



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NEWSLETTER

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SEC Proposals Accepted as Part of Finance Bill, 2003

In order to facilitate the corporate sector in its business activities and remove certain irritants in the Income Tax Law, the Securities and Exchange Commission of Pakistan (SEC) made several recommendations to the Federal Government and Central Board of Revenue (CBR), which have been accepted by the Government through the Finance Bill, 2003. The proposals accepted by the Government include the following:

- Capital gains arising out of investment in listed securities is presently exempt upto June 2004. This period has been extended upto tax year 2005.
- Profit accruing on non-performing loans and advances was permissible as a deduction from income in case of banking companies. This facility has now been extended to Non-Bank Finance Companies (NBFC) i.e. leasing companies, investment banks etc.
- National Investment Trust (NIT) and Investment Corporation of Pakistan (ICP) were exempt from withholding tax deduction on dividends, profit on debt and brokerage or commission under Sections 150, 151 and 233 of the Income Tax Ordinance, 1979. This facility has been extended to Modarabas and NBFC approved collective investment schemes.
- In computing income of a person chargeable to tax under "income from property" deduction was allowed on account of share in rent paid to House Building Finance Corporation (HBFC). To facilitate private sector housing companies, this concession has been extended to private sector housing finance companies approved by SEC.
- Tax credit was allowed to an assessee on insurance premium paid during the year for an amount of premium which was lower of 5% of total income or Rs. 100,000. To facilitate savings the limit has been increased to lower of 10% or Rs. 200,000. In addition to facilitation for insurance companies, salaried people will also benefit from this change.

The Government has also appreciated many other proposals of the SEC which have been incorporated in the relevant laws. These include:

1. Amendments in the Securities and Exchange Ordinance, 1969

An amendment inserted in sub-Section (2) of Section 8 of the Ordinance, which shall save the small investors from colossal loss caused due to delisting of securities, is that a delisted security could be traded for a specified period to provide opportunity to the investors for disinvestment of their shareholdings.

Although a Commodity Exchange had been established at Karachi about a year ago, it could not be operationalized due to the absence of a regulatory framework. In order to remove this difficulty, the following amendments have been proposed in the Securities and Exchange Ordinance, 1969:

- i. A new Section 32D has been inserted exclusively for the regulation of the business of "Commodity Exchange".
- ii. The Forward and Futures Contracts being a prominent feature of trading in the Commodity Exchange, has been recognized as a security, which would now be traded in the market like other securities i.e. shares, debentures and Term Finance Certificates (TFC).

2. Amendments in the Securities and Exchange Commission of Pakistan Act, 1997 (SEC Act)

The SEC has been established under the SEC Act, 1997 and its responsibilities and sphere of work have been enshrined therein. The amendments made in the said Act include the following:

- i. The regulation of the Commodity Exchange has been brought within the jurisdiction of the SEC through an amendment in sub-Section (4) of Section 20 of the Act.
- ii. The regulation of Private Pension Schemes were already assigned to SEC through a Government administrative order, it would now become possible for regulating such Schemes and Funds in pursuance of the new amendment in sub-Section (4) of Section 20.
- iii. Under Section 5 of the SEC Act, the SEC may have not less than five and not more than seven Commissioners. Due to the resignation, removal and other unforeseen reasons, the minimum number of Commissioners of SEC may fall below the minimum. Such a situation could render the activities and proceedings of SEC challengeable. With a view to ensure the smooth working of SEC, a new sub-Section (5) has been inserted in said Section 5, providing that the proceedings of the Commission would be valid if due to some reasons, the number of Commissioners at certain point of time has fallen below the minimum.

IOSCO Meeting in Washington

A meeting of the Standing Committee No.3 of International Organization of Securities Commissions (IOSCO) was held on 25th and 26th June, 2003, at the offices of US Securities and Exchange Commission, Washington. Mr. Abdul Rehman Qureshi, Chairman, SEC attended the meeting in his capacity as Chairman of Working Group 3 of Emerging Markets Committee (EMC). Various important issues relating to regulation of capital markets were discussed in the meeting, including the following:

- i. Regulation of market intermediaries in a cross-border environment;
- ii. capital adequacy regime applied to securities firms;
- iii. principles of underlying financial reporting and current reporting practices; and
- iv. survey of regime for client asset protection.

