



# Securities and Exchange Commission of Pakistan

NEWSLETTER

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*Dr. Tariq Hassan, Chairman, Securities and Exchange Commission of Pakistan presiding over the meeting of the Securities and Exchange Policy Board in March.*

## Seminar on “KSE - 100 Index - Current Scenario and Future Trends”



*Dr. Tariq Hassan, Chairman, SEC (centre) along with distinguished guests and panelists the seminar on “KSE-100 Index - Current Scenario and Future Trends” organized by the Institute of Cost and Management Accountants of Pakistan in Karachi in March.*

*.....Details on Page 6*

## Day Care Facility at SEC



*Dr. Tariq Hassan, Chairman, SEC and Mr. M.A. Lodhi, Chairman, National Insurance Company Limited inaugurating the Day Care facility at the SEC Head Office.*

*.....Details on Page 8*

## Securities and Exchange Policy Board Meets

The Securities and Exchange Policy Board (Policy Board) held its first meeting of the year in March to consider various policy matters and issues brought to its consideration by the SEC.

While discussing measures taken by the Securities and Exchange Commission of Pakistan (SEC) to curb financial crimes, the Policy Board agreed to SEC's view that it was practically difficult to promptly and effectively deal with such intricate and dubious matters in the absence of an effective legislation. In support of the SEC's proposal that there was a need for specific legislation to protect public interest from white-collar crime, the Board advised the SEC to consider appropriate amendments in existing laws and, if necessary, draft a special law for the purpose.

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## Expert Committee for Demutualization

The SEC has set up an Expert Committee, comprising of national and international securities market experts, to formulate a comprehensive plan for demutualisation and integration of exchanges in Pakistan.

The Committee comprises: Mr. Shamim Ahmad Khan, former Chairman, SEC; Mr. Justice (Retd.) Aamer Raza A. Khan, a retired Judge of the Lahore High Court and independent non-member director of the Lahore Stock Exchange; Mr. Ebrahim Sidat, Country Managing Partner/CEO, Ford Rhodes Sidat Hyder & Co.; Mr. Rashid Zahir, CEO, Saudi Pak Industrial and Agricultural Investment Company (Pvt.) Limited and Chairman, Saudi Pak Leasing Company; Mr. Alan Cameron, former Chairman of Australian Securities and Investments Commission (ASIC); Dr. Philip N Pillai, senior partner in one of the leading law firms of Singapore; and Mr. Ashley Alder, Member and Executive Director, Securities and Futures Commission, Hong Kong

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## FSAP Mission

The joint Mission of International Monetary Fund (IMF) and World Bank (WB) on Financial Sector Assessment Programme (FSAP) visited the SEC in February. The focus of the Mission was to assist the Government in identifying strengths and systemic vulnerabilities of the financial sector and to identify priority measures for improving the operation and oversight of the system. In carrying out its assessment, the Mission met relevant authorities, including the officials of the SEC, and representatives of the private sector. It also drew upon the self-assessments conducted by the authorities and analyzed relevant statutes and regulations as well as responses to the FSAP questionnaires.

The assessment report of the Mission is presently under compilation.

## Relief for Aggrieved Depositors of Taj Company

In March, the Prime Minister of Pakistan Mir Zafarullah Khan Jamali distributed cheques against 20 percent of deposits among the aggrieved depositors of Taj Company Limited

“The affectees of Taj Company, in particular the innocent people with small savings who invested in the company, have remained a cause of grave concern for the Government”, said Mr. Jamali while distributing cheques to the affectees of the Taj Company. “It is highly unfortunate that the Taj Company, which was highly reputed due to the nature of its business of publishing the Holy Quran, not only faced liquidation proceedings but also lost its public goodwill”, he added.

The unscrupulous directors of the company deprived a large number of innocent people of their savings that were handed over to them in the name of religion and for publication of the Holy Book. Keeping in view the nature of the company’s business, efforts were made to save it from liquidation. However, due to the colossal mismatch between the company’s assets and its liabilities, the administrators appointed by the Honourable Lahore High Court were unable to rehabilitate the company. It is nonetheless noteworthy that the printing presses of the company at Lahore and Karachi remained operational in spite of the run on the company by depositors and the lengthy litigation in the Lahore High Court and the Supreme Court of Pakistan.

