for four years. He has also been the advisor to the Governor, State Bank of Pakistan (SBP) on banking law matters.

Dr. Hassan has extensive experience of corporate and capital market reforms during his 28 years career spanning private corporate law practice and development law work in international financial institutions and with the Government of Pakistan. He has worked in Pakistan, USA, Italy and UK in both private and public sectors as an advocate, consultant, adviser and educationist.

Message from the Chairman

I am grateful at the opportunity to lead a dynamic and proficient regulatory institution with the mission of developing a fair, efficient and transparent regulatory framework aimed at fostering growth of a robust corporate sector and broad based capital market. In a short span of just over four years, the SEC has introduced a plethora of reforms which have not only resulted in a much improved and efficient capital market and non-bank financial sector in Pakistan, but has also built up its reputation as a strong and proactive regulator. I hope to build up on the good work already achieved and to take the SEC to even higher levels of professionalism, efficiency and productivity.

At the outset, I would like to express my profound gratitude and appreciation to my predecessors Mr. Khalid A. Mirza and Mr. Abdul Rehman Qureshi whose ardent commitment, devotion and support have placed the SEC on a sound footing to achieve its mission. It has been over a month now since I was appointed as Chairman of the SEC and I would like to share with you my vision for the SEC and the capital market.

The Commission's strategy to fulfill its mission is based on five broad principles: (i) a consultative rule-making process; (ii) facilitation of compliance with corporate and securities laws; (iii) rationalization of regulation i.e. make regulation more cost effective; (iv) strict administration, implementation and enforcement of corporate and securities laws; and (v) holistic regulation of the financial sector in close co-ordination with the State Bank of Pakistan. The implementation of this strategy will enable the SEC to pursue its objectives with greater effectiveness, consistency, vigour and steadfastness.

I would also like to take this opportunity to appreciate the SEC staff whose dedication and hard work are amply reflected by its achievements.

SEC and SBP Sign MoU

The SEC and State Bank of Pakistan (SBP) have signed a Memorandum of Understanding (MoU) with a view to develop a fair, efficient and transparent money and capital market, robust corporate sector and a dynamic banking system compatible with best international practices. In keeping with the changing global financial environment, the MoU, which was signed by the heads of the two institutions in Karachi in September, sets out parameters for close coordination in the supervision of banks, development finance institutions (DFI) and non-banking finance companies (NBFC) operating in Pakistan.

According to the MoU, the SEC and SBP will share information and work towards the holistic development of the financial sector.

The two regulators have agreed to provide each other necessary information for the grant of

cont. on page 6

Regulatory Action Against Illegal Brokerage Houses

Earlier this year, the SEC received several complaints regarding companies, funds and individuals claiming to be agents of international brokerage houses. These businesses, purportedly dealing in securities, were involved in soliciting deposits in foreign exchange from the public and utilizing them in various investments through principals outside the territorial jurisdiction of Pakistan. The types of investments being advertised and offered include securities, currency trading, futures currency trading, money markets, securities' index trading, commodity futures, options, bonds, etc. It was reported that the public was motivated to make investments mainly in international currencies and commodities through the internet.

The SEC placed advertisements in newspapers to warn the public about illegal activities of these so-called

cont. on page 7

Reorganization at the SEC

In September, to enhance the operational efficiency and coordination amongst its various Divisions, the SEC was re-organized into the following five Divisions and Departments headed by each of the Commissioners.

- The Company Law Division headed by Mr. Abdul Rehman Qureshi comprises the Registration Department and the Enforcement Department.
- The securities Market Division headed by Mr. Shahid Ghaffar comprises the Self-Regulatory Organizations Department and the Securities Department.
- The Specialized Companies Division headed by Mr. Etrat Rizvi comprises the NBFC Department and the Insurance Department.
- The Professional Services and Policy Division headed by Mr. Zafar ul Haq Hijazi comprises the Professional Services Department and the Policy Department.
- The Support Services Division also headed by Mr. Zafar ul Haq Hijazi comprises the Administration Department and the Finance Department.