During his stay in Washington, Chairman SEC, discussed some issues with his counterparts from other jurisdictions, regarding the role of IOSCO, with particular reference to the regulation of securities trade for development of capital markets and protection of investors.

Further, Chairman SEC had a detailed meeting with the Chairman, US Commodities Futures Trading Commission (CFTC) and discussed matters relating to operations and regulation of trading in commodities futures contracts. Chairman CFTC offered to extend his full support and cooperation to the SEC for training its officers in Commodities Markets Operations at the CFTC or sending representatives of CFTC to Pakistan for this purpose. Such an arrangement would go a long way in operationalization and regulation of the Commodity Exchange which has already been established at Karachi.

Launch of TMT-PKIC Incubation Fund



Mr. Shaukat Aziz, Federal Minister for Finance, presenting a shield to Mr. Abdul Rehman Qureshi, Chairman, SEC at the launch ceremony of the TMT-PKIC Incubation Fund in April. Also seen in the picture is Mr. Ali Ansari, Chief Executive, AKD Securities.

Leading financial institutions of Pakistan have participated in the fund which was jointly raised by TMT Ventures and Pak-Kuwait Investment Company.

Bahrain Delegation Meets SEC

A delegation of senior officials from Bahrain, led by Mr. Khalid Al-Bassam, Deputy Governor, Bahrain Monetary Agency (BMA) met with Mr. Abdul Rehman Qureshi, Chairman, SEC and his team for a briefing on capital market reforms in Pakistan. The SEC team made a detailed presentation to the visiting delegation about the reform agenda of the SEC as well as the achievements to date. Measures introduced in the stock market to enhance transparency, improve governance as well as risk management were discussed. The delegation was also briefed about the recent resurgence in the economy as a result of these far-reaching reforms and about the positive impact on the level of investor confidence in the country. The visitors were further briefed about the recent transfer of regulatory jurisdiction over the remaining non-bank financial institutions from the State Bank of Pakistan (SBP) to the SEC as well as the concept of the newly introduced Non-Bank Finance Companies (NBFC). The delegation was, in particular, interested in learning about the experience of the leasing and insurance sectors within the country.

Members of the delegation expressed their appreciation for the comprehensive reform programme of the SEC and highlighted certain areas for mutual coordination and future cooperation. Cross-listings of Bahrain companies on the stock exchanges in Pakistan and of Pakistan blue chips on the Bahrain stock exchange was seen as an area of great potential. Given the successful experience in Pakistan with corporate bond issues (Term Finance Certificates), the visitors expressed an interest in introducing similar guidelines in Bahrain. Development of the National Clearing and Settlement System as well as the National Commodity Exchange elicited a lot of interest and future cooperation between the two countries was discussed at length. The Deputy Governor, BMA also hoped that the private sector companies would take the initiative of exploring avenues of expansion in Bahrain and bring the much needed knowledge and technical know-how into the country.

Seminar on "Private Pension Schemes in Pakistan"

The Pakistan Society of Actuaries held a seminar on "Regulation of Private Pension Schemes in Pakistan" in June. In his concluding address as chief guest at the seminar, Mr. Etrat Rizvi, Commissioner, SEC said, "There is a need for creating a regulatory environment in which pension schemes grow and at the same time conform to certain discipline, which ensures protection of participants. Taking on the encouragement aspect first, there are three areas which need to be looked at as a priority:

- a) Continue to allow the types of schemes prevalent today
- b) Allow the creation of delivery vehicles other than those prevalent today
- c) Provide fiscal incentives for retirement savings which are equitable.

These relate to both occupational schemes, where the benefit entitlement is related to employment, as well as individual savings schemes which provide an opportunity for individuals to arrange for their own retirement savings, either because they do not fall within any scheme or want to top up retirement benefits available from occupational schemes."

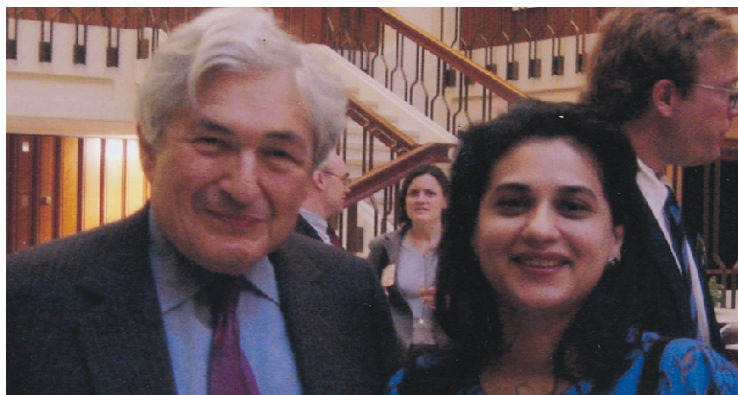
Training Programme at the International Institute of Securities Market Development in Washington

The United States Securities and Exchange Commission (US SEC) held a training programme at their International Institute for Securities Market Development in Washington. Ms. Sadia Khan, Executive Director was nominated by the SEC to attend the training which was held from April 21 - May 1, 2003.