Mr. Shaukat Aziz, the Federal Minister for Finance and Economic Affairs, who was also present at the ceremony, advised investors that, “they should not hand over their hard earned money to unscrupulous persons on the promise of hefty profit, which is not possible in any business anywhere. Instead of investing in dubious schemes, people should invest in stock markets directly or through mutual funds, which are giving reasonable returns to investors. In case of any confusion/clarifications, the investors may directly approach the State Bank of Pakistan (SBP) and the SEC for proper assistance and guidance.”

Dr. Tariq Hassan, Chairman, SEC said that: “Since the Taj Company has a long history of printing and publication of error free Holy Qurans throughout the Islamic World, I would like to suggest that the printing of the Holy Book should continue and for this a specific purpose Modaraba may be floated to take over the printing presses of the company. The sale proceeds of the said presses can be distributed among the affectees but the depositors who opt to become partners of

the Modaraba may be issued certificates against their deposit amount. The SEC will appeal to financial institutions and business houses to contribute toward floatation of the proposed Modaraba if the proposal is accepted by the liquidators and approved by the Honourable Court.”

The SEC has launched a public awareness campaign through the print and electronic media, advising investors not to fall prey to the lucrative schemes of dubious, unscrupulous, unauthorized and illegal deposit takers.

## Illustrative Return by Life Insurance Companies Capped

The SEC has capped the maximum illustrative return offered by life insurance companies to eight percent with effect from 1 February 2004. The move aims to curb the tendency of illustrating unrealistic and excessively optimistic rates of return by life insurance companies to boost their sales of unit linked policies.

While publicizing their unit linked policies, insurance companies, in order to attract prospective policyholders, have been projecting expected rates of returns as high as fourteen percent. Such high returns are not sustainable in the present scenario of falling yields on corporate and government bonds in which these insurance companies invest the funds so collected.

In order to check this practice and to provide for more realistic projections, the SEC has capped the maximum illustrative return for all marketing illustrations (or publicity material) at eight percent with effect from 1 February 2004. The projected/illustrative return will however be reviewed by SEC from time to time based on the movement in interest rates and other investment options.

Unit linked life insurance policy is a relatively new concept in Pakistan and was introduced for the first time by private life insurance companies after 1992. The distinguishing feature of a unit-linked policy is that maturity benefits under the policy are determined by the number of units credited to the policyholder and price of the unit at the date of payment.

Life insurance companies, in their illustrations for prospective policyholders, project different rates with which the price of unit would grow based on the investment performance of the fund. Although the companies indicate that the illustrations do not represent a guarantee regarding the future returns, it is feared that prospective policyholders often may not have adequate knowledge to understand this aspect.

## Prudential Regulations for Non-Banking Finance Companies

In exercise of powers conferred by the Companies Ordinance, 1984 (Companies Ordinance), the SEC has issued Prudential Regulations for Non-Banking Finance Companies (NBFCs) to provide a uniform set of regulations aimed at improving risk management and promoting corporate governance in the non-bank financial sector. These Regulations, which come into effect immediately, were necessitated pursuant to the amendments in the Companies Ordinance whereby all the existing NBFIs, with the exception of Modarabas and Development Finance Institutions (DFIs), have been re-classified as NBFCs and are being regulated by SEC.

The Regulations have been divided into four segments: Part-I contains a comprehensive set of definitions for NBFCs, covering all their activities/functions; Part-II lays down guidelines for risk management in respect of corporate and individual borrowers; Part-III covers the regulations pertaining to operation of NBFCs; and Part-IV encompasses the Know Your Customer (KYC) and anti-money laundering measures. While Part-IV of the Regulations shall apply to all NBFCs, Part-II and III shall not apply to NBFCs operating solely or in any combination therein, as asset management company, investment advisor or a venture capital company.

Salient features of the Regulations include the following:

Definition of group has been introduced and exposure limit of 50% of NBFC's equity to a single group has been prescribed provided that fund based exposure does not exceed 35% of NBFC's equity.

Margin requirements against facility to be granted by NBFCs have been reviewed and the same have been reduced.

A separate set of Regulations for housing finance facilities to individuals has been incorporated in order to promote the housing finance sector.

