

## **AUCTION FOR MTBS: RS1.57TRN RAISED AGAINST RS1.8TRN TARGET**

**KARACHI:** The returns on short-term government papers rose to 21 percent in the auction held Wednesday, mainly due to recent changes in the key policy rate.

The SBP conducted the auction for the sale of 3-month, 6-month and 12-month Government of Pakistan Market Treasury Bills (MTBs) on March 8, 2023 and received bids amounting to Rs 2.44 trillion with a realised value of Rs 2.276 trillion. The received bids included Rs1.92 trillion for 3-month, Rs238.27 billion for 6-month and Rs289.41 billion for 12-month.

The federal government overall accepted bids amounting to Rs 1.569 trillion including Rs 62.3 billion non-competitive bids against the target of Rs1.8 trillion set for this auction. The cut-off yield of all T-bills went up ranging between 95 bps to 120 bps in the auction. The increase in the cut-off yield of short-term government papers has been witnessed after the further surge in interest rate by SBP.

The Monetary Policy Committee of the SBP has recently raised the key policy rate by 300 basis points to 20 percent on higher inflation. According to results, the cut-off yield of 3-month short term papers rose by 105 bps to 20.9996 percent and Rs 1.505 trillion were borrowed through the sale of 3-month T-bills. Bids worth Rs 275.6 billion were accepted for the 6-month MTBs at a cut-off yield of 20.8498, up by 95 bps. Cut-off yields of 12-month T-bills also mounted up by 120 bps to 20.9899 percent and Rs 2.024 billion were borrowed.

The SBP on Wednesday also conducted an auction for long-term Pakistan Investment Bonds (PIBs). In PIBs Floating Rate (PFL) Quarterly Auction, participation of Rs 308.826 billion was seen. This included Rs 306.876 billion for 2-year and Rs 1.95 billion in 3-year long-term bonds.

The federal government raised Rs 256.096 billion as against the target of Rs 70 billion including Rs256 billion against sale of 2-year bonds and Rs200 million of 3-year bonds. The cut-off yield for the MTBs has been increasing for the past few auctions. In the auction held on Feb 23, the cut-off yields of 3-month, 6-month and 12-month tenor was increased by 195 bps, 206 bps and 184 bps, respectively compared to previous auction as the market was expecting rate hike.

## **IMPORT CURBS TO BE EASED AFTER IMF REVIEW: SBP CHIEF**

**ISLAMABAD:** State Bank of Pakistan (SBP) Governor Jameel Ahmed has said the current account deficit is projected at \$7 billion for the ongoing fiscal year against the budgetary target of \$10 billion subsequent to measures taken to control imports.

The governor during a briefing to the Senate Standing Committee on Finance presided over by Senator Saleem Mandviwalla, said import compression would be eased after the completion of the International Monetary Fund (IMF) review because this policy cannot continue for a longer period of time. He said the low inflows due to the delay in the IMF review, higher commodity prices in the international market and the Ukraine-Russia war are major reasons behind pressure on the external account and an increase in inflation.

However, he added that an increase of 300 percent basis points in the policy rate was not made on the demand of the International Monetary Fund (IMF), adding that Staff Level Agreement (SLA) is close to be finalised with the Fund. Ahmed further stated there was an outflow of \$2.4 billion on account of debt repayment in the first half of the current fiscal year compared to \$6.3 billion inflow for the same period a year ago. He said that the decline in inflows was due to the pending review of the IMF programme and hopefully budgeted inflow would materialise after the completion of the review in the second half, thereby, increasing foreign exchange reserves. He said that the pressure of inflation will remain for two to three months and the average inflation this year will be 26.5 percent, the SBP governor added. He said that so far, remittances have decreased by \$2 billion and are projected at \$29 billion for the ongoing fiscal year against over \$31 billion for the last fiscal year.

There was also a decline of 7.4 percent in exports as the country did not have exportable goods due to flood and a decrease in the export of rice. Vegetables and fruit exports have also been declined by 48 and 37 percent respectively.

The committee, lamenting the fluctuation of the dollar stated that it was the responsibility of the regulator to maintain the actual price of the dollar and should have taken measures against black marketing and smuggling.