The Institute, which is the US SEC's flagship global training programme, provides a dynamic forum where delegates and faculty learn from each other and work together to promote safe and efficient securities markets throughout the world. This year, the training programme was attended by 96 delegates from 56 countries. The Institute provided an opportunity for participants to learn, from leading U.S. market regulators, securities professionals and from one another, different ways to develop strong regulatory systems that enhance the integrity of securities markets and thereby encourage economic opportunities and growth.

The two-week programme consisted of lectures, panels, and workshops that focused on the development, operation and regulation of securities markets. The faculty for the programme included senior SEC officials as well as representatives of other US governmental agencies, multilateral development institutions, securities exchanges and other key securities industry participants. While the course covered a diverse range of topics, some of the main topics included:

- Managing a Securities Commission
- Policies and Legal Framework for Capital Market Development
- Overview and Structure of the US Securities Industry
- Overview of Investment Management
- Overview of Investment Programme
- Accounting and Auditing Standards
- Establishing Corporate Governance in Emerging Markets
- Financial Crimes/Anti-Money Laundering - US Experience and International Insights



Ms. Sadia Khan, Executive Director, SEC with Mr. James D. Wolfensohn, President, World Bank, at the International Institute for Securities Market Development in Washington. The Institute is the flagship global training programme of the United States Securities and Exchange Commission.

Reduction in Stamp Duty

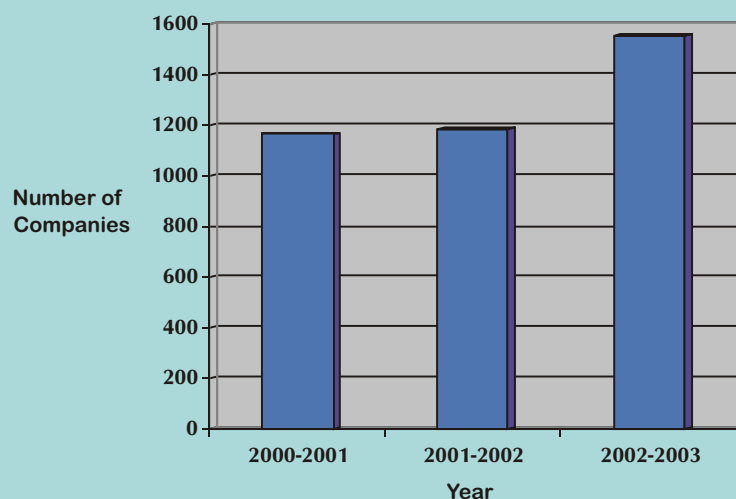
In its efforts to develop the corporate sector, the SEC has been emphasizing upon the provincial governments to bring down the rates of stamp duty on the memorandum and articles of association of companies. On persuasion of the SEC, the government of Sindh and Baluchistan reduced the rates of stamp duty last year which resulted in increased formation of companies under the Companies Ordinance, 1984. The rates of stamp duty in the province of NWFP are already comparatively low.

During fiscal year 2002-2003, 560 and 17 companies were incorporated in Sindh and Baluchistan respectively against 448 companies in Sindh and 11 companies in Baluchistan during fiscal year 2001-2002.

The SEC is now endeavouring to convince the provincial governments for the abolishment of stamp duty altogether which will definitely encourage entrepreneurs to convert their businesses into corporate entities. It is a fact that affixation of adhesive stamps on the memorandum and articles of the companies involves a lengthy and troublesome procedure whereas total revenue collected by the provinces on this account is very insignificant.