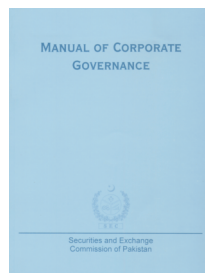
Criteria for provisions for non-performing assets of NBFCs have been reviewed and conditions for reversal of provisions have been included.

In order to prevent NBFCs from being used as a vehicle for money laundering and other unlawful activities, a separate section has been introduced.

A fit and proper test for appointment of directors and chief executive of NBFCs along with requisite information to be supplied has also been incorporated.

The Regulations have been finalized after extensive consultation with various industry associations and are available on SEC's website [www.secp.gov.pk](http://www.secp.gov.pk).

## Manual of Corporate Governance Introduced



The SEC has prepared a Manual of Corporate Governance in continuation of its efforts to improve corporate governance practices in the country. The Manual explains the responsibilities of management, directors and auditors of listed companies in achieving compliance with good governance practices.

The Manual serves as a reference handbook for companies. It explains the importance of good corporate governance practices for companies and explains the duties and responsibilities of directors and managers of a company in terms of the Code of Corporate Governance and the Companies Ordinance. The Manual also explains the role of various stakeholders in a company.

The Manual has been divided into the following sections:

- What is Corporate Governance?
- The Need for Corporate Governance
- The Stakeholders
- Promoting Reform and Shareholder Activism
- Role and Responsibilities of Directors and Managers
- Scrutinizing Financial Statements: What Every Director Should Know

The Manual can be accessed through the SEC website [www.secp.gov.pk](http://www.secp.gov.pk).

## Prudential Regulations for Modarabas Revised

In order to provide a level playing field to all participants of the non-bank financial sector including Modarabas, the SEC has issued revised Prudential Regulations for Modarabas. In doing so, Prudential Regulations for Modarabas have been aligned with the Prudential Regulations for NBFCs. The Regulations, which have been finalized after consultation with the industry association the - Modaraba Association of Pakistan (MAP) - are expected to contribute towards improving risk management capabilities and promoting good governance practices in the Modaraba sector.

The revised Prudential Regulations for Modarabas have been divided into four segments: Part-I contains a comprehensive set of definitions; Part-II lays down guidelines for risk management in respect of corporate borrowers and individual borrowers; Part-III covers the regulations pertaining to the operation of Modarabas; and Part-IV encompasses the KYC and anti-money laundering requirements.



## Companies Easy Exit Scheme Re-introduced

After considering the feedback received from the corporate sector regarding the Companies Easy Exit Scheme (CEES) launched in the year 2002, the SEC has re-launched the scheme which shall remain operative for a period of four months ending 30 June 2004. This would provide another opportunity to dormant private limited companies, non-listed public companies and companies limited by guarantee to avail the exit facility and get their names struck off the register of companies.

Dormant companies, which have no business operations, assets or liabilities, may file applications with the SEC to get their names struck off the register of companies and fulfill the prescribed formalities within the time period fixed by the SEC. The application should be supported by the Board of Directors' resolution or a resolution passed by the shareholders of the company and a declaration duly verified by an affidavit administered before the Oath Commissioner confirming the position stated therein. It would also affirm that the company has no liabilities outstanding in relation to any loans obtained from banks or financial institutions, taxes, utility charges or any obligations towards government departments or private parties. The declaration shall be furnished by a director, preferably chief executive, of the company. The company shall also produce a certificate from a practicing Chartered Accountant or a practicing Cost and Management Accountant which shall confirm the position of its liabilities, if any. A fee of Rs. 5,000 shall be charged from a private limited company and Rs. 7,500 from a non-listed public company or a company limited by guarantee.

The detailed requirements of the CEES have been issued vide Circular No. 14 of 2004 and are placed on the SEC website [www.secp.gov.pk](http://www.secp.gov.pk).