Furthermore, the Chairman's Secretariat, headed by the Executive Director, has also been re-organized into the External and Internal Wings, each headed by a Director.

IOSCO EMC Advisory Board Meeting

As an active member of the International Organization of Securities Commissions (IOSCO), the SEC is a member of IOSCO's Emerging Market Committee (EMC), EMC Advisory Board, Asia Pacific Regional Committee (APRC), EMC Working Group (WG) – 2, in addition to being the Chairman of WG – 3 of the EMC.

The EMC Advisory Board meeting was held in Athens, Greece in September. During the meeting, the Secretary General of IOSCO reported that 22 jurisdictions had become signatories to the IOSCO MOU. He further informed that in order to encourage EMC members to become signatories to the IOSCO MOU, the Secretariat was working on an assistance programme framework relating to the MOU.

A report by the Task Force for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation was also presented to the EMC Advisory Board during the course of the meeting. The EMC Advisory Board endorsed the report and decided to support its use following its approval by the Executive Committee and adoption by the President's Committee. The Board also reviewed the reports of WG-1, WG-2, WG-3, WG-4 and WG-5.

Dr. Tariq Hassan, Chairman, SEC, being Chairman of the WG-3 reported to the EMC Advisory Board that WG-3 had no specific mandate since last year. He further informed that the SEC was planning to present a working paper on a

possible new mandate for WG-3 for consideration in the WG-3 meeting scheduled in Seoul, Korea. In this connection, proposals for new mandates had been received which were under study.

Chairman SEC further informed the Board that he had requested EMC members to indicate their desire to join the membership of WG-3 as members or observers. He assured that a new list of WG-3 would shortly be provided to Chairman EMC and Secretary General IOSCO. Dr. Hassan also briefed the Board about the activities of the IOSCO Standing Committee-3.

Dubai Investment Conference

The Karachi Stock Exchange (KSE) and Euromoney co-hosted a discussion panel titled "Pakistan—Investment Destination" in Dubai in September. Mr. Shaukat Aziz, Pakistan's Federal Minister for Finance and Economic Affairs, opened the session with his keynote address. He said that the role of the government has been reduced to policy making and independent regulators are in place to protect the interests of all stakeholders.

He further added that Pakistan now has a professional and a no-nonsense approach to tackling economic issues. It offers an open and market based economy and is as good as any other place for the investor. "Yes, you will face problems in Pakistan but the investor will have easy access to the top to resolve them. We are in a state of transition and would like the system to respond to these problems. We are firmly committed to these reforms", he said.

Dr. Tariq Hassan, Chairman, SEC said, "The unprecedented boom in Pakistan's equity market during the past year was undoubtedly due to the recent reforms particularly the extensive financial sector reforms, introduced by the government, which have resulted in macro-economic stability and economic growth. The robust economic legislative agenda provides for a modern legal framework, with particular focus on protection of investment, particularly foreign investment, and a new tax regime. Judicial reforms, including arbitration reforms are underway. An overall policy of deregulation has been adopted which has led to rationalized procedures and decreased government intervention. Further, in line with the deregulation policy, autonomy has been granted to regulatory institutions such as the SEC and SBP and a liberal policy framework for privatization and private sector development has been formulated, which are expected to broaden and deepen the capital market."

"The SEC is continuously striving to raise standards and protect market integrity by ensuring a fair, efficient, transparent and vibrant capital market for all stakeholders. In order to deepen the market, stimulate investment and engender investor confidence, effective implementation of reforms should continue", he added.

Delegates at the panel discussion included bankers, fund managers as well as individual investors.

Seminar on Internal Audit Arranged by ICMAP

The Institute of Cost and Management Accountants of Pakistan (ICMAP) arranged a seminar on “Internal Audit—Current Best Practices” in Islamabad in September. Dr. Tariq Hassan, Chairman, SEC, who was chief guest at the seminar said that; “At a time when the business community, their advisers and regulators are looking for preventive measures to avoid corporate collapses, a strong, independent internal audit function, which performs its functions in an objective manner, is the solution along with strengthening the governance procedure.”