In order to facilitate the general public, SEC is making every effort to minimize the time involved in the incorporation of companies. Presently, companies are being incorporated within a period of only two days compared to the previous two week period. The SEC is aiming to further cut down this period to one day by the end of the current year. One of the main hindrances in early incorporation of companies, is the requirement of affixing special adhesive stamps on memorandum and articles of association of the proposed companies. The SEC has taken up this issue with the Finance Ministers of Punjab and NWFP who are sympathetically considering this proposal. The SEC is also approaching the Finance Ministers of Sindh and Baluchistan to consider this proposal and remove this difficulty faced by the investors/promoters of companies.

Year-wise Incorporation of Companies



Websites of Listed Companies

Sharing of information via the internet is the most convenient and cost effective medium these days. This medium is being used by governments and corporate sectors all over the world. The SEC has, therefore, advised all listed companies to take necessary steps to maintain their website which should provide all relevant financial information to its shareholders, investors, creditors and others concerned.

The SEC is also considering a proposal to allow listed companies to place their quarterly accounts on their website instead of transmitting the same to the shareholders by post. This will definitely ensure timely supply of information to shareholders and will also address the concerns raised by management of listed companies regarding the increased cost and time required to file quarterly accounts.

Special Counters Set Up in CROs

In order to facilitate foreign investors and overseas Pakistanis in company incorporation matters, the SEC has set up special counters in three of its Company Registration Offices (CRO) - Karachi, Lahore and Islamabad. This step has been taken to encourage foreign investment in the country. The designated officers in the CROs will provide special assistance to international investors for company incorporation and other related regulatory requirements. These officers would also provide information pertaining to corporate laws and registration formalities.

The following officers have been designated for this assignment:

Mr. Zia-ul-Rashid Abbasi, Deputy Registrar, Karachi

Mr. Boo Ali, Deputy Registrar, Lahore; and

Ms. Shaista Bano, Junior Executive, Islamabad

New Portfolios for the Executive Directors

In May, the Commission reassigned the portfolios for various Divisions of the SEC amongst the Executive Directors (ED) as follows:

Name of ED	Division/Wing
Mr. Mohammad Hayat Jasra	Legal Wing and Secretary to the Commission
Ms. Rahat Kaunain	Securities Market Division
Mr. Haroon Sharif	Company Law Administration Division
Ms. Sadia Khan	Chairman's Secretariat
Mr. Najam Ali	Specialized Companies Division
Mr. Rashid Sadiq	Enforcement and Monitoring Division
Mr. M. Javed Panni	Administration Wing
Mr. Shafaat Ahmad	Insurance Division

ADB's TA on Capacity Building for Capital Market Development and Corporate Governance

The forthcoming Technical Assistance (TA) under the Asian Development Bank's (ADB) Financial Markets and Governance Programme (FMGP) focuses primarily on strengthening enforcement and regulations, capacity building of the SEC, restructuring of stock exchanges, and training of market participants. In order to prepare a base for the FMGP, the SEC recently facilitated another short-term preparatory consultancy assignment under the ADB's grant assistance (TA # 3696) to assist in improving efficiency of the capital market based on solid governance standards. Two workshops were also organized to facilitate stakeholders' understanding of the dynamics of corporate governance. The consultants' recommendations have become a part of the basic plan for the next phase of reforms.

SEC Drafts Margin Trading Rules

In November 2002, the SEC developed a road map for phasing out of COT/badla financing. As one of the main requirements of the work plan, the SEC prepared the draft Margin Trading Rules, which were sent to the three stock exchanges for seeking input and views on the draft Rules. Detailed comments have been received from the stock exchanges which are currently being reviewed by the SEC. The SEC intends to give the draft Rules a final shape after reviewing the comments of the market participants and to introduce the same very shortly.

Although significant reforms have been introduced by SEC in the COT/badla market, which has helped in minimizing systemic risk to the market, the SEC has also been working for a long time on the development and implementation of margin financing in line with international standards.

The proposed Margin Trading Rules will promote retail investment by increasing purchasing power of investors in the country and will significantly reduce systemic risk associated with badla financing. Margin accounts allow investors to buy shares with a relatively small amount of cash up front by using the assets currently held in their accounts as collateral. Margin financing and the already operational futures market will successfully replace COT/badla financing system, which is fraught with systemic risk for our market.