The committee sought details of amount of dollars smuggled to Afghanistan in the recent period. The committee members said that the smuggling of the dollar to Afghanistan and the black money business is now being done through infants.

The committee recommended seriously addressing the issue of the difference between dollar rate in the open market and the inter-bank. The chairman of the committee recommended that instead of rupee trade with Afghanistan, either be replaced with the dollar or barter trade because trade with Afghanistan in rupee is also contributing to the external account pressure.

The remittances, the FDI, and the exports have been on a decline, whereas, the country's debt was increasing loans, said Senator Mohsin Aziz, adding that imports compression and policy rate were hurting the industry and exports and exporters are unable to compete in the global market with regional players' consequent to government policies. In response to the issue of refusal of LCs to importers of pharmaceutical ingredients, the SBP said it was fully supporting the import of above articles and imports of pharma industry have considerably increased in the month of February and the first seven days of March 2023.

## **FOREX MANIPULATION: SBP GOVERNOR SAYS PROBE AGAINST BANKS COMPLETED**

**ISLAMABAD:** Governor of the State Bank of Pakistan (SBP) Jameel Ahmad on Wednesday said that the inquiry report against certain banks on account of foreign exchange manipulation has been completed, indicating variation in banks' forex profits during a specific period. He informed the National Assembly Standing Committee on Finance, on Wednesday, that there were two options either to impose a penalty or take fiscal measures and the federal government is considering undertaking fiscal measures. During the committee's proceedings, one member of the National Standing Committee on Finance who is a major ally of the Pakistan Democratic Movement (PDM)-led government from Balochistan Awami Party (BAP) Khalid Magsi asked the Governor SBP that whether he wanted a public hearing or meeting should go ahead in-camera.

The SBP governor preferred to keep the discussion on the manipulation of banks in exchange rate earnings as in-camera proceedings. The Chairman of the NA Standing Committee on Finance, Qaiser Ahmed Sheikh, gave a ruling for an in-camera meeting on alleged currency manipulations. In a written reply during the NA Standing Committee on Finance, the SBP stated that the heightened volatility/ uncertainty, short forex liquidity, and short net open forex positions of the banks were the main reasons for charging higher spreads by the banks during the period from May to August 2022.

The SBP further stated that the bank's gross FX income increased significantly in the first half (Jan-June) of 2022 as compared to 1st half of 2021. The allocation of additional income to various components of the FX business is quite difficult due to the complexities involved in their calculations and record keeping.

The SBP has conducted a limited-scope inspection and observed that the overall increase in FX income of the banks was mainly due to heightened volatility; however, in some cases the banks charged "higher spreads". In this regard, the SBP is in the process of taking enforcement action on the banks. In their meeting with banks, the SBP also warned them about their practices and advised them to rationalize their spreads being charged to customers. On import restrictions for opening up LCs, the chairman of the NA panel alleged that there were some under-the-table deals continuing and asked for placing some criteria for opening up LCs instead of handling it with discretionary powers.

The committee took up the issue confronted by a Chinese company which was eyeing to invest around \$100 billion in coastal areas of Balochistan. However, their representatives informed the NA panel that they purchased 25,000 acres of land in the coastal areas but there were different requirements for no objection certificates (NOCs) which they could not secure despite running from pillar to post. The Chinese company intended to establish a smart city in the coastal areas. It was informed during the proceedings of the NA panel that the CCP was dysfunctional because four posts of members were fallen vacant for quite some time and only the chairperson of the CCP was performing. Special Secretary Finance Awais Manzoor told the committee that the government received 186 applications, out of which, 114 were short-listed. Now the Minister for Finance along with a panel is to conduct interviews of dozens of eligible candidates for selection of four members of the CCP.

However, the Chairperson CCP, Rahat Kaunain, informed the committee that the decisions against the powerful sector could not yield any results because they secured stay orders from the courts. When the chairman of the committee inquired her about the solution, she replied that the financial matters need to prioritise as it took 10 years to get a hearing of the cases without getting any desired results. The CCP issues orders against powerful and well-connected sectors but they immediately get a stay order from High Court.