Dr. Hassan appreciated the Institute’s effort to highlight the internal audit function as one of the most crucial issues faced by the business community. He said that; “Internal auditing needs to be an independent and autonomous activity and must be performed in an objective manner. An internal auditor acts like the conscience of the entity. Unlike the external auditor, who only gets a chance once a year to review the business, operations and financial statements of its client or a regulatory authority which can monitor and regulate an entity on the basis of periodic statements it receives, an internal auditor is in a much better position to monitor and review the business processes, operations, financial statements and associated risks on a continuing basis.”

Participation in ITCN Asia 2003

In keeping with past years, the SEC participated in the ITCN Asia 2003 Exhibition in Karachi in August. This year, the SEC projected the strategic advantages and efficiencies that can be attained through Information Technology in the corporate sector. It provided service to the corporate sector through the following activities at the Exhibition:

- Establishment of a fast track company incorporation desk to facilitate instant incorporation of companies;
- On-line facility to lodge complaints, suggestions, comments or queries pertaining to securities market, specialized companies and insurance companies with instant response from officials at the SEC head office in Islamabad; and
- Encourage /facilitate investors, both local and foreign, by providing them assistance for company incorporation and other related regulatory requirements.

The SEC’s participation in the ITCN exhibition since the last few years has been appreciated by local as well as foreign delegates visiting the exhibition. A number of companies have been registered through the fast track company incorporation desk in the past years.

Takaful Seminar

In September, the International Islamic University organized a two-day seminar on “Islamization of Insurance System in Pakistan” at the National Institute of Banking and Finance (NIBAF) in Islamabad. Scholars from within the country and abroad, officers of the insurance department of SEC and senior executives of the insurance companies attended the seminar. Dr. Tariq Hassan, Chairman, SEC in his address to the participants of the seminar said that he was keen to see Takaful (Islamic Insurance) business develop in the country to provide an alternative product for which there was growing demand. He mentioned that the first Takaful company has already been allowed to incorporate and necessary registration requirements under the Insurance Ordinance, 2000 were being completed by the company.

Mr. Etrat Hussain Rizvi, Commissioner, SEC in his address said that the opportunities and potential for Takaful are enormous and a consensus was necessary on the types of Takaful models to be followed, disclosure requirements, creation of specific reserves, distribution of surplus to the participants and retakaful arrangements. He cautioned that conventional insurance companies needed eight to ten years to break even, therefore those who planned to undertake Takaful business would need to be patient.

Takaful, an Arabic word meaning, “guaranteeing each other”, is in essence the same as insurance but is approved under Islamic jurisprudence or Shariah guidelines. It differs from conventional insurance system as it focuses on participants instead of policyholders, contributions instead of premiums, and donations instead of payments. The Takaful system is based on mutual help through the co-operative social principles of Shariah. The very fact that it offers insurance to the people out of a pool of funds that is jointly owned by them and is jointly distributed amongst them, when and if there is surplus, eliminates any elements of gambling and exploitation from the insurance equation. Not only do policyholders and shareholders have a clear demarcation, but the former risk their capital (i.e. their premiums) and are rewarded through share of surplus.

Quarterly Stock Market Indicators

	April—June 2003	July—September 2003
KSE 100 Index	3402.5 as on June 30	4027.34 as on September 30
Market Capitalization	Rs. 755.8 billion on June	Rs. 887.60 billion as on September
Average Daily Traded Value	Rs. 10.2 billion	Rs. 26.69 billion
Average Daily Turnover	265 million shares	493.995 million shares
Term Finance Certificates	3 issues	2 issues
Total amount offered in TFCs	Rs. 1 billion	Rs. 1.320 billion
Equity Issues	1 issue	1 issue
Initial Public Offerings (Equity)	Rs. 0.720 billion	Rs. 0.638 billion
Total Public Offering	Rs. 1.720 billion	Rs. 1.958 billion

Amendments in the Companies (General Provisions and Forms) Rules, 1985

The SEC has simplified the formats of statutory returns prescribed in the Companies (General Provisions and Forms) Rules, 1985 for the convenience of companies incorporated under the Companies Ordinance, 1984. The returns are used by companies for making applications and submission of returns to SEC and the Company Registration Offices (CRO).