### Quarterly Stock Market Indicators

|  | October - December 2003             | January - March 2004              |
|--|-------------------------------------|-----------------------------------|
| <b>KSE-100 Index</b>                     | 4471.61 as on 31 December           | 5106.66 as on 31 March            |
| <b>Market Capitalization</b>             | Rs.951.45 billion as on 31 December | Rs.1364.80 billion as on 31 March |
| <b>Average Daily Traded Value</b>        | Rs. 12.93 billion                   | Rs. 15.73 billion                 |
| <b>Average Daily Turnover</b>            | 214.215 million shares              | 343.52 million shares             |
| <b>Term Finance Certificates (TFC)</b>   | 3 issues                            | 1 issue                           |
| <b>Total Amount Offered in TFCs</b>      | Rs. 1.250 billion                   | Rs. 0.750 billion                 |
| <b>Equity Issues</b>                     | 3 issues                            | 3 issues                          |
| <b>Initial Public Offerings (Equity)</b> | Rs. 43.259 billion                  | Rs. 1.889 billion                 |
| <b>Total Public Offering</b>             | <b>Rs. 44.509 billion</b>           | <b>Rs. 2.639 billion</b>          |

## Task Force Constituted to Formulate Rules and Regulations for Takaful

In pursuance to the Government's objective of Islamization of the economy, the SEC has allowed Takaful (Islamic mode of insurance) business in the country. Although Takaful has been defined under the Insurance Ordinance, 2000 (Insurance Ordinance), relevant rules are yet to be formulated. In this regard, the SEC has constituted a four-member task force for formulation of rules and regulations for the conduct of Takaful business in Pakistan.

The task force is headed by Mr. Justice (Retd.) M. Mahboob Ahmad, former Chief Justice of the Federal Shariah Court of Pakistan. Other members of the task force include: Mr. Saif-ud-Din N. Zoomkawala, Managing Director and Chief Executive, EFU General Insurance Company Limited and Mr. Abdul Rahim, Actuary, Sidat Hyder Morshed Associates. Mr. Shafaat Ahmad, Executive Director, SEC is Member/Secretary to the task force.

Terms of reference of the task force include:

- to frame "Takaful" Schemes for life/non-life products, in compliance with the provisions of Islamic Shariah;
- to evaluate the draft rules framed by the Committee of officers set up earlier by the SEC and to formulate rules, including accounting regulations/formats for reporting purposes, in accordance with the proviso to Section 120 of the Insurance Ordinance,
- to consider whether composite Takaful, in line with the practice in other jurisdictions, should be allowed or the existing statutory provisions under Section 7(3) of the Insurance Ordinance, in respect of conventional insurance should be followed;
- to consider whether the existing insurance companies, underwriting conventional insurance business should be allowed "window operations" or not; and
- to evaluate Re-takaful arrangements for Takaful companies to be operating in Pakistan with special reference to the normal Re-takaful arrangements with as well as compulsory cessions to Pakistan Reinsurance Company Limited.

The task force has started deliberations and initiated necessary research and study of Takaful models being practiced in other Islamic countries, which would enable it to formulate Takaful rules.

Introduction of Takaful would complement the efforts to introduce Islamic banking as Islamic banks and financial institutions require Takaful services for their operations.

## Task Force Formed to look into Rotation of Auditors

To resolve the differences between stakeholders on the issue of rotation of auditors, the SEC has constituted a task force. This task force would examine the issue of rotation of auditors in the local as well as international scenario. Terms of reference of the task force are:

- whether partners of an audit firm may be allowed to rotate as allowed by the International Federation of Accountants (IFAC) Code of Ethics or the audit firm itself may be rotated;
- whether the listed company's auditor should be rotated every five years as required by the Code of Corporate Governance; and
- should any company or class of companies be exempted from rotation of audit firm? If so, what criteria may be applied?

The task force comprises:

- Mr. Justice (R) Syed Najam-ul-Hassan Kazmi as Chairman of the task force;
- Mr. Arif Habib, Chairman, Karachi Stock Exchange;
- Mr. Farooq Rehmatullah, President, Overseas Investors' Chambers of Commerce and Industry;
- Mr. Riaz Ahmed Tata, President, Federation of Pakistan Chambers of Commerce and Industry;
- Mr. Asad Ali Khan, Corporate Financing Consultant;
- Mr. Zafar Khan, Chairman, Pakistan Telecommunication Company Limited; and
- Mr. Vincent Harris, CEO, Hub Power Company.

The task force is expected to submit its recommendations by June 2004.

## SEC Approves Revised National Clearing and Settlement System Regulations, 2004

In January, the SEC approved revised National Clearing and Settlement System Regulations, 2004. Since Continuous Net Settlement System has been replaced with Balance Order System as the main clearing and settlement functionality in the National Clearing and Settlement System (NCSS), amendments were required in the regulations.