Quarterly Stock Market Indicators

	Jan—March 2003	April—June 2003
KSE 100	2715.72 as on March 31	3402.5 as on June 30
Market Capitalization	Rs. 588.323 billion on March 31	Rs. 755.8 billion on June 30
Average Daily Traded Value	Rs. 11.93 billion	Rs. 10.2 billion
Average Daily Turnover	245 million shares	265 million shares
Term Finance Certificates (TFC)	7 issues	8 issues
Total Amount Offered in TFCs	Rs. 2.664 billion	Rs. 1 billion
Equity Issues	1 issue	1 issue
Initial Public Offerings (Equity)	Rs. 0.250 billion	Rs. 0.720 billion
Total Public Offering	Rs. 2.914 billion	Rs. 1.720 billion



Anti-Money Laundering Unit at the SEC

In order to establish international linkages and remain abreast with money laundering and other global issues, a video-conferencing facility is being setup at the SEC. This equipment is being financed by the World Bank's Technical Assistance for Banking Sector Project funds.

Joint Newsletter of SEC and SBP

The SEC and SBP have initiated a joint electronic newsletter series which would cover activities of their respective anti money laundering units. As both these institutions are sharing technical assistance from the World Bank, this newsletter is expected to enhance coordination between them.

The electronic newsletter will be circulated quarterly and will focus on the anti money laundering initiatives taken by the two organizations and other significant domestic and international developments on the subject .

Meeting of SEC-AML Unit with the Coordinating Officers of the Divisions

A meeting of the SEC-AML Unit (AMLU) with its coordinating officers from the Divisions of the SEC was held in May. Mr. Haroon Sharif, Executive Director, chaired the meeting and gave an overview of the various on-going developmental activities in the SEC and the objective of each in order to emphasize the role of the AMLU Coordinators. He stressed that the AMLU Coordinators should keep in mind the developmental role of the project with the ultimate objective of developing an efficient and transparent market that attracts long-term investment. An interactive session followed which focused on the future strategy of the project. Impediments that the AMLU is likely to face owing to the sensitivity of the issue and the complexities involved in implementation were discussed.

Working Paper on Anti-Money Laundering Legislation

The researchers at the AMLU are currently engaged in the preparation of a working paper titled "AML Legislation: Impact on Investment Flows". The paper focuses on the international developments concerning anti money laundering legislation, the need for such legislation in Pakistan, and the correlation between such laws and investment flows. This would be a ground breaking indigenous research on this key area.

International AML Obligation

The AMLU endeavours to keep abreast with international standards and regulations concerning money laundering and financial crime and follows the tenets of international organizations in their efforts to prevent money laundering. These international organizations set standards for best practices and encourage all member countries to adopt them. Following these international standards is quintessential to SEC's efforts in projecting Pakistan as a country fully cognizant and responsible to its international obligations. Some of the important international organizations involved in lending transparency are:

1. The Financial Action Task Force (FATF)

FATF is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering. It is housed at the headquarters of the Organization for Economic Cooperation and Development (OECD) in Paris, France. Pakistan is currently not a member of the FATF; it represents itself to the organization through the Asia/Pacific Group (APG). SEC is actively involved in answering the FATF questionnaires on self-assessment and provides information to the degree it has implemented measures relating to FATF questionnaires, primarily concerning money laundering and terrorist financing.

2. The Asia/Pacific Group on Money Laundering (APG)

The purpose of the APG is to facilitate the adoption, implementation and enforcement of internationally accepted anti-money laundering standards, in particular the Forty Recommendations of the FATF in the Asia/Pacific region. Pakistan is a member of the APG, and actively pursues its dictums and recommendations.

3. International Organization of Securities Commissions (IOSCO)

IOSCO is the leading international grouping of securities market regulators with a current membership comprising regulatory bodies from 91 countries. SEC is a member of IOSCO, hence an active and keen participant in its multifarious activities. Pakistan has also expressed interest in signing IOSCO's Memorandum of Understanding.

4. The United Nations

The Global Programme against Money Laundering (GPML) is the key instrument of the UN Office of Drug Control and Crime Prevention in this task. Through GPML, the UN helps member states to introduce legislation against money laundering and to develop and maintain the mechanisms that combat this crime. Pakistan, being a member of the UN is obliged to adhere to the UN resolutions and principles.

5. The Egmont Group

The goal of the Egmont group is to provide a forum for Financial Intelligence Units (FIU) to improve support to their respective national AML programmes. (FIU is a central national agency responsible for receiving (and as permitted, requesting), analyzing and disseminating to the competent authorities, disclosures of financial information: (i) concerning suspected proceeds of crime, or (ii) required by national legislation or regulation, in order to counter money laundering.) As the AML legislation develops in Pakistan it is expected that an FIU will be established within the vicinity of SBP in conformity with other International FIUs meeting Egmont group standards, to investigate money laundering issues.