Now, the forms relating to statutory returns have been completely revamped and designed considering the Information Technology solutions and the automation already adopted by the SEC and also for the purpose of online submission system, targeted for the near future. It is hoped that the new set of forms retrieval of requisite information from the database.

Some of the major reforms introduced through amendments in the Rules are as under:

- Mode of serving notices/documents

In the past, corporate entities were allowed to send reports/notices/documents to their members utilizing only traditional modes of sending mails i.e. either through registered post or under a certificate of posting. There was an overwhelming demand from the corporate sector that considering the convenience and promptness of courier service, utilization of this service should be given legal cover for company communication with its shareholders. The amendments in the Rules now allow usage of courier facility in addition to traditional postal mail.

- Documents submitted with application for alteration in memorandum

Keeping in view the practical difficulties of the corporate sector, amendments have been made in the Rules to simplify, rationalize and streamline the information/documents to be furnished along with application for alteration in memorandum.

- Company representatives in proceedings before the SEC

Prior to these amendments in the Rules, only a chartered accountant, cost and management accountant or an advocate practicing at the level of High Court/Supreme Court could appear on behalf of the company in proceedings before the SEC. The amendments have broadened the scope of representation and now the chief executive, company secretary and other person possessing the qualification prescribed by the SEC can appear on behalf of the company in proceedings before it.

- Signatories on returns submitted with the SEC

Previously, any director of the company was eligible to sign the returns filed by the companies with the SEC

that, in some cases, resulted in filing of disputed returns by different directors. Now, the amendments have been made to eliminate possible disputes over authenticity of returns submitted by companies and it has been provided that the returns shall only be signed and submitted by the chief executive or the secretary of a company.

The amendments have been notified in the official Gazette vide SRO 687 (1)/ 2003 dated 7 July, 2003, and have also been placed, with download facility, on the SEC website.

Companies Registration Office Regulations

With a view to facilitate companies in timely compliance with statutory requirements as well as improve the document management and boost efficient internal working of the CROs, the SEC has framed new Companies (Registration Offices) Regulations, 2003, substituting the Companies (Registration Offices) Regulations, 1986. These Regulations shall eradicate redundant manual work at CROs especially with respect to maintenance of various registers.

Some of the major reforms introduced with a view to pursue statutory compliance in the corporate sector are as under:

- Time period for examination of documents, applications etc.

In the past, no time period was defined for the Registrar concerned to examine, or cause to be examined, the documents received in a CRO. To inculcate a culture of quick dispensation, the 2003 Regulations have specifically defined the quickest possible time in which the Registrar concerned would examine the documents or applications filed and in case of delay, reasons and circumstances causing the delay shall be recorded. Most of the applications and statutory returns would be disposed, registered or recorded within one day. However, certificates of commencement of business, registration of a foreign company and incorporation of a company shall be issued within a period of two and three days respectively, while inspection of documents kept by the Registrar would be carried out within an hour.

- Payment of additional fee for late filing of documents

The documents filed late with a CRO, i.e. after the prescribed period, were accepted for record, without absolving any liability, arising out of default, of payment of three times filing fee in addition to normal filing fee. To encourage companies to comply with the statutory requirements, an incentive of lower additional filing fee slabs has been provided. Documents filed with delay not exceeding fifteen days would be charged with an additional fee equal to the usual fee specified in the Sixth Schedule. In case of documents filed with a delay of more than fifteen days but less than forty-five days and a delay exceeding forty-five days, an additional fee equal to two times and three times of the usual fee respectively, would be charged.