Clearing and settlement of listed securities, which are in the Central Depository System (CDS), through the NCSS is a major milestone in the corporate history of Pakistan.

The NCSS has been fully operationalized w.e.f. 19 January 2004 and, accordingly, settlement of trades executed on all three exchanges, in respect of companies in the CDS, is being done under one integrated national clearing system.

## IOSCO's EMC Advisory Board Meeting

A meeting of the Emerging Markets Committee (EMC) Advisory Board of the International Organization of Securities Commissions (IOSCO) was held in Madrid, Spain in February. As Chairman of the EMC Working Group 3 (WG-3), Dr. Tariq Hassan, Chairman, SEC briefed the EMC Advisory Board on the activities of WG-3 and its mandate on "cross border activities of securities firms in emerging markets". He further informed them that a small core group out of the members of the WG-3 would prepare the report on the new mandate.

Dr. Hassan also held a meeting of the core group comprising, in addition to the SEC, representatives of the Securities Commissions of India, Jordan, Malaysia, Nigeria, South Africa and Turkey. While discussing the objective behind the mandate, Dr. Hassan said, "EMC regulators must be in a position to assess the nature of cross-border transactions and equipped to take action. In this regard, cross-jurisdictional cooperation and information sharing is essential to ensure domestic stability and reduction of systemic risk."

The Chairman SEC discussed, at length, the methodology to be adopted. The members of the core group, in principle, agreed to the approach outlined by the SEC which included external as well as desk research to draft a report in consultation with EMC countries and then presentation of the final report to the EMC Advisory Board. The possibility of holding a seminar under the auspices of the SEC to present the report once approved by the EMC Advisory Board was also discussed.

## Conference on Private Pensions in Asia

The "Third Conference on Private Pensions in Asia" was held in Manila, Philippines in March. Dr. Tariq Hassan, Chairman and Mr. Shafaat Ahmad, Executive Director, represented the SEC at this forum. The conference was organized by the Asian Development Bank (ADB) and the Organization for Economic Cooperation and Development (OECD), under the aegis of the International Network of Pension Regulators and Supervisors (INPRS), and co-sponsored by the Government of Japan.

In the backdrop of SEC's efforts to introduce a voluntary pension system in Pakistan, this forum provided the top officials of the SEC with an overview of regulatory challenges and international developments. The main topics discussed at the conference included: general trends on private pension, insurance and financial markets; governance; rights of beneficiaries; investment regulations; supervision; pension funds for government workers; and risk management.

## Seminar on Regional Cooperation for Economic Development

In January, the South Asian Federation of Accountants held a seminar on “Regional Cooperation for Economic Development” in Lahore. Dr. Tariq Hassan, Chairman, SEC chaired the sessions on “Regional Cooperation for Development of Capital Market” and “Cost Rationalization for meeting WTO Challenges”.

Stressing on the need for a well-functioning, standards-based financial system, Dr. Hassan urged the economies of South Asia to provide maximum cooperation to achieve harmonization of regulatory standards in as many sectors as possible. He also highlighted the role of the accountancy profession in the conduct and governance of the financial sector and said that as the world moved towards global market economies, professional accountants needed a broader global outlook to understand the context in which businesses and other organizations operate.

## Seminar on “KSE-100 Index - Current Scenario and Future Trends”

In March, the Institute of Cost and Management Accountants of Pakistan arranged a seminar titled “KSE 100 Index - Current Scenario and Future Trends” in Karachi.

Addressing the participants of the seminar, Dr. Tariq Hassan, Chairman, SEC recommended that the stock exchanges should consider setting up a new Index comprising scrips of the top ten listed companies that could run parallel to the existing KSE-100 Index. He also recommended that the exchanges should consider the development of sector-wise Index/Indices starting with key sectors such as financial, textiles, oil and fuel, cement, chemicals etc.

## E-business 2004 Conference

In January, a three-day conference titled “E-business 2004 Conference” was held in Karachi on the occasion of the 21st meeting of the Asia Pacific Council for Trade Facilitation and Electronic Business (AFACT). Over 100 delegates from more than two dozen countries participated in the conference. Dr. Tariq Hassan, Chairman, SEC chaired the E-law session of the conference. He stressed the need for developing an information technology (IT) enabled environment to establish an effective legal framework. Discussing the issue of intellectual property rights and data protection, Dr. Hassan said that violation of intellectual property rights acts as a deterrent to foreign investment, causes considerable leakage of revenue and is a disincentive for creative work.