The Project on Corporate Governance has been initiated pursuant to a Memorandum of Understanding signed between the United Nations Development Programme, the Economic Affairs Division and the SEC in August 2002.

Workshop on Significant Issues in Corporate Governance

The SEC-UNDP Project on Corporate Governance organized a workshop on "Significant Issues in Corporate Governance" in Islamabad on June 12, 2003 in collaboration with a corporate law firm. The workshop aimed at providing information on various key aspects of corporate governance while providing a forum for discussion as well as for culmination of ideas initiated in earlier workshops held in Lahore, Karachi and Islamabad. Mr. Abdul Rehman Qureshi, Chairman, SEC began the workshop with his opening remarks. Several distinguished corporate leaders were invited to speak in the ensuing sessions, which were chaired by Mr. Farid Dossani, Senior Country Manager, International Finance Corporation.



Mr. Abdul Rehman Qureshi, Chairman, SEC presenting a memento of appreciation to Mr. Farid Dossani, Senior Country Manager, International Finance Corporation at the workshop on "Significant Issues in Corporate Governance" in Islamabad in June.

Mr. Khaliq-uz-Zaman Khan, Partner, Az Zaman Advocates & Legal Consultants introduced corporate governance concepts to the audience while Ms. Jaweria Ather, Director, SEC elaborated on international developments in corporate governance in her presentation on the "Latest International Developments in Corporate Governance Framework". She focused on the Sarbanes-Oxley Act of 2002, the Higgs Report and the White Paper on Corporate Governance in Asia, concluding her presentation with the lessons that Pakistan should learn from these developments.

Workshop participants had an opportunity to interact with key speakers from the corporate sector. Mr. Hasan Bilgrami, Head of Assets Management, National Investment Trust spoke on the "Role and Responsibility of the Board of Directors in Selecting Appropriate Accounting Policies". He explored various issues in selecting accounting policies particularly for inter-corporate investments, long- and short-term investments, depreciation, contingencies, deferred taxation and retirement plans. Mr. Tajamal Shah, Company Secretary, Pakistan Tobacco Company, gave his views on the "Role of Company Secretary". He described the multi-



Clockwise from top: Mr. Abdul Rehman Qureshi, Chairman, SEC, Mr. Haroon Sharif, Executive Director, SEC, Ms. Jaweria Ather, Director, SEC, Mr. Shamim Ahmed Khan, former Chairman, SEC, Mr. Khaliq-uz-Zaman Khan, Partner, Az Zaman Advocates and Legal Consultants, Mr. Hassan Bilgrami, Head of Assets Management, National Investment Trust, Mr. Tajamal Shah, Company Secretary, Pakistan Tobacco Company and Mr. Javed Iqbal, Director, Karachi Stock Exchange addressing the audience at the workshop.

faceted duties of the position and the current debate on the minimum requirements and skills for the role. The "Significance of Audit Committees" was highlighted by Mr. Shamim Ahmad Khan, Director, International General Insurance and former Chairman of the SEC. Mr. Javed Iqbal, Director, Karachi Stock Exchange explored the subject of "Transparency in the Board of Directors". In his presentation Mr. Iqbal described the need for bringing about transparency in the decision-making process of corporations. The participants appreciated the efforts of the SEC-UNDP Project on Corporate Governance in arranging the event and acknowledged the usefulness of such forums for dialogue and interaction.

The Global Compact Initiative

Globalization has provided several advantages to countries and businesses around the world. Some say, however, that the benefits of globalization have not been felt equally across all countries, especially in terms of achieving social objectives in the areas of environment, labour and human rights. In order to promote corporate social responsibility and citizenship in the new global marketplace, U.N. Secretary General, Mr. Kofi Annan first proposed the Global Compact at Davos in January 1999. It was a call to organisations to join an international initiative and redefine their strategies and course of actions so that people around the world could share the benefits of globalisation. The Global Compact is not a regulatory instrument. It does not enforce or monitor the actions of companies. Rather, it is a voluntary initiative that aims at providing a global framework to promote sustainable growth and good citizenship. The U.N. is planning to launch the Global Compact in Pakistan in August this year. In this regard, it has approached the SEC-UNDP Project on Corporate Governance to support its initiatives in promoting corporate citizenship in the country.