Appellate Bench Rules

During the quarter, the SEC notified the rules for filing an appeal with the Appellate Bench of the Commission against any order of the SEC or of an Executive Director of the SEC.

The SEC having quasi judicial powers makes orders/decisions under the relevant corporate laws. Such powers have been delegated to individual Commissioners/Executive Directors. The law provides that appeal against any order of a Commissioner or an Executive Director lies with the Appellate Bench of the Commission constituted under the Securities and Exchange Commission of Pakistan Act, 1997. In this regard, the SEC has, with the approval of Federal Government, notified rules vide S.R.O. 734(I)/2003 dated 25 August, 2003 called the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.

The rules mainly prescribe the following procedure:

1. Every appeal shall be filed within a period of thirty days from the date on which the relevant order has been received by the appellant.
2. Memorandum of appeal shall be presented to the Registrar of Appellate Benches in the form prescribed in Schedules to the Rules.
3. The Appellate Bench may hold its sittings in the Head Office of the SEC at Islamabad or at any of the Regional Offices of the SEC.
4. The proceedings of the Appellate Bench shall be conducted in English or Urdu.
5. The Registrar may communicate the defects in the appeal, if any, to the appellant and allow him a suitable time to rectify the defect.
6. Every memorandum of appeal shall be accompanied with bank challan/bank draft, evidencing payment of fee amounting to Rs. 500.
7. If on the day fixed for hearing, the appellant does not appear, the Appellate Bench may make an order that the appeal be dismissed.
8. The Registrar shall notify the date, time and venue of hearing of the appeal to all the parties.
9. The appellant shall be heard by the Bench personally or through his/her authorized representative, in support of the appeal. Similarly the Bench shall hear the respondent or his/her authorized representative against the appeal.
10. Every order of the Appellate Bench shall be signed and dated by the Commissioners comprising the Bench.

11. A copy of the duly signed order passed by the Appellate Bench shall be communicated to all the parties.
12. A fee of Rs. 200 shall be charged for inspecting the records relating to pleading of parties, available with the Registrar.

Quarterly and Half-Yearly Accounts for Insurance Companies Notified

Under Section 245 of the Companies Ordinance, 1984, all listed non-life insurance companies have to prepare and report quarterly results. Previously, there were no specially prescribed formats for insurance companies, hence they were reporting the same manner as other listed companies. In order to facilitate proper disclosure and presentation, the SEC has notified the format to be used by all non-life insurance companies for reporting of their quarterly and half-yearly accounts to the shareholders, the SEC as well as the general public.

Quarterly and half-yearly accounts were required to comply with International Accounting Standard (IAS) – 34 “interim reporting” and should disclose the results for the interim period and aggregate for the period (i.e. in this case for six months). Furthermore, auditors have to review half yearly financial statements and report on the half yearly results under the code of corporate governance.

All non-life insurance companies are required to prepare the quarterly/half yearly accounts for the period ended on or after 30 June, 2003 on these new formats. Companies which had finalized their accounts before the issuance of the circular, were not required to prepare the accounts for the period ended 30 June, 2003 on these formats. These companies would be required to follow these formats w.e.f. the quarter ending 30 September, 2003.

Study Trip to Thailand and Australia

Five officers of the SEC—Mr. Tahir Mahmood, Additional Registrar; Mr. Imran Bashir, Director; Ms. Farah Qamar, Joint Director; Mr. Usman Hayat, Director; and Ms. Sabahat Baloch, Assistant Director— visited key regulatory bodies while on a study tour of Thailand and Australia.

The purpose of the study tour, which was sponsored by the Asian Development Bank, was to study corporate governance practices prevalent in these countries. During the course of the study trip, officers of the SEC met representatives of the Securities and Exchange Commission of Thailand, the Stock Exchange of Thailand, the Institute of Directors, Thai Rating and Information Services Co. Limited, Australian Securities and Investment Commission, and the Australian Stock Exchange. While discussing areas of mutual concern, SEC officials learned of the initiatives these countries, particularly their Securities Commissions were taking for the development of corporate governance and educating stakeholders of its implications.