## International Conference on Investment Banking

In January, the Institute of Business Administration held an International Conference on Investment Banking in Karachi. While chairing the “Corporate Governance and Ethical Issues for Investment Banks” session of the conference, Dr. Tariq Hassan, Chairman, SEC advised the investment banks to adhere to ethical principles and said, “As financial intermediaries and as entities operating discretionary and non-discretionary investment accounts for their clients, it is the utmost responsibility of investment banks to ensure that in their financial dealings, the interests of their clients are not compromised”. He also urged the trade associations to develop their codes of conduct for the benefit of their members as well as their customers.

## “Winning with Leasing” Workshop

In January, the Leasing Association of Pakistan (LAP) arranged a three-day workshop in Karachi titled “Winning with Leasing” which was conducted by a world renowned expert, Mr. Sudhir Amemba. The workshop was attended by eighty-five participants from five countries including Egypt, Oman, Saudi Arabia, and Sri Lanka.

Addressing the concluding session of the workshop, Dr. Tariq Hassan, Chairman, SEC advised leasing companies and modarabas to aim at multidimensional growth in order to achieve an enhanced role in the financial sector of the country. He highlighted some of the areas that leasing companies needed to focus on, and said that the geographical dispersion beyond the major towns needed to be achieved in order to enhance the outreach of the sector to a vast number of potential clients.

Earlier, Mr. Basheer A. Chowdry, Chairman, LAP explained the role of LAP and emphasized that the leasing sector must be given a level playing field, particularly in relation to the commercial banks and other members of the financial sector, without hampering an open competition regime.

## Re-naming Ceremony of Commercial Union Life Insurance



*Mr. Etrat Rizvi (third from left) at the renaming ceremony of Commercial Union Life Insurance, which acquired the name New Jubilee Life Insurance Company Limited in January.*



## Seminars on Single Member Companies

During the quarter, the Lahore and Multan Branch Councils of the Institute of Cost and Management Accountants of Pakistan organized seminars on Single Member Companies (SMC) in Lahore and Multan, respectively. Officers of the Company Registration Offices (CROs) while addressing the participants of the seminar, explained the concept of the SMC as well as the procedure and benefits of forming a SMC.



*The panel at the seminar on Single Member Companies organized by the Lahore Branch Council of the Institute of Cost and Management Accountants of Pakistan in Lahore in February.*

## IT Developments at the SEC

### Legal Opinion Management System

The Legal Opinion Management System has been developed to help the Legal Wing of the SEC in tracking the opinions given by the Commission on different occasions and to remove inconsistency of opinions on various issues.

### INTRALAW

The INTRALAW has been developed to serve as a replicable Intranet model for all the Divisions of the SEC. INTRALAW will facilitate sharing of resources of the Legal Wing with other Divisions.

### Distributed Messaging Services for CROs

An enterprise based messaging environment has been created through distributed mail servers at CROs Lahore and Karachi to link them with SEC's central messaging infrastructure.

### Purchase Management System

The Purchase Management System has been developed to automate the purchase procedure at the SEC.

## Proposal to Abolish Stamp Duty on Formation of New Companies

Recognizing the fact that the imposition of stamp duty on the formation of new companies acts as a hurdle towards corporatization, the SEC, after discussions with stakeholders, has recommended to the Provincial Finance Ministries to abolish stamp duty on registration of new companies. While the abolition of stamp duty will not materially affect the provincial revenues, it would give a boost to the formation of new companies through reducing costs of registering companies.

## Securities and Exchange Policy Board Meets

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The Policy Board also approved SEC's proposal to contribute towards the establishment of an Institute of Corporate Governance in the country, in partnership with major stakeholders. It also endorsed the Memorandum of Understanding (MoU) recently signed between the SEC and the Securities and Exchange Commission of Sri Lanka and approved the proposal of entering into such agreements with other national institutions in the region.

The Policy Board was apprised about the preparation and implementation of a Code of Ethics and Conduct for employees of the SEC. The Board appreciated the initiative and desired that it should be persuasive in nature.