## **RAISING POLICY RATE WAS NOT IMF'S DEMAND, DISCLOSES SBP CHIEF**

ISLAMABAD: In a surprise, State Bank of Pakistan (SBP) Governor Jameel Ahmad told a parliamentary panel that the recent increase of 300 basis points in its policy rate was a decision of the Monetary Policy Committee (MPC) of the central bank and not done on the demand of the International Monetary Fund (IMF). Testifying before the Senate Standing Committee on Finance and Revenue, the SBP governor reported its latest foreign exchange reserves at \$4.3 billion, following inflows of about \$1.5bn over the past one and a half weeks. He said the remittances from overseas Pakistanis and exports had dropped in recent months and projected the average rate of inflation for the current fiscal year at about 26.5pc.

The immediate increase in the central bank's policy rate in line with the headline inflation was one of the key requirements of the IMF that had been widely reported in the national and foreign media for weeks even though the central bank kept publicly insisting to stick to its pre-set MPC meeting on March 16. It, however, had to suddenly advance the meeting by two weeks to March 2 to raise its policy rate by 300bps to 20pc. Mr Ahmad told the meeting, presided over by Senator Saleem Mandviwalla, that the economy had been under pressure since the start of the current fiscal year. The key challenges at present remain the high rate of inflation and external financing. He said the current account deficit was estimated at \$10bn at the start of FY23 but would now stand at \$7bn — as estimated by the IMF unlike Finance Minister Ishaq Dar insisting the deficit at \$5bn.

Senators taunted the governor that containing the current account gap through restrictive measures should not be considered an achievement when the people were facing problems in getting compulsory medicines while the import of luxury vehicles continued. The governor, however, contested saying the automobile imports had taken place through an arrangement of foreign exchange from abroad.

The governor conceded that the continuous deficit of the economy was due to the policy-induced slowdown in response to monetary policy tightening and administrative measures to counter inflation and address external challenges.

### **Dollars' smuggling**

The committee directed the SBP chief to take solid measures to completely curb the black marketing and smuggling of dollars as it was his responsibility to control and maintain the real dollar rate.

Senators pointed out that there were reports that heavy consignments of foreign exchange were being smuggled every year and sought details of dollars smuggled to Afghanistan in the recent period. It was also noted that high interbank rates had promoted the hundi and black money business. Besides the decline in remittances, the SBP representatives also told the committee that there was also a 7.4pc decline in exports and the major drop was in food exports, particularly rice which saw a 12pc reduction. Vegetables and fruit exports declined by 48pc and 37pc, respectively.

The committee while discussing the matter of refusal of letters of credit (LCs) to importers of pharmaceutical ingredients with a special issue of the packaging industry was informed that most of the LCs were being opened. Similar issues are being faced by Dawlance and Hayat Kimya on which the SBP assured that as soon as the balance of payments situation is improved, banks will be in a better position to facilitate full import transactions.

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## **GOVT PLANS TO TRANSFER NANDIPUR ASSETS TO PSO: SETTLEMENT OF SOME OUTSTANDING DUES OF OIL MARKETING COMPANY**

ISLAMABAD: The government has planned to place assets of Nandipur power plant (NPP) in a separate entity in order to hand over its controlling interest to Pakistan State Oil (PSO) for paying some of its outstanding dues. This will help the cash-starved PSO, the country's largest oil marketing company, to reduce its huge circular debt receivables.

Finance Division, in an office memorandum, said that it had considered the proposal in a draft summary and the proposed transaction was meant to settle PSO's claims of receivables against NPP and Guddu Power Plant (GPP).

However, it stated that the summary proposed the transfer of Gujranwala Electric Power Company's (Gepco) controlling interest, instead of GPP, in deviation from the federal cabinet's decision.

"The Ministry of Energy (Petroleum Division) may, therefore, provide justification for proposing Gepco, instead of GPP, for the purpose," the Finance Division said, adding that the proposed NPP transaction structure suggested that "the government would carve out assets of the power plant in a separate entity", after clearing all its active and contingent liabilities.

It pointed out that the financial impact of clearing all liabilities of NPP and GPP was not available for comparative evaluation while Power Division's comments on the proposal may also be shared.

According to sources, the Petroleum Division had prepared a summary for seeking approval of the Economic Coordination Committee as well as the cabinet.

It sought comments of the Finance Division on the transfer of shares to clear PSO's dues, which had piled up to an all-time high due to failure of mainly power producers and Sui Northern Gas Pipelines Limited (SNGPL) to make payments on time.