Eighth Coordination Committee Meeting between SEC and SBP

The Eighth Coordination Committee Meeting of the SEC and SBP was held at the SEC head office in Islamabad in August and was attended by senior officials from both institutions.

relevant rules and regulations and institutional strengthening would be the major area of focus for the SEC. Elaborating the future agenda of the SEC, Dr. Tariq Hassan, Chairman, said that effective enforcement of as it embarks upon a new era of sustainable development for the capital market and corporate sector in Pakistan. He assured Dr. Ishrat Hussain, Governor, SBP of SEC's continued cooperation with SBP in building a strong regulatory framework within the country. He said that the SEC had come a long way since its inception in 1999 and he would continue the process of transforming it into a professional and independent regulator.

Chairman SEC further said that the regulatory objectives of the two institutions could only be met through a consultative process with all stakeholders and he intended to adopt a participatory approach in fulfilling the mandate of the SEC. SEC would continue to facilitate investors by promoting an efficient and transparent capital market and corporate sector and engendering confidence and faith in the integrity of the market.

Governor SBP congratulated the Chairman and assured the SEC of continued cooperation and facilitation from the SBP. He hoped that the SEC would continue to be an effective and efficient regulator under the Chairmanship of Dr. Hassan.

The main areas of discussion at the meeting included the ongoing proceedings against a number of non-regulated brokerage businesses and monitoring of non-bank primary dealers. On the issue of non-take advantage of the division of regulatory authority between the SEC and SBP and that the two regulated brokerage business, the two regulators agreed that many players in the market were trying to institutions should continue to work together to ensure that a comprehensive regulatory framework was in place. It was also decided that SEC and SBP would make joint efforts to create awareness amongst the public regarding the legal position of investments with such individuals/companies.

The SEC-SBP Coordination Committee meetings are held once every quarter to supplement the on-going regular coordination between the two regulators.



The eighth Coordination Committee Meeting of the SEC-SBP in progress at the SEC head office in Islamabad in August.

SEC and SBP Sign MoU

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authorisation; assist each other by verifying or supplementing any information submitted by or to any bank/DFI/NBFC, and keep themselves informed from time to time about the nature of their regulatory system and the manner and extent to which they would like to conduct consolidated supervision over any group of banks/financial institutions having common management and ownership control.

About the ongoing supervision of banks/DFIs/NBFCs, the SEC and SBP have agreed to provide, on request, relevant information on material developments or supervisory concerns in respect of the operations of a financial institution and respond to requests for information on regulatory systems and inform each other about significant changes, particularly those, which have a material bearing on the activities of a bank/DFI/NBFC.



Dr. Tariq Hassan, Chairman, SEC and Dr. Ishrat Hussain, Governor, SBP signing an MoU which sets out parameters for close coordination in the supervision of banks, DFIs and NBFCs operating in Pakistan.

IFC Delegation Visits SEC



A delegation of the International Finance Corporation (IFC) visited the SEC in September and met with the Chairman.

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Regulatory Action Against Illegal Brokerage Houses

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brokerage houses. A quick survey was also conducted in major cities, notably Lahore, Multan and Karachi, to detect such unscrupulous parties and have first hand knowledge of their modus operandi. Investigations by the SEC established that not only were these brokerage houses accepting deposits from investors on the promise of exorbitant rate of profit, but they were documenting the investment in such a manner that on an overall basis the amount would be declared lost in transactions within a few months.