## Expert Committee on Demutualization

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The mandate of the Expert Committee is:

- to review and examine the present structure of stock exchanges in Pakistan and in that context examine the legal, regulatory and financial issues involved in the demutualisation of stock exchanges;
- to advise on the consolidation/merger and/or transformation of the stock exchanges in Pakistan and to examine the legal, regulatory and financial issues in respect thereof; and
- to provide specific recommendations regarding demutualisation, integration and/or transformation of the stock exchanges in Pakistan and formulate a plan of action for implementation of the same.

The Expert Committee is expected to submit its report and recommendations to the SEC within 120 days of its first meeting or 15 June 2004, whichever is earlier. An interim report is required to be submitted within sixty days of its first meeting.

## Ninth Coordination Meeting with SBP

In February, the ninth meeting of the Coordination Committee of the SEC and SBP was held at the SEC head office in Islamabad. During the meeting, the heads of the two regulatory bodies discussed issues pertaining to holistic regulation of the financial sector.

The main areas of discussion at the ninth coordination meeting included: development of secondary market in TFCs and government securities; credit ratings; regulation of real-estate developers and brokers; external auditors for financial institutions of a group; review of the status and future course of action with regard to non-regulated brokerage business; and consolidated supervision. The meeting also discussed certain anomalies in the Margin Trading Rules drafted by the SEC and SBP and the future road-map for the phasing out of Carry-over-Transactions.

During the quarter, three companies/persons offered shares to the general public and one company issued TFCs. Break-up of these offerings is as follows:

### Equity Issues

| S. No | Name of Company                                    | Sector                       | Subscription Date   | Formal Listing Date | Total Paid-up Capital (Rs. in million) | Already Paid-up Capital (Rs. in million) | *Offered Capital (Rs. in million) | Premium per share (Rs.) | Subscription Received (Rs. in million) |
|-------|--|------------------------------|---------------------|---------------------|--|--|-----------------------------------|-------------------------|--|
| 1     | World Call Broad Band Limited                      | Technology and Communication | 7-8 January 2004    | 23 February 2004    | 1,500                                  | 1,200                                    | 300.000                           | -                       | 1,976.055                              |
| 2     | Sui Southern Gas Company Limited* (Offer for Sale) | Fuel and Energy              | 9-11 February 2004  | Already listed      |  |  | 335.587                           | 16                      | 13,000.993                             |
| 3     | MACPAC Films Limited                               | Miscellaneous                | 24-26 February 2004 | awaited             | 389                                    | 289                                      | 100.000                           | 5                       | 473.613                                |
|       | TOTAL  |                              |                     |                     | 1,889                                  | 1,489                                    | 735.587                           |                         | 15,450.661                             |

\*The company has exercised the green-shoe option (GSO) and retained further 5% (i.e. 100% of the present public offer) of the total paid-up capital under GSO.

### Term Finance Certificates

| S. No. | Name of Company   | Subscription Date  | Formal Listing Date | Amount of Capital Allowed | Total Amount Offered |     |       | Subscription Received |         |         | Green Shoe Option | Amount Retained |
|--------|---|--------------------|---------------------|---------------------------|----------------------|-----|-------|-----------------------|---------|---------|-------------------|-----------------|
|        |   |                    |                     |                           | Pre-IPO              | IPO | Total | Pre-IPO               | IPO     | Total   |                   |                 |
| 1      | Union Bank Limited (2nd Issue)<br>First Tranche of total authorized Rs. 1,500 million | 19-20 January 2004 | 27 February 2004    | 1,500                     | 600                  | 150 | 750   | 600                   | 106.010 | 706.010 | N.A.              | 750             |
|        | TOTAL   |                    |                     | 1,500                     | 600                  | 150 | 750   | 600                   | 106.010 | 706.010 |                   | 750             |

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## Day Care Facility at SEC

In order to provide an environment where officers can shoulder their parenting responsibilities while performing their duties, the SEC has established a day care facility at its office premises. The centre has been established particularly to facilitate young parents working at the SEC.

While inaugurating the day-care centre, Dr. Tariq Hassan, Chairman appreciated this initiative of the Support Services Division of the SEC. Mr. M. A. Lodhi, Chairman National Insurance Company Limited (NIC) was also present at the occasion and Chairman SEC thanked him for NIC's support in setting up the facility in their building. The day care centre is fully equipped to cater to the health care as well as entertainment needs of children. Trained personnel have been hired to take care of the children.