Seminar on Corporate Social Responsibility

A seminar on Corporate Social Responsibility (CSR) was held under the auspices of the SEC-UNDP Project on Corporate Governance in Islamabad on June 13, 2003. The seminar focused on encouraging dialogue on and understanding of CSR. It was organized in the backdrop of the media launch of the U.N.'s Global Compact in Pakistan. The event boasted an impressive turnout from companies representing a variety of sectors, such as banking, oil and gas, food products, insurance, health care, chemicals, stock exchanges, telecommunications, tobacco products, and paper products. Participants from multilateral agencies, academia, and accounting and law firms also contributed towards effective interaction and exchange of ideas. Ms. Aisha Khan, External Communications Officer of the Project, began the event with an "Introduction to CSR" which was followed by a presentation on a macroeconomic view of the topic with reference to Pakistan by Mr. Haroon Sharif, Executive Director, SEC. Developing an indigenous framework for CSR was the focus of the paper presented by Mr. Farrukh Moriani, consultant to the Asian Development Bank. The audience was also exposed to a company's perspective on CSR as Mr. Leon Menezes, General Manager Human Resource of Shell Pakistan Limited, explained how his company extends the concept of CSR from theory to actual practice. Chief guest at the occasion was Mr. Onder Yucer, Resident Representative of the UNDP. In his concluding address, Mr. Yucer pointed out that the business sector itself has begun to realize that CSR is no longer an option but a system for self-enhancing and benefiting both businesses and society.



Mr. Abdul Rehman Qureshi Chairman, SEC and Mr. Onder Yucer, Resident Representative, UNDP at the seminar.



From left: Mr. Farrukh Moriani, consultant, ADB and Mr. Leon Menezes, General Manager, Shell Pakistan Limited addressing the audience.

SAFA International Conference

Mr. Muhammad Nadeem, Assistant Director, SEC attended the South Asian Federation of Accountants (SAFA) International Conference titled "The Accounting Profession: Way Forward" in June 2003 in Karachi. The Conference was jointly organized by the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan. The event gave participants an opportunity to discuss future international trends particularly with reference to corporate governance and WTO, as well as the future of the accounting profession. Notable speakers from Pakistan, India, Sri Lanka and Bangladesh presented their thoughts on the topic.

Fourth International Conference on Corporate Governance

Mr. Haroon Sharif, Executive Director, SEC, and Mr. Shahnawaz Mahmood, Research Officer represented the SEC at the Fourth International Conference on Corporate Governance. The event was held in the U.K. in May 2003 and hosted by the World Council for Corporate Governance. The theme of the conference was Corporate Governance: Challenges in Emerging Economies. It provided an opportunity to share experiences and initiate dialogue on contemporary developments in corporate governance issues around the world. The SEC representatives presented a paper on the "Role of Institutional Investors in the Promotion of Corporate Governance in Pakistan", developed by the Corporate Governance Cell, at this forum.

The paper was well received by the participants and generated meaningful debate. Dr. Shamsad Akhtar, Deputy Director General, Asian Development Bank, who was chairing the session, appreciated the efforts of the SEC-UNDP Project on Corporate Governance for initiating this groundbreaking research work in her keynote address.

Seminar on Corporate Social Responsibility

Mr. Haroon Sharif, Executive Director, SEC and Mr. Shahnawaz Mahmood, Research Officer met with officials of academia and research bodies in the U.K. in May 2003 in order to exchange ideas and obtain support for corporate governance initiatives in Pakistan. Meetings were held with the Institute of Directors, the London Business School, the Adam Smith Institute, and the South Bank University. These organizations, well-known for conducting research on corporate governance and providing learning programmes on the topic, offered their research and assistance to the SEC for corporate governance initiatives.



From left: Mr. Roger Usher, Managing Director, Adam Smith Institute, UK, Mr. Haroon Sharif, Executive Director, SEC, Ms. Charlotte Ford, Marketing and Communications Manager, Adam Smith Institute and Mr. Shahnawaz Mahmood, Research Officer, SEC.

Brief Series on Corporate Governance

In continuation of the initiative taken by the SEC-UNDP Project on Corporate Governance, two issues of the brief series were developed this quarter. These issues were circulated within the SEC as well as placed on the website for wider access. Issue No. 3 discusses the significance of audit committees in establishing fair and transparent reporting practices while Issue No. 4 analyzes the importance of efficient internal control system and directors' responsibilities in this regard.