The SEC initiated action against these brokerage houses under the Companies Ordinance, 1984 and the Securities and Exchange Ordinance, 1969 and prohibitory orders were issued asking them to stop brokerage business and deposit taking. Besides the administrative action, winding up proceedings were initiated in the High Courts against the following companies:

M/s. Bulls & Bears (Private) Ltd.
M/s. Offshore Global Management (Private) Ltd.
M/s. World Business Consultants (Private) Ltd.
M/s. United Brokerage Consultants (Private) Ltd.
M/s. Forex Services International (Private) Ltd.
M/s. Trade Stations Securities (Private) Ltd.
M/s. Rouf International Advisory Services (Private) Ltd.
M/s. Harvest International (Private) Ltd.
M/s. Pindex (Private) Ltd.
M/s. Tycoon International (Private) Ltd.
M/s. Fidelity Future Management (Private) Ltd.
M/s. Exchanger Impex (Private) Limited.
M/s. White House Securities (Private) Ltd.
M/s. Wall Street Securities (Private) Ltd.

Having regard to the fraudulent activities of these companies, the Lahore High Court has frozen the bank accounts of 12 companies and their directors in addition to placing the names of directors on exit control list. To facilitate investors the Court has, however, relaxed the restrictions on bank accounts to the extent of making refunds to investors. The Sindh High Court has also admitted the petitions filed in that Court. The official assignee is looking into the cases under instructions of the Court.

The SEC and SBP have also constituted a task force to help the complainants and synchronize action against these illegal brokerage houses. A meeting of the task force was held at the SEC head office in Islamabad in September. The meeting, which was chaired by Dr. Tariq Hassan, Chairman, SEC, was also attended by lawyers engaged for these cases. It was decided that all the cases would be pursued with full force and vigor and that there would be no relaxation for those conducting illegal and unlawful business and fleecing the

the following officers as contact persons in case of complaints and queries:

Syed Fayyaz Mahmud
Director
Professional Services and Policy
Department
Securities and Exchange
Commission of Pakistan
NIC Building, Jinnah Avenue
Blue Area, Islamabad
E-mail:
fayyaz.mahmud@secp.gov.pk
Tel. No. 051-9207648
Fax No. 021-9218591

Mr. Amjad Iqbal
Assistant Director
Banking Policy
Department
State Bank of Pakistan
I.I. Chundrigar Road,
Karachi
Email:
amjad.iqbal@sbp.org.pk
Tel. No. 021-24450-3550
Fax No. 021-9212506

Chairman National Accountability Bureau (NAB) Lt. General Munir Hafiez visited the SEC head office and met Dr. Tariq Hassan, Chairman SEC and senior officials of the Commission. The two institutions have resolved to work in close coordination and liaison on the ongoing action against brokerage and forex companies carrying on illegal, unauthorized and fraudulent activities.

A detailed presentation was made to the visiting delegation about the SEC's transformation into a transparent, efficient and independent regulator of the capital market and corporate sector. Four main areas of focus were highlighted which were of mutual concern to the two organizations including transparency issues, accountability, anti-money laundering and anti-corruption initiatives.

Chairman SEC informed Chairman NAB that SEC and SBP were actively taking action against fraudulent forex and brokerage companies and expressed hope that NAB would also play an active role in netting individuals and firms involved in these illegal activities. The collaboration among these institutions would ensure that irrespective of the form of organization or business activity, no one would escape the ambit of law.

Chairman NAB expressed his appreciation for the Commission's proactive role in enhancing transparency and commitment to combat financial crimes. He assured Chairman SEC of NAB's cooperation, particularly in the case of illegal brokerage firms and individuals.



From left: Dr. Tariq Hassan, Chairman, SEC and Lt. General Munir Hafiez, Chairman, NAB in a meeting during the latter's visit to SEC head office in Islamabad.

AML Initiative at the SEC

A Financial Crimes Unit (FCU) is being established at the SEC to facilitate investigations against fraudulent financial activities. It shall form a part of the External Wing of the Chairman's Secretariat. The AML Initiative at the SEC shall be a part of the FCU.

