



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Apex Consultation on Corporate Social Responsibility Strategy Held in Lahore



Dr. Tariq Hassan, Chairman SEC along with the participants of Apex Consultation on CSR Strategy in Lahore.

The Securities and Exchange Commission of Pakistan (SEC) conducted an Apex Consultation on Corporate Social Responsibility Strategy (CSR) Strategy, in Lahore. The event was held to share the findings of the recent study on CSR in Pakistan, conducted by Ms. Ambreen Waheed at the behest of the SEC as part of the United Nations Development Programme's assistance on Corporate Governance in Pakistan. The study titled 'Evaluation of the State of Corporate Social Responsibility in Pakistan and a Strategy for Implementation' was conducted as the first step in helping to evaluate the state of CSR in Pakistani corporate sector. It explored as to how companies

define their corporate values, the relationship of values with business performance and helped in identifying the best practices for managing these corporate values.

Dr. Tariq Hassan, Chairman, SEC, while addressing the stakeholders on the occasion, said, "As Pakistan seeks to transform itself into a knowledge based economy, CSR should be seen not so much as a cost, but as a tool through which companies can increase their value by focusing on risk, reputation and competitiveness. Nowhere is this more valid than in our business relationships with the rest of the world. Whether we are talking about supply chain management or financial services, CSR can help us capitalize on numerous business opportunities."

Based on the findings of the study, the SEC intends to formulate a CSR Strategy in consultation with concerned stakeholders. In this regard, it would work in collaboration with the corporate sector, government agencies, academia, civil society, and other relevant parties in finalising and implementing the SCR Strategy.

Registration Camp Office Set-up at RCCI

The SEC established a registration camp office at the Rawalpindi Chamber of Commerce and Industry (RCCI). An officer of the Company Registration Office (CRO) Islamabad would visit the camp office to register companies. The objective is to facilitate the business community in registration of companies besides providing necessary guidance in this regard.

SEC-CBR Constitute Joint Task Force on Transfer Pricing

The SEC and the Central Board of Revenue (CBR) constituted a joint task force on transfer pricing to study pertinent issues concerning the accounting, measurement, reporting, and allied matters on related party transactions and transfer pricing requirements and provide appropriate recommendations in this regard.

The task force is headed by Mr. Riaz Malik, former Chairman of CBR and comprises of Mr. Mujahid Eshai, Mr. Moin Fudda, Mr. Ikramul Haq, Mr. Kamran Mirza, Mr. Khalid Yaqoob and Mr. Shabbar Zaidi from the private sector; Mr. Salman Nabi from CBR and Ms. Jaweria Ather from SEC are also members of the task force. The taskforce may co-opt other members as necessary. Syed Fayyaz Mahmud, Director SEC will be secretary to the task force.

Meeting held to Discuss Integration and Demutualisation of Stock Exchanges

A meeting of the SEC and representatives of Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE) was held to discuss demutualization and integration of the two exchanges. The meeting was presided over by the Chairman SEC, Dr. Tariq Hassan, and attended by the chairmen, managing directors and members of both stock exchanges.

The financial advisers to LSE and ISE presented the draft business plan, which included the regulatory and governance structures of the proposed demutualized stock exchange. Thereafter, the legal advisers of LSE and ISE presented the proposed legal framework, which included the scheme of arrangement and initial drafts of the Memorandum and Articles of Association.

It was decided that LSE and ISE would arrange weekly meetings with the SEC. Dr. Tariq Hassan emphasized the need to carry on this consultative process and assured the SEC's full cooperation and support to the process of demutualization.

Islamic Financial Accounting Standard on Murabaha Notified

The SEC notified the Islamic Financial Accounting Standards (IFAS-1) on Murabaha Transactions and directed financial institutions to follow IFAS-1 in preparation of their financial statements.

The new Islamic standard was prepared by a committee of the Institute of Chartered Accountants of Pakistan (ICAP), called the Committee on Accounting and Auditing Standards of Interest-Free Modes of Financing and Investment. After thorough consultation with banks, financial institutions and the State Bank of Pakistan, the committee developed the Islamic Financial Accounting Standard with a view that its implementation would have a significant bearing on Islamization of the economy.

The notification of SEC under section 234(3) of the Companies Ordinance, 1984 bearing No. S.R.O 865, the Islamic Financial Accounting Standard-1 "Murabaha", has been placed on the SEC's website, www.secp.gov.pk.

Prudential Regulations for NBFCs Notified

On representation of the industry associations and various non-banking finance companies (NBFCs) and to remove practical difficulties faced by NBFCs, the SEC has modified the Financial Indicators of Borrowers, as prescribed in the Prudential Regulations for NBFCs. This would bring prudential regulations in line with the regulations issued by the State Bank of Pakistan.

NBFCs can now relax, in exceptional cases, the current assets to current liabilities ratio of the borrower up to 0.75:1 if they are satisfied that appropriate risk control measures have been put in place at the time of allowing fresh exposure/enhancement/renewal. Earlier, this ratio could only be relaxed below the level of 1:1 up to an exposure of Rs. 3 million.

In another attempt to facilitate NBFCs, the SEC granted exemption to all NBFCs from compliance with the disclosure requirements pertaining to loans and advances as laid down in the Fourth Schedule to the Companies Ordinance, 1984. In terms of the Fourth Schedule, listed companies including NBFCs were required to state, in respect of loans and advances other than those to the suppliers of goods or services, the name of the borrower and terms of repayment if the loan or advance was material, together with the particulars of collateral/security. The exemption has been granted with effect from financial year ending 30 June 2005.

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