Short-Term Consultants

The Project has initiated research on specific aspects of corporate governance through short-term studies. These studies have been assigned to external consultants.

One of the studies focuses on harmonizing the Code of Corporate Governance with other laws and regulations in Pakistan. The main objectives of the research include reviewing the Code to establish overlap with other important laws governing the corporate sector; identifying conflicting and overlapping provisions in other laws and regulations with the Code; proposing amendments in the Code as well as in other laws to harmonize regulatory framework for corporate sector; and giving policy guidelines for effective implementation of the Code. The report recognizes that the recent amendments in the Companies Ordinance, 1984 further entrench and bolster some of the important provisions of the Code. Based on the recommendations of the research report, necessary actions are being contemplated.

Another short-term research study on evaluation of the state of corporate governance in Pakistan and study of the impact of the Code of Corporate Governance on the corporate sector is being conducted. The study seeks to evaluate the state of corporate governance in Pakistan. In addition, it will attempt to assess the effects of the Code on the organizational and operational efficiency of companies, and also determine the major complexities faced by companies in seeking compliance with the Code. Once finalized, it is expected that the outputs of the study will be instrumental in refining the Code to address the practical problems faced by the corporate sector and in improving the overall standard of corporate governance in the country.

External consultants are also carrying out a feasibility of establishing an Institute of Corporate Governance in Pakistan, which will aid in implementing and enforcing good governance practices in the country. The Institute will be an independent professional organization focusing on corporate governance issues. It is expected that the Institute will, among other things, provide an independent forum for debate and dialogue between directors, stakeholders, academics and legislators; undertake public awareness campaigns; conduct educational seminars and information sessions; facilitate professional development of companies' management through education and training; and advise on the formulation of corporate governance policy and development of best practices.

Recognition of the Project in UN Chronicle

The U.N. Chronicle is a quarterly publication of the United Nations, which contains articles, features and interviews from researchers and experts on major political and social issues around the world. In this quarter's issue (Issue No.2, 2003) the publication showcases the SEC-UNDP Project on Corporate Governance in an article by Mr. Shah Nawaz Mahmood, Research Officer, called "Promoting Corporate Governance in Pakistan". The article captures the steps being taken by the Project through SEC's and UNDP's partnership. The article is accessible through: <http://www.un.org/Pubs/chronicle/2003/issue2/0203cont.htm>

Publication of Insurance Guide

The SEC-UNDP Project on Corporate Governance has published an Insurance Guide to enable the public to learn about the insurance industry and the various types of insurance offered in Pakistan. The SEC would like the insurance industry in Pakistan to be developed along modern lines. To facilitate this process, a number of market-based provisions to develop the insurance sector while protecting the rights of policy-holders have been introduced. The SEC has also formulated a Code of Corporate Governance for insurance companies to promote good business practices and bring uniformity across the insurance companies. The publication of the Guide, it is hoped, will create awareness on insurance among the general public and particularly the policy-holders.

Comments on the First Issue of the Electronic Newsletter

The SEC-UNDP Project on Corporate Governance has developed and circulated an e-newsletter to highlight the activities of the Project and capture the developments in corporate governance in the country. In this regard, several messages of appreciation were received by the Corporate Governance Cell, a few of which are reproduced below.

"Thank you for keeping us abreast of developments in Pakistan. We wish you continued success in your efforts."

Ethiopia Tafara, Acting Director
Office of International Affairs
US SEC

"Thank you for your email and the relevant attachments. I am very pleased to hear that you are making progress in the area of corporate governance. When [we] were investing in Pakistan some years ago, corporate governance, transparency, confidentiality of information and the protection of minority shareholders rights were massive issues that we had to grapple with constantly. I recall that it was impossible for us to put in an order to buy shares without EVERYONE in the market finding out every single detail of our order within a day or two and trading against us. It was a major reason why we stopped investing in Pakistan. We will certainly be reviewing the impact of the changes on investors shortly."

An International Fund Investor

"Thank you for sharing the first issue of the "The Corporate Governance Review" and the Code of Corporate Governance developed by the Securities and Exchange Commission of Pakistan (SECP). I would like to congratulate SECP on these commendable initiatives."

Joseph Del Mar Pernia, Director
Finance and Private Sector Development
The World Bank

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