Sixth Annual Meeting of APG

Mr. Ashraf Tiwana, Deputy Director, represented the SEC at the Sixth Annual Meeting of Asia/Pacific Group in Macau, China in September. Representatives from 26 jurisdictions from the Asia-Pacific region provided a useful opportunity to meet and interact with these representatives as well as learn about the money laundering and terrorist financing initiatives being taken by them in their respective jurisdictions. The Annual Meeting was preceded by an Annual Forum on Technical Assistance and Training. The forum is a high level Consultative Group comprising donor and provider organisations and member jurisdictions. In addition, several one-to-one meetings were held with representatives of the donor agencies to understand the kind of assistance these agencies offer to members on money laundering related issues.

Seminar on Corruption and Money Laundering hosted by UNODC

Representatives of the AML Cell, along with the departmental coordinators, attended a one-day seminar on "The International Response to Corruption and Money Laundering" organized by the United Nations AML and counter-financing of terrorism by Mr. Khawar Qureshi, Barrister (commercial and public law Office of Drugs and Crime (UNODC) in Islamabad in August. The seminar consisted of a presentation on expert) and the UNODC Special Advisor on financial crime. Various regulatory bodies, including the Anti-Narcotics Force, the Federal Investigation Agency and NAB also gave presentations on similar issues.

UNODC Adviser Delivers Lecture in SEC

Mr. Khawar Qureshi, who was a visiting consultant for UNODC visited the various regulatory and other institutions in Pakistan. He also visited the SEC and delivered a lecture on financial crime and money laundering. Mr. Qureshi commended the SEC's recent AML initiatives for enhancing transparency in the capital market. The AML team also held a follow up meeting with Mr. Qureshi to discuss local and international perspectives on the subject matter.

US Anti-Money Laundering School

Mr. Bilal Rasul and Mr. Abid Hussain, both Joint Directors in the SEC, attended the Anti-Money Laundering School at the Office of Comptroller of the Currency, Washington D.C. in September. The course was sponsored by the US State Department/Treasury Department. The main emphasis of the course was on designing and implementing an appropriate customer identification programme for combating the issues of money laundering and terrorist financing. The course, which was attended by 37 delegates from 28 other countries, provided an insight into the experiences of setting up anti-money laundering frameworks in different countries. After the course Mr. Bilal Rasul visited the offices of the World Bank and the US Securities and Exchange Commission and held meetings to establish linkages for the SEC's AML Programme.

US Embassy Officials Visits AML Cell

Mr. Douglas Climan, Counsellor for Economic and Commercial Affairs, US Embassy, Islamabad visited the SEC for a briefing on the AML measures. Mr. Bilal Rasul, Joint Director, SEC made a detailed presentation on the recent initiatives of the AML Cell and its future plans. The official expressed his pleasure with the initiatives and requested sustained communication and cooperation between the SEC and the US Securities Commission.

Money Laundering—the Concept

The volume of global financial transactions in the last two decades has increased exponentially, especially in the wake of globalization and financial liberalization. The abundance of such capital has subsequently given rise to opportunities to launder money through sophisticated financial channels.

Money laundering activities have incredibly detrimental ramifications. The activity damages the financial sector institutions that are critical for economic growth, reduces productivity in the economy's real sector by diverting resources, and encourages crime and corruption which impede economic growth. It can also distort the economy's external sector—international trade and capital flows—to the detriment of long-term economic development. Effective anti-money laundering policies, on the other hand, reinforce a variety of good governance policies that help sustain economic development. According to a conservative estimate, over US\$1.0 trillion exchange hands through illegal means everyday.

Today, enterprise criminals of every sort, from drug traffickers to stock fraudsters to corporate embezzlers and commodity smugglers, launder the money flowing from their crimes for two reasons. The first is that the money trail itself can become evidence against the perpetrators of the offence; the second is that the money per se can be the target of investigation and seizure.

The International Initiative against Money Laundering

The international agreements or treaties, which form the framework for cooperation in anti-money laundering include:

- The United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988
- UN Security Council's Resolution No. 1373 against terrorist financing
- IOSCO's Resolution of 1992 on money laundering
- The Basel Statement
- The 40+8 recommendations on money laundering of the Financial Action Task Force (FATF)