PSO's receivables from its clients have crossed Rs762 billion. Of this, SNGPL is a key defaulter that has to pay Rs487 billion on account of LNG supply by PSO.

Since 2015, PSO has been importing LNG from Qatar under a long-term government-to-government contract and is bound to make timely payments.

However, the receivables against LNG supply to SNGPL continued to pile up with the passage of time and reached around Rs487 billion. It included exchange loss of Rs6.7 billion that PSO claimed due to depreciation of the rupee.

On the other hand, SNGPL had been supplying LNG to domestic consumers in the wake of directives of the federal government to overcome gas crisis over the past few winter seasons. However, it was not able to recover consumer dues owing to the lack of any legal backing for the arrangement.

The previous PTI government, in its tenure, passed a bill in parliament that called for the recovery of entire LNG cost from consumers, including the domestic ones, by adding it to the average gas price. However, it drew opposition from provinces like Sindh, Balochistan and K-P, who contended that they could not subsidise the consumers of Punjab.

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## **SECP ISSUES UPDATED LIST OF 25 ‘ACTIVE INSURANCE BROKERS’**

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has issued an updated list of 25 ‘Active Insurance Brokers’ as on February 8, 2023, according to the data released by the SECP on Wednesday.

The SECP has also issued the status of their licenses either active or expired, etc. According to the SECP, the Active Insurance Brokers’ list included Risk Management Services (Pvt) Limited; Unique Insurance Brokers (Pvt) Limited; Shahenshah Insurance Brokers (Pvt) Limited (formerly Insurance Brokers (Pvt) Ltd); Fidelity Insurance Brokers (Pvt) Limited; Crescent Global Pakistan (Pvt.) Limited; Milvik Mobile Pakistan (Pvt) Limited; Fairwater Risk Consultants & Insurance Brokers (Pvt) Limited; Greenshield Insurance Brokers (Pvt) Limited; Microensure Pakistan (Pvt) Limited; Excel Consulting (Pvt) Limited; Naya Jeevan Health Quest (Pvt) Limited; Prudential Insurance Brokers (Pvt) Limited;

Royal Syndicate Insurance Brokers (Pvt) Limited; Risque Insurance Brokers & Advisory Services (Pvt) Limited; Insurance Brokers (Pvt) Limited; Anzer Insurance Brokers (Pvt) Limited; Hellenic Sun Insurance Brokers (Pvt) Limited; M-Liberty Insurance Brokers (Pvt) Limited; Waada Digital (Pvt) Ltd; Karwan-e-Shifa Insurance Brokers (Pvt) Ltd; Inxurehub (Pvt) Ltd; Insurance Bazaar (Pvt) Ltd; Nationwide Insurance Brokers (Pvt) Ltd; Insuressi Broker (Pvt) Limited and Habib Risk Consultants (Pvt) Limited.

## **INTERNATIONAL WOMEN’S DAY: SECP PLEDGES TO IMPROVE WOMEN REPRESENTATION IN CORPORATE SECTOR**

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) celebrated International Women’s Day with a pledge to continue efforts to improve women representation in the corporate sector of Pakistan.

Former SECP Commissioner Sadia Khan graced the occasion as the chief guest. In her address, she highlighted three things that working women need to adapt to succeed in the professional landscape. “Use your strengths to your benefit. Be courageous, be kind, and make sure that you build a network of supportive colleagues and friends.” She insisted upon the need for driving change through collective action.

SECP Chairman Akif Saeed, in his concluding address said, “I firmly believe that women are ready for change; it’s the society that needs to prepare itself, and I am proud to say that SECP, as an employer, is spearheading that change with women accounting for 38% of senior management and 51% of new recruitments.” As a result of SECP’s measures directly aimed at promoting diversity and inclusivity, 6,295 companies registered since January 2015 are headed by Pakistani women as chief executive officers; 87% of listed companies now have women directors on board; 2,364 women-owned businesses have availed of financial facilities through the Secured Transaction Registry and 72% of non-banking microfinance companies are women.

Moreover, SECP’s digitization reforms and measures to improve the ease of doing business have also facilitated women by removing mobility hindrances and offering better control over businesses. These include a fully automated company registration process and the issuance of digitally certified true copies. Additionally, the Chairman SECP announced to resume women’s entrepreneurship support programmes along with the revival of the investor education department.

SECP remains geared toward promoting women’s inclusion in the corporate sector as well as facilitating easier access to finance and investment opportunities for women.

## **NAB CASES: SC DISPOSES OF SUO MOTU ON ‘VOLUNTARY RETURN’**

ISLAMABAD: The Supreme Court disposed of the suo moto on the voluntary return under Section 25(a) in the National Accountability Bureau (NAB) cases.

A three-judge bench, headed by Chief Justice Umar Ata Bandial and comprising Justice Sayyed Mazahar Ali Akbar Naqvi and Justice Ayesha Malik, on Wednesday, heard the cancellation of bails of Muhammad Safdar and Muhammad and the suo moto, which the former chief justice Anwar Zahir Jamali had taken in 2016 to examine the vires of section 25(a) of National Accountability Ordinance (NAO), 1999.

Justice Jamali had taken suo moto on the basis of a two-judge bench, in Civil Appeal No82-K of 2015 had passed an order that the vires of Section 25(a) of NAO, 1999, authorising the NAB chairman to accept the offer by a person of voluntary return of money, illegally earned by him, needed to be examined at the touchstone of the constitution.

According to the NAB report, which it had submitted in September 2016, before the apex court, 1,584 civil servants entered into voluntary return and deposited Rs2,022 million. Out of that 165 servants were from the federal and 1,419 were the employees of all the provincial governments. During the proceeding, the additional attorney general informed that Section 25(a) is an offence in the National Accountability (Second Amendment) Bill, 2022. He said whatever the sentence is for plea bargain would also apply to voluntary return, adding after the voluntary return the accused would be banned to hold a government position for 10 years.

The NAB prosecutor requested that the cases of Muhammad Safdar and Muhammad Ejaz be heard after the judgment on the NAB Amendments case. The chief justice said all the amendments have not been challenged. The CJP noted that lacuna in the law in this regard has been removed, adding this is a good amendment. A two-member bench order in 2015 ruled: “This provision prima facie is in conflict with the provision of Constitution, where such power can only be exercised by a judicial forum as after payment of voluntary return, the person goes scot-free without any stigma on his career and can contest the elections and or can continue in public office, as the section does not provide any disqualification, as against the disqualification provided under Section 25(b) of the NAB Ordinance.”

The court also stated that there was no yardstick provided in the NAB Ordinance and the rules framed determining the amount of voluntary return. It also noted that once an accused, who plundered colossal sums of money, deposited a portion of the amount, that too in instalments, he stood discharged from all his liabilities in respect of the transaction and went back to join his job. “This frequent exercise of powers of ‘voluntary return’ by the NAB chairman has in fact multiplied corruption on the one side and defeated the object of the NAB Ordinance on the other side,” the order said.

The court observed that the provisions of Section 25(a) were not meant to allow corrupt public servants to get a clean chit from NAB authorities by paying a portion of the embezzled money. “What is more shocking for us is that no departmental proceedings are initiated against any of such accused, who entered into voluntary return.”

## **‘INDIA’S MONEY LAUNDERING RULES TO APPLY TO CRYPTO TRADE’**

MUMBAI, March 8 (Reuters) - India’s money laundering laws will apply to trade in crypto currencies, the federal government said in a notification dated March 7. The exchange between virtual digital assets and fiat currencies, the exchange between one or more forms of virtual digital assets and the transfer of digital assets will be covered under money laundering laws, the notification said. The safekeeping or administration of virtual digital assets and the participation in financial services related to the offer and sale of virtual digital assets will also be covered, the notification added.

India is yet to finalise legislation and regulations surrounding crypto currencies even as the country’s central bank has cautioned against their use multiple times.

The Reserve Bank of India has said that crypto currencies should be banned as they are akin to a Ponzi scheme. Extending India’s money laundering rules to crypto currencies will give authorities greater authority in monitoring the transfer of these assets beyond the country’s borders. The Narendra Modi-led administration, as part of its leadership of the G-20 forum, has been pushing for a wider global agreement on dealing with the risks brought on by crypto